ACCOUNTING POLICIES

i) Accounting Convention

The financial statements have been prepared under the historical cost convention, as per provisions of the Companies Act, 1956, and after taking into account the applicable guidelines issued by the Reserve Bank of India to Non-Banking Financial Companies from time to time and in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

ii) Fixed Assets

Fixed Assets (including assets given on lease up to 31.3.2001) have been stated at cost less accumulated depreciation and impairment if any. Cost refers to the cost of acquisitions.

iii) Investments

Long terms investments are valued at cost. Cost refers to the actual cost of acquisition / carrying cost. Provisions for diminution in value, if any, are made if the decline is of permanent nature. Current Investments are valued at a lower cost or market value.

iv) Repossessed Vehicles

Repossessed vehicles in hand are valued at the Principal or Principal and Interest amount due from hirers or at net realizable value, whichever is lower.

v) Assets are given under a finance lease

Assets are given under finance lease w.e.f. 1st April 2001 are recorded as receivables and shown under current assets. Finance income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs incurred are charged to the Profit & Loss Account.

vi) Depreciation

(a) Depreciation on office equipment and generators, owned by the Company, is provided on written down value method at the rate, as per the Income Tax Act, 1961. Depreciation on other owned assets is provided on written down value method, at rates prescribed under Schedule XIV to the Companies Act 1956.

(b) Assets given on lease prior to 31st March 2001 and included under 'Assets on Lease' in the Fixed Asset Schedule are depreciated on straight-line method at rates prescribed under Schedule XIV to the Companies Act 1956 except machinery which is depreciated on written down value method at the rates as per the Income Tax Act 1961.

vii) Classification of Assets and Provisioning

Assets are classified into Performing and Non-Performing categories based on their record of recovery as prescribed by the Reserve Bank of India's Prudential Norms and after considering adjustments affected, if any. Provisions are being made as per the Reserve Bank of India's Prudential Norms.

viii) Revenue Recognition

a) Finance Charges on hire purchases/ loans against hypothecation contracts and income from finance lease transactions are computed using the Internal Rate of Return Method which ensures a constant periodic rate of return on the net finance amount outstanding.

b) Lease Rentals are accounted for as per the terms of lease agreements. However, in compliance with the Guidance Note on "Accounting for Leases" issued by the Institute of Chartered Accountants of India, and applicable to transactions entered into prior to 01.4.2001, the differential between the Capital Recovery Component comprised (based on the Internal Rate of Return Method) in the lease rentals and the depreciation referred to in Para 6(ii) above, (for all assets acquired on or beginning from 1st April 1995 from the accounting year 1995-96 and in respect of assets acquired upto 1.4.1995 prospectively from the accounting year 1996-97) is carried to "Lease Equalisation" in the Profit & Loss Account.

c) Income from Non-Performing Assets is recognized when realized.

d) Bill Discounting Charges are accounted for on an accrual basis except in the case of Non-Performing Assets, wherein it is recognized on a realization basis.

e) Overdue charges from hirers/lessees are accounted for on a realization basis in view of significant uncertainties.

f) Interest income recognized on an accrual basis.

g) Dividends in accounted for on an accrual basis when the right to receive dividends is established.

ix) Retirement Benefits

a) The liability on account of Gratuity is provided on the basis of actuarial valuation at the year's end.

b) Provident Fund contribution for all employees is charged to revenue each year.

x) Deferred Tax

Deferred Tax is recognized, subject to consideration of prudence, on timing differences, representing the difference between the taxable income/ (loss) and the accounting income/ (loss) that originated in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred Tax assets viz. unabsorbed depreciation and carry forward losses are recognised if there is 'virtual certainty' that sufficient future taxable income will be available against which such deferred tax assets can be realized.

xi) Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain impairment based on internal/external factors. An impairment loss is recognized when the carrying amount of an asset exceeds its realizable value. The realizable value is greater than the asset's net selling price and value in use.

xii) Provisions, Contingent Liabilities, and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

a) the Company has a present obligation as a result of a past event,

b) a probable outflow of resources is expected to settle the obligation and

c) the amount of obligation can be reliably estimated.

Reimbursements expected in respect of expenditure required to settle a provision are recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

a) a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation.

b) a possible obligation, of which the probability of outflow of resources is remote.

Contingent Assets are neither, recognized nor disclosed.

Provisions, Contingent Liabilities, and Contingent Assets are reviewed at each Balance Sheet date.