SALES/REVENUE

Revenue from sale of goods (Turnover) may be defined as amounts invoiced during the period for supply of goods and services falling within the Company's ordinary activities after deductions of trade discount, and excluding sales tax and similar sales related tax if any.

The amount of revenue from sale of goods arising on a transaction is determined by the agreed amount between the Company and the buyer or user of the assets and is measured at the fair value of the consideration received and receivable taking into account the amount of any trade discount allowed to the customer.

Revenue from sale of goods is recognized only if the following conditions are satisfied:

- The Company has transferred to the buyer the significant risk and reward of the ownership of the goods.
- The Company retains neither continuing managerial involvement to the degree associated with the ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transactions will flow to the Company.
- Cost incurred/or to be incurred in respect of the transaction can be measured reliably.

Revenue from service is recognised when the outcome of the transaction involving rendering of service can be estimated reliably. Revenue associated with the transaction should be recognised with reference to the stage of completion of the transaction at the balance sheet date.

REVENUE RECOGNITION POLICY OF COMPANY

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.

SALES POLICY

The company has formed a committee comprising CEO, Executive Director (ED), Chief Financial Officer or/and any other officer authorized by CEO or ED. These members will meet on fortnightly basis and take decisions relating to sales of sugar, ethanol and all other goods and services of the company and determine price of sugar, ethanol and all other goods and services.

While taking such decisions, the committee may take all necessary measures or incur all such expense incidental for the attracting and boosting sales of the company.

SALES PROCEDURE

Sales of the company have been bifurcated in the following four segments for management reporting purposes:

- Sugar
- Ethanol
- Tank Terminal
- Chemical and alloys and power
- Other goods

Sugar

1. Every deal must be signed by CEO or Executive Director.

2. DOs will be issued only after ensuring that payment has been received in the bank account of the Company.

3. In case of DOs issued on exceptions such as payment not received or in any other circumstances, this must be approved by CEO, Executive Director (ED), Company Secretary or in their absence any other officer authorized by CEO or ED for this purpose.

4. All the DOs must be signed by one member from category A and one member from category B. The details of which are:

Category A	**Category B**
Sales manager (Responsible for the job)	Treasury manager (Responsible for the job)
CEO / Executive Director	Chief Financial Officer

4.1 If responsible person is on leave or absent, the other authorized person will sign the DOs. However, in this case, the responsible person after joining his job will recheck and sign all DOs prepared during his absence.

5. The following details should be rechecked by the responsible person from category B (Treasury manager):

5.1 Where the payment received through cheques, the responsible person is required to check the said payment in the bank statement and reconcile the DOs issued against the said cheques by checking name of party, quantity in deal & DO and the balance amount (if any).

5.2 Where the payment received through direct transfer, the responsible person is required to ask the deposit slip from the party and confirm the quantity sold with DOs issued to the said party.

6. The sales department is primary responsible for each and every information mentioned in DO and ensure completeness of payment records.

7. All DOs on which material has been delivered must be stamped “GOODS DELIVERED” by finance manager (SITE) (or deputy finance manager (SITE) in his absence) on the original copy of DOs and properly maintain file of all such DOs in sequential form.

8. Finance manager (SITE) match the carbon copy of DO delivered to SITE with original DO and ensure that all the details and signature are same in original and carbon copy.

9. There should be a copy of DO attached with Sales Supply Order (SSO) and manager godown (SITE) is responsible to check and match the details in SSO with copy of DO.

10. In case of partial deliveries in part against a DO, Finance manager should send a list of those DOs on which deliveries have been made in part and the remaining quantity to be delivered.

Ethanol

The following procedures should be observed while delivering/dispatching ethanol:

1. The export manager must prepare a deal in prescribed format for all local and export sales and get it signed from CEO, Executive Director (ED), Company Secretary or in their absence any other officer authorized by CEO or ED for this purpose.

2. DOs will be issued only after ensuring that payment has been received in the bank account of the Company.

3. DOs issued on exceptions must be approved from CEO, Executive Director (ED), Company Secretary or in their absence any other officer authorized by CEO or ED for this purpose.

4. All the DOs must be signed by one member from category A and one member from category B. The details of which are as follows:

Category A	Category B
Export manager (Primary responsible)	Treasury Manager (Responsible for the job)
Assistant export manager (Responsible in absence)	Chief Financial Officer
CEO / Executive Director	

   4.1 If responsible person is on leave or absent, the other authorized person will sign the DOs. However, in this case, the responsible person after joining his job will recheck and sign all DOs prepared during his absence.

5. The following details should be rechecked by the responsible person (Treasury manager):

   5.1 Where the payment received through cheques or pay order, the responsible person is required to check the said payment in the bank statement and reconcile the DOs issued against the said cheques by checking name of party, quantity in deal and DO and the balance amount (if any).

   5.2 Where the payment received through direct transfer, the responsible person is required to ask the deposit slip from the party and confirm the quantity sold with DOs issued to the said party.

   5.3 In case of proceeds against export sales, the responsible person should confirm from the bank regarding the receipt of payment. Follow-up should be made from the broker/party where the payment is not received on agreed date.

6. The export department is primary responsible for each and every information mentioned in DO and ensure completeness of payment records.

Tank Terminal

1. Rental income of terminal is billed in accordance with terms and conditions mentioned in the agreement by sales department.

2. Decanting charges are billed on monthly basis after receiving signed copy of daily dispatch schedule from general manager tank terminal by sales department.

3. Sales department is responsible for making follow-up of receipts from the tenant.

Other Goods

1. Sales of other goods are made in accordance with the arrangement with parties with the authorization of CEO, Executive Director (ED), Company Secretary or in their absence any other officer authorized by CEO or ED for this purpose.

2. The department so authorized is responsible for making follow-up of receipts from the buyer.

TYPE OF SALES

There are two types of sales:

1. Sales On Advance Payment

In this type of sales customers may pay by pay order, crossed cheque, demand draft or intimate direct transfer into company's bank account to the sales staff. Receipts of cheque/pay order/demand draft are recorded in Oracle after payment deposited into the Company's bank account.

2. Credit Sales

Credit sales are administered by credit policy. Credit limit for each customer is assigned after evaluation and approval of Credit Committee. Credit Committee comprise of CEO, Executive Director (ED), Company Secretary or in their absence any other officer authorized by CEO or ED for this purpose.

ACCOUNTS RECEIVABLE

Credit Period

The Company has a policy to recover all accounts receivables arising from local sales within a period of 30 days. In case of export, the accounts receivable are collected according to term and conditions defined in the agreement with the customer.

The Company has authorized the Management to set recovery period in special cases or to give extension to some customers according to the business relationship and creditworthiness of the customers.

Business Process Description

A payment due to AASML from any sales is considered as A/R. On a periodic basis, no less frequently than monthly, the accountant generates a report of all invoices that have not been paid in full. The follow-up is prioritized by the number of outstanding days (i.e. follow-up begins with oldest invoice). However, other criteria for prioritization are considered, such as the invoice amount (i.e., greater priority to higher invoices) and customers (i.e., follow-up with customers who have a history of payment on time). The sales/export department is responsible for discussing a payment schedule directly with the customers.

The following milestones provide the necessary and appropriate measures to address delays in collection of accounts receivable.

- **Invoices 3 Months Past Due:**

The responsible accountant contacts the customer regarding the status of the outstanding payment(s). Following this initial contact, the accountant follows-up with the sponsor on a weekly basis until payment is received.

- **Invoices 6 Months Past Due:**

The sales department contacts the customer regarding the status of the outstanding payment(s) over 6 months past due. The management develops a payment plan for the outstanding payment.

- **Invoices 1 Year Past Due:**

The sales department discuss provisioning of accounts receivable with the Management over 1 year past due. After a review of the files and documentation related to the follow-up conducted, percentage of provisioning is determined.

Provisioning for Doubtful Debt

Trade debts are recognised and carried at original invoice amount less a provision for impairment. A provision is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of receivables.

General provisions for doubtful debt is made on the basis of the age of the debt at the following rates, where as specific debt considers doubtful are provided in full:

DEBTORS AGING	**RATE OF PROVISION**
Overdue upto 90 days	Nil
Overdue upto 180 days	85%
Overdue over 180 days	100%

The finance department is responsible to ensure that the financial impact of the Sales/Revenue is reflected fairly in the financial statments of the Company. Following are reviewed by management periodically to minimize exposure:

- Aging of receivables.
- Disputed receivables and the action items to redress disputes.
- The number and amount of, and reason for issuing, credit notes.
- Status of accounts under litigation.
- Related initiatives (if any) that may be in progress e.g. early payment discount promotion/programme.

Debtors Write-off

Debtors which are considered to be uncollectible are written off with the approval of Board of Directors. The following factors are considered in taking the decision:

- Bankruptcy/liquidation of the customers
- Aging of the debts
- Efforts made to collect the debt including the legal notice/action through civil courts etc.
- Dead customers
- Disputed amount
- Long outstanding amount in respect of tax challan.