SCHEDULE 17- SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention with the exception of freehold land which has been revalued,on the accrual basis of accounting in accordance with the provisions of the Companies Act,1956, and comply with the Accounting Standards and subsequent interpretations issued by Institute of Chartered Accountants of India ('ICAI') to the extent applicable.

The financial statements are prepared in accordance with accounting principles generally accepted in India which requires management to make estimates and assumptions that affect the reported amounts of assets,liabilities,revenues and expenses and disclosure of contingent liabilities.The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

II. FIXED ASSETS

1 Cost of fixed assets comprises of purchase price,duties,levies,and any directly attributable cost of bringing each asset to its working condition for the intended use.

2 Financing costs relating to deferred credits or borrowed funds attributable to the acquisition of fixed assets upto the completion of construction or acquisition of fixed assets are included in the gross book value of the asset.

3 Cenvat credit availed for excise duty and countervailing duty availed for customs duty payments made on fixed assets is reduced from the cost of fixed assets.

4 In view of Accounting Standards Interpretation (ASI) 2 "Accounting for Machinery Spares" issued by ICAI during the current year, the Company has capitalised machinery spares which are specific to a particular item of fixed asset and depreciated over the residual useful life of the asset. In the previous years, such spares were included in inventories and charged off to the Profit and Loss Account on consumption.This has resulted in increase in fixed assets and decrease in inventories as at 31 December,2002 by Rs.4,110 Thousands and increase in the depreciation charge for the year by Rs.695 Thousands,leading to decrease in the profit for the year ended 31 December,2002 and reserves as at 31 December, 2002 by Rs.695 Thousands.

III. DEPRECIATION

1 Depreciation on plant & machinery (except air conditioning plants) acquired prior to 31.03.90 is provided on Written Down Value method and on plant and machinery acquired after 01.04.90 on Straight Line method at the rates and in the manner prescribed as per Schedule XIV of the Companies Act, 1956.

2 Depreciation on other assets (except those specified in (4) below) is provided on Written Down Value method as per the rates and in the manner prescribed in Schedule XIV of the said Act.

3 Depreciation on exchange fluctuations capitalised to fixed assets is provided over the residual useful life of the fixed assets. Depreciation on additions/deletions to fixed assets is provided prorata from the date of addition/till the date of deletion.

4 Depreciation on the following assets is provided as under :

Asset	Method of Depreciation	Rate
Air conditioning plants	Straight Line method	10.34%
Window air conditioners	Written Down Value method	20.87%
Administrative buildings	Written Down Value method	10.00%
Electrical fittings	Straight Line method	10.34%
Computers	Straight Line method	25.00%
EPABX Systems,Photocopiers and		
Fax Machines	Written Down Value method	25.00%

IV. FOREIGN CURRENCY TRANSACTIONS

1 Foreign currency current assets and current liabilities outstanding at the balance sheet date are translated at the exchange rates prevailing on that date and the net gain or loss is recognised in the profit and loss account.

2 Foreign currency translation differences relating to liabilities incurred for acquiring fixed assets are adjusted in the carrying cost of fixed assets. All other foreign currency gains and losses are recognised in the profit and loss account.

3 The cost of forward exchange contracts is amortised over the period of the contracts.

V. INVENTORIES (Refer II.4 above)

1 Inventories are valued at lower of cost and net realisable value.

2 The cost of manufactured inventories is the direct cost of manufacture plus appropriate allocated overheads.

3 The cost of bought out inventory is computed using the Weighted Average method.

4 The cost of base shells, which are classified as loose tools,is amortised over a period of 8 years from the year of purchase, in respect of purchases made subsequent to 30th June ,1999. Unamortised costs of base shells existing as at 30th June 1999 are amortised over a period of 4 years.

VI. REVENUE RECOGNITION

1 Revenue from sale of manufactured goods is recognised on despatch to customers.

2 Gross sales are inclusive of Sales Tax and Excise Duty.

3 Sales returns are accounted for in the year of return.

4 Inter unit transfer of materials/labour jobs are made at prices agreed between the units.

5 Dividend income is recognised when the right to receive dividend is unconditional at the balance sheet date.

6 Interest on investments is accounted on a time proportion basis taking into account the amounts invested and the rate of interest.

VII. RETIREMENT BENEFITS

Contribution to defined contribution schemes such as Provident fund and Family pension fund are charged to the profit and loss account as incurred. The company also provides for gratuity, which is a defined benefit scheme, and for leave encashment on retirement, based on valuation by an independent actuary at the balance sheet date.

VIII. INVESTMENTS

Long term investments are valued at cost and an appropriate provision is made for diminution, which is other than temporary, in their value.

IX. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure of a revenue nature is charged off in the year in which it is incurred and expenditure of a capital nature is capitalised to fixed assets.

X. DEFFERED REVENUE EXPENSES

Issue Expenses

Share issue expenses are amortised over a period of 10 years from the year of issue, in line with Section 35D of the Income-Tax Act, 1961. However issue expenses incurred after 31st March 1998 are amortised over a period of 5 years from the year of issue. Expenses incurred to raise debt are amortised over the period of the debt.

Other Deferred Revenue Expenses

Non compete fees paid are amortised over a period of 10 years commencing from July 1999 which represents the period of restriction.

Specialised Software is amortised over a period of 36 months commencing from the month in which such expenditure is incurred. All upgradations/enhancements are generally charged to profit and loss account, unless they bring significant additional benefits.

Voluntary retirement scheme compensation is amortised over the expected benefit period of 36 months commencing July,2001.

XI. TAXATION

1 Provision is made for income tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income-Tax Act, 1961.

2 Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize.

3 In accordance with AS 22 issued by the ICAI, the Company accounted during year ended 31st December, 2001 for deferred tax expense/credit on all timing differences existing between accounting and taxable income including timing differences which originate and reverse during the tax holiday period.

However, as per Accounting Standards Interpretation 3 issued by ICAI in the current year, deferred tax in respect of timing differences, which originate and reverse during the tax holiday period should not be recognised in the books.

Further, deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period should be recognised in the year in which the timing differences originate.

In accordance with the above interpretation, the Company is required to create a deferred tax asset in the last year of the tax holiday period that originates in the last year but reverses after the tax holiday period.

The above change has resulted in write back of Rs.63,703 Thousands of additional deferred tax liability created in the first year of adoption i.e.year ended 31st December, 2001 through charge to General Reserve thereby resulting in increase in General Reserve and a corresponding decrease in deferred tax liability.Further this has also resulted in additional charge of Rs.5,088 Thousands pertaining to the year ended 31st December, 2001 and a corresponding decrease in profit after tax for year ended 31 December,2002 and reserves as at 31 December,2002.

XII. LEASES

1 Leasing charges paid/received for all leases entered prior to 1st April 2001 are charged/credited to profit and loss account.

2 Leasing charges paid/received for Operating leases entered after 1st April 2001 are charged/credited to profit and loss account.

3 Finance leases entered after 1st April 2001 are capitalised as fixed assets and finance cost is charged to profit and loss account.