

**IN THE INCOME TAX APPELLATE TRIBUNAL
BANGALORE BENCHES "B", BANGALORE**

Before Shri George George K, JM & Shri Laxmi Prasad Sahu, AM

IT(TP)A No.231/Bang/2021 : Asst.Year 2016-2017

M/s.Airlinq Technology Pvt. Ltd. (Formerly known as Globe Touch Technologies Private Limited) 306, 100 Feet Road, Binna Mangala Stage – 1, Indiranagar Bangalore – 560 038. PAN : AAFCG7626L.	v.	The Deputy Commissioner of Income-tax, Circle 3(1)(1) Bangalore.
(Appellant)		(Respondent)

Appellant by : S/Sri.Ajit Kumar Jain & Siddesh Chaugule, CAs

Respondent by : Dr.Manjunath Karkihalli, CIT-DR

Date of Hearing : 21.07.2022	Date of Pronouncement : 28.07.2022
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ORDER

Per George George K, JM :

This appeal at the instance of the assessee is directed against final assessment order dated 29.03.2021 passed u/s 143(3) r.w.s. 144C(13) of the I.T.Act. The relevant assessment year is 2016-2017.

3. The brief facts of the case are as follows:

The assessee was incorporated on 15.10.2014 as a wholly owned subsidiary of Globetouch Inc, USA. The assessee is engaged in the business of rendering software development services (SWD) to Globetouch Inc. For the assessment year 2016-2017, the return of income was filed declaring an income of Rs.4,23,01,510 under the normal provisions of the Income-tax Act. The assessment was selected

for scrutiny and notice u/s 143(2) of the I.T.Act was issued. During the course of assessment proceedings, the matter was referred to the Transfer Pricing Officer (TPO) to determine the Arm's Length Price (ALP) of the international transactions entered by the assessee with its Associated Enterprises (AEs). The TPO, vide his order dated 24.10.2019, passed u/s 92CA of the I.T.Act proposed the Transfer Pricing adjustment of a sum of Rs.2,37,17,678 in respect of SWD segment. Pursuant to the TPO's order, draft assessment order was passed incorporating the above TP adjustment. The assessee preferred objections before the Dispute Resolution Panel (DRP). The DRP vide its directions dated 26.03.2021, disposed of the objections of the assessee. Pursuant to the DRP's directions, the TP adjustment was marginally reduced to Rs.2,27,47,410. Consequent to the DRP's directions, final assessment order was passed on 29.03.2021.

4. Aggrieved by the final assessment order, the assessee has filed the present appeal before the Tribunal. Several grounds are raised by the assessee. However, during the course of hearing, the learned AR had only pressed grounds 2.4, 2.5, 2.7, 2.8 and 2.13. The above grounds read as follows:-

“2.4 On the facts and in the circumstances of the case and in law, the learned AO / NeAC and the learned TPO erred in arbitrarily accepting companies without appreciating huge differences in the turnover and size of the Appellant and alleged comparables and the Hon'ble DRP further erred in upholding / confirming the action of the learned AO / TPO.

2.5 On the facts and in the circumstances of the case and in law, the learned AO/NeAC and the learned TPO erred in accepting companies which are functionally non-comparable, having significant onsite operations, extraordinary events and based on application of stringent export turnover filter, related party transactions filter etc. The Hon'ble DRP further erred in upholding / conforming the action of the learned AO/TPO.

2.7 On the facts and in the circumstances of the case and in law, the learned AO/NeAC and the learned TPO erred by rejecting the companies are selected by the Assessee based on the contemporaneous data in the transfer pricing study report maintained as per section 92D of the Act read with Rule 10D of the Income-tax Rules, 1962 ('the Rules') alleging arbitrary reasoning and Hon'ble DRP further erred in upholding / conforming the action of the AO / TPO.

2.8 On the facts and in the circumstances of the case and in law, the learned AO/NeAC and the learned TPO erred in not allowing appropriate adjustments on account of differences in working capital, risk profile and other differences and Hon'ble DRP further erred in upholding / conforming the action of the learned AO / TPO.

2.13 On the facts and in the circumstances of the case and in law, the learned AO/NeAC and the learned TPO erred in not giving effect correctly to Hon'ble DRP's directions and inadvertently determined Arm's Length Price Net Cost Plus markup ('NCP markup') as 27.66% instead of 25.60%. The learned AO has failed to rectify the mistakes as apparent from record basis the rectification application dated 26 April 2021 filed by the appellant."

We shall adjudicate the above grounds as under:

Ground 2.4

5. The final list of comparables retained after the DRP's order along with their PLI margin are as under:-

Sl. No.	Name of the company	Weighted Average
1.	Kals Information Systems Pvt.Ltd.	8.31%
2.	Rheal Software Pvt. Ltd.	14.50%

3.	C.G-V A K Software & Exports Ltd.	16.71%
4.	Mindtree Limited	20.61%
5.	R S Software (India) Limited	20.87%
6.	Nihilent Limited	26.36%
7.	Larsen & Toubro Infotech Ltd.	27.12%
8.	Inteq Software Pvt. Ltd.	28.20%
9.	Persistent Systems Ltd.	30.89%
10	Infobeans Technologies Ltd.	32.42%
11	Aspire Systems (India) Pvt. Ltd.	34.65%
12	Thirdware Solution Ltd.	34.65%
13	Infosys Limited	38.61%
14	Cybage Software Pvt. Ltd.	65.84%
	35 th Percentile	20.87%
	Median	27.66%
	65 th Percentile	32.42%

6. The computation of adjustment in SWD Segment as per the DRP's directions are as follows:-

Particulars	As per DRP's directions
Taxpayers operating cost	17,96,79,377
Taxpayers PLI	15.00%
35 th Percentile Margin of comparable set	20.87%
Adjustment Required (if PLI<35 th Percentile)	Yes
Median Margin of comparable set	27.66%
Arm's Length Price	22,93,78,693
Price Received	20,66,31,283
Shortfall being adjustment	2,27,47,410

7. In ground 2.4, the assessee is seeking application of upper turnover filter and thereby exclusion of seven companies. According to the learned AR, since a lower turnover filter has been applied, the TPO / DRP ought to have applied a higher turnover filter to exclude the following companies:-

(i) Nihilent Limited

- (ii) Larsen & Toubro Infotech Limited
- (iii) Persistent Systems Limited
- (iv) Aspire Systems (India) Private Limited
- (v) Thirdware Solution Limited
- (vi) Infosys Limited
- (vii) Cybage Software Private Limited.

8. The learned DRP has rejected the objections of the assessee by observing that turnover does not have an influence on the margins of the company as far as the service sector is concerned. The learned AR has placed reliance upon the ruling of the Bangalore Bench of the Tribunal in the case of BORQS Software Solutions Private Limited v. ITO in IT(TP)A No.310/Bang/2021 (Bangalore) (A.Y. 2016-2017) (order dated 25.10.2021) and ANSR Global Corporation Private Limited v. ACIT in IT(TP)A No.225/Bang/2021 (AY 2016-2017) (order dated 19.04.2022).

9. The learned Departmental Representative supported the orders of the Income Tax Authorities.

10. We have heard rival submissions and perused the material on record. The Bangalore Bench of the Tribunal in the case of BORQS Software Solutions Pvt. Ltd. v. ITO (supra) has considered a host of rulings on this issue including that of the High Courts wherein divergent views were taken with respect to the application of different filters. It was held by the Tribunal that the application of the turnover filter is justified on the basis of the classification of companies as per the

report of Dun and Bradstreet. Similarly, the Tribunal, in the case of ANSR Global Corporation Pvt. Ltd. v. ACIT (supra) directed the application of a higher turnover filter to exclude companies with a turnover of more than Rs.200 crore. Since the assessee in the present case has a turnover of Rs.20.06 crore, companies reporting turnover above a threshold are not considered comparable. Accordingly, by following the above orders of the Tribunal, we direct the AO / TPO to apply the appropriate upper turnover filter and consider exclusion of the above seven companies having turnover in excess of Rs.200 crore. These grounds are accordingly allowed.

Ground 2.5

11. The assessee has sought exclusion of Infobeans Technologies Limited on the ground of functional comparability. The learned AR has submitted that the company is engaged in diversified activities towards software engineering in the nature of Customer Application Development, Content Management Systems, Enterprise mobility, big data analytics, etc. Further, on the basis of the strength of the ruling in the case of Red Hat India Private Limited v. NFAC, Delhi in ITA No.1379/Mum/2021 for assessment year 2016-2017 (order dated 25.02.2022), the assessee has sought for the exclusion of this company as a comparable (para 49 and 50 of that order).

12. The learned Departmental Representative has placed reliance on the jurisdictional Tribunal in the case of BORQS

Software Solutions Private Limited v. ACIT (supra).

13. We have heard rival submissions and perused the material on record. On perusal of the financial of Infobean Technologies Limited (the relevant portion of financial are placed on record), it is clear that the said company is engaged in providing software engineering services primarily in Custom application development, Content Management Systems, Enterprise Mobility, big data analytics (The company's overview is annexed to this order as Annexure-A) (placed at page 1130 of the paper book submitted by the assessee). The above services rendered by the company are vastly different from the services rendered by routine software development companies like that the assessee in the instant case. Further, the segmental details for these diverse services are not available and therefore the company cannot be selected as a comparable. The other reason for not considering Infobean Technologies Limited as comparable are as under:-

(i) Significant Intangible assets:

During the FYs 2013-2015 to 2015-2016, the company owned intangible assets representing around 7% of the total fixed assets held by the company.

(ii) Export of goods:

The annual report of the company at Note 33 under the head earnings in foreign currency shows export of goods calculated on F.O.B. basis. In the absence of segmental details, the company cannot be selected as a comparable.

(iii) Expenses in foreign currency:

It also incurred significant expenditure in foreign currency, in the nature of onsite activities representing around 1.5% of the total sales.

(iv) Abnormal increase in revenue and fluctuation in margin:

The revenue increased from Rs.35 crore (F.Y.2014-2015) to Rs.62 crore (FY 2015-2016) in a period of 1 year (76%). Also, the company's profitability increased by 147%. Also, the company's margin fluctuates widely (34.98% - F.Y.2015-016, 20.78% - F.Y. 2014-2015, 41.95% - F.Y.2013-2014) which demonstrates that there exists some factor having an impact on the margin, and therefore the company cannot be selected as a comparable.

(v) Sales Tax:

The annual report of the company shows that it incurs Central Sales Tax liability, which demonstrates that the company is not a pure software development company.

14. This company is being consistently excluded from the final set of comparables. Reference is made to the following orders of the ITAT :-

(i) San disk India Device Design Centre Pvt. Ltd. v. JCIT (Order dated 30.06.2022 passed by this Hon'ble Tribunal in IT(TP)A No. 288/Bang/2021 for AY 2016-17)- at para 17.9 and 17.10 (on account of functional dissimilarity as company renders diverse services and lack of segmental details);

(ii) ADP Pvt. Ltd. v. DCIT [Order dated 03.02.2022 in ITA Nos. 227&228/Hyd/2021 for A Y 2016-17]- at para

7.4 (on account of functional dissimilarity as company earns revenue from export of goods and segmental details are unavailable).

(iii) GlobalLogic India (P.) Ltd. V. DCIT (reported in [2022] 134 taxmann.com 35- for AY 2016-17) (on account of functional dissimilarity as the company is into diversified activities which are not comparable to routine SWD service provider)

(iv) Red Hat India Pvt. Ltd. v. I TO, NFAC (Order dated 25.05.2022 passed by the Mumbai Bench of this Hon'ble Tribunal in ITA No. 1379/Mum/2021 for AY 2016-17)- at paras 49 and 50 (on account of functional dissimilarity as company renders diverse services and lack of segmental details).

(v) Skillnet Solutions India Pvt. Ltd. v. DCIT (Order dated 24.02.2021 passed by the Mumbai Bench of this Hon'ble Tribunal in ITA No. 6570/Mum/2017 for the AY 2013-14)- at para 6 (on account of functional dissimilarity as the company renders diverse services and segmental details are unavailable)

(vi) Alcatel Lucent India Ltd. v ACIT (Order dated 29.11.2019 passed by the Delhi Bench of this Hon'ble Tribunal in ITA No. 4706/0el/2018 for AY 2014-15)- at para 15 (on account of functional dissimilarity as the company was engaged in providing custom development services to offshore customers and was engaged in software engineering services in different fields and segmental details were unavailable)

(vii) Kony IT Services Private Limited v. DCIT (Order dated 20.11.2019 passed by the Hyderabad Bench of this Hon'ble Tribunal in ITA No. 2304/Hyd/2018 for AY 2014-15)- at para (iii) on page 15 (on account of functional dissimilarity as it has earning from export of goods and has deposited MODVAT and sales tax).

(viii) Avaya India Pvt. Ltd. v. ACIT (Order dated 24.09.2019 passed by the Delhi Bench of this Hon'ble

Tribunal in ITA No. 7290/0e1/2018 for the A Y 2014-15) - at para 7.4 (on account of functional dissimilarity as the company has earnings from export of goods).

(ix) Pubmatic India Pvt. Ltd. v. ACIT (Order dated 09.03.2018 passed by the Pune Bench of this Hon'ble Tribunal in ITA No. 655/Pun/2017 for the AY2012-13)- at para 18 (on account of functional dissimilarity as the company has earnings from export of goods).

15. In the case law relied on by the learned DR, namely, BORQS Software Solutions Private Limited v. ACIT (supra), the Tribunal merely affirmed the findings of the DRP, which in turn relied on the reply filed by the company in response to notice u/s 133(6) of the I.T.Act. Further, the Tribunal held the finding of DRP has not been countered by the assessee in the said case. However, the company's response to the notice u/s 133(6) of the I.T.Act is contrary to the functions set out in the audited financial statements (enclosed as Annexure-A), and therefore, the same cannot be relied upon. Moreover, the website of the company shows tht the company is engaged in diverse service, which are not similar to functions of the assessee in the instant case. Since the learned AR has been able to clearly established that Infobean Technologies Limited is not functionally comparable to that of the assessee, we follow the orders of the ITAT referred in para 14 (supra) and direct the AO / TPO to exclude Infobean Technologies Limited from comparable list. It is ordered accordingly.

Ground 2.7

16. The assessee in the above ground has sought the

inclusion of two comparable companies. The learned AR has submitted that Akshay Software Technologies Limited and Evoke Technologies Limited are comparable companies as they are operating in the business of software development and therefore required to be included in the final list of comparables. Akshay Software Technologies Limited has been rejected by TPO on the ground that the company is not functionally comparable as it is engaged in the provision of professional service, procurement, installation, implementation, support and maintenance of ERP products and services. The learned AR has claimed that the DRP has not adjudicated on functional compatibility and has not considered it comparable merely because it does not appear in the TPO's search matrix. The learned AR has submitted that Akshay Software Technologies Limited earns a majority of its income (approximately 96.58%) from rendering software development services. Reference has been made to page 3993 of the paper book. Reliance has been placed on the ruling of the Tribunal in the case of Continental Automotive Components (India) Private Limited v. ACIT in IT(TP)A No.713/Bang/2017 (order dated 24.11.2021) and NXP India Private Limited v. DCIT in IT(TP)A No.692/Bang/2017 and IT(TP)A No.2861/Bang/2017 (order dated 27.04.2021).

17. The learned Departmental Representative supported the orders of the TPO and the DRP.

18. We have heard rival submissions and perused the

material on record. The DRP has simply upheld the reason of the TPO of rejection of TP study maintained by the assessee and not commented on functionality. It is to be noted that the DRP has not adjudicated on functional comparability and simply remarked that the same does not appear in TPO's search matrix. In view of the principles of natural justice, we deem it appropriate to remand the matter back to the file of the TPO to specifically adjudicate on the comparability given the information / documentation and the case laws relied upon by the assessee before us. It is ordered accordingly.

19. Similarly, the learned AR has urged the inclusion of Evoke Technologies Private Limited in the list of comparable companies. The TPO has rejected it citing unreliable financial statements. The DRP has not adjudicated its functional compatibility by simply stating that it is not appearing in TPO search matrix. The learned AR has referred to page 4031 of the paper book to claim that the company is engaged in providing IT services and it derives revenue from providing software development services. Further, the assessee has placed reliance on the ruling in the case of Continental Automotive Components (India) Private Limited v. ACIT (supra). Given the above and in view of principles of natural justice, we deem it appropriate to remand the matter back to the file of AO /TPO to specifically adjudicate based on the submissions of the learned AR made before us. We accordingly allow ground 2.7 for statistical purposes.

Ground 2.8

20. Ground 2.8 is dealing with working capital adjustment. The assessee has submitted that TPO did not allow any adjustment on working capital. Further, the DRP did not allow relief on this count. The assessee has placed reliance on the decision of the Bangalore Bench of the Tribunal in the case of M/s.Huawei Technologies India (P) Ltd. v. JCIT reported in (2019) 101 taxmann.com 313 (Bangalore), wherein the Tribunal has held that working capital should be allowed as per actual.

21. The learned Departmental Representative has reiterated the contentions of the DRP.

22. We have heard rival submissions and perused the material on record. In the view of the ruling in the case of M/s.Huawei Technologies India (P) Ltd. v. JCIT (supra), the basis of rejection of the relief by the DRP is no longer valid. The relevant findings of the Tribunal in the case of M/s.Huawei Technologies India (P) Ltd. (supra) read as follows:-

“15. In the present case the TPO allowed working capital adjustment accepting the calculation given by the Assessee. The CIT (A) in exercise of his powers of enhancement held that no adjustment should be made to the profit margins on account of working capital differences between the tested party and the comparable companies for the following reasons:

(i) The daily working capital levels of the tested party and the comparables was the only reliable basis of determining adjustment to be made on account of working capital because that would be on the basis of working capital deployed throughout the year.

(ii) Segmental working capital is not disclosed in the annual reports of companies engaged in different segments and therefore

proper comparison cannot be made.

(iii) Disclose in the balance sheet does not contain break up of trade and non-trade debtors and creditors and therefore working capital adjustment done without such break up would result in computation being skewed.

(iv) Cost of capital would be different for different companies and therefore working capital adjustment made disregarding this different based on broad approximations, estimations and assumptions may not lead to reliable results.

16. The CIT (A) also placed reliance on a decision of Chennai ITAT in the case of Mobis India Ltd. v. Dy. CIT [2013] 38 taxmann.com 231/[2014] 61 SOT 40. That decision was based on the factual aspect that the Assessee was not able to demonstrate how working capital adjustment was arrived at by the Assessee. Therefore nothing turns on the decision relied upon by the CIT (A) in the impugned order. In the matter of determination of Arm's Length Price, it cannot be said that the burden is on the Assessee or the Department to show what is the Arm's Length Price. The data available with the Assessee and the Department would be the starting point and depending on the facts and circumstances of a case further details can be called for. As far as the Assessee is concerned, the facts and figures with regard to his business has to be furnished. Regarding comparable companies, one has to fall back upon only on the information available in the public domain. If that information is insufficient, it is beyond the power of the Assessee to produce the correct information about the comparable companies. The Revenue has on the other hand powers to compel production of the required details from the comparable companies. If that power is not exercised to find out the truth then it is no defence to say that the Assessee has not furnished the required details and on that score deny adjustment on account of working capital differences. Regarding applying the daily balances of inventory, receivables and payables for computing working capital adjustment, the Delhi Bench of ITAT in the case of ITO v. E Value Serve.com [2016] 75 taxmann.com 195 (Delhi - Trib.) has held that insisting on daily balances of working capital requirements to compute working capital adjustment is not proper as it will be impossible to carry out such exercise and that working capital adjustment has to be based on the opening and closing working capital deployed. The Bench has also observed that that in Transfer Pricing Analysis there is always an element of estimation because it is not an exact science. One has to see that reasonable adjustment is being made so as to bring both comparable and test party on same footing. Therefore there is little merit in CIT (A)'s objection on working adjustment based on unavailable daily working capital requirements data. There is also no merit in the objection of the CIT (A) regarding absence of segmental details available of working capital requirements of comparable companies chosen and absence of details of trade and non-trade debtors of comparable companies as these details are beyond the power of the

Assessee to obtain, unless these details are available in public domain. Regarding absence of cost of working capital funds, the OECD guidelines clearly advocates adopting rate(s) of interest applicable to a commercial enterprise operating in the same market as the tested party. Therefore this objection of the CIT (A) is also not sustainable.

17. In the light of the above discussion we are of the view that the CIT (A) was not justified in denying adjustment on account of working capital adjustment. Since, the CIT (A) has not found any error in the TPO's working of working capital adjustment, the working capital adjustment as worked out by the TPO has to be allowed. We may also add that the complete working capital adjustment working has been given by the Assessee and a copy of the same is at pages 173 & 192 of the Assessee's paper book. No defect whatsoever has been pointed out in these working by the CIT (A). We may also further add that in terms of Rule 10B(1)(e) (iii) of the Rules, the net profit margin arising in comparable uncontrolled transactions should be adjusted to take into account the differences, if any, between the international transaction and the comparable uncontrolled transactions which could materially affect the amount of net profit margin in the open market. It is not the case of the CIT (A) that differences in working capital requirements of the international transaction and the uncontrolled comparable transactions is not a difference which will materially affect the amount of net profit margin in the open market. If for reasons given by CIT (A) working capital adjustment cannot be allowed to the profit margins, then the comparable uncontrolled transactions chosen for the purpose of comparison will have to be treated as not comparable in terms of Rule 10B(3) of the Rules, which provides as follows:

"(3) An uncontrolled transaction shall be comparable to an international transaction if—

(i) none of the differences, if any, between the transactions being compared, or between the enterprises entering into such transactions are likely to materially affect the price or cost charged to paid in, or the profit arising from, such transactions in the open market; or

(ii) reasonably accurate adjustments can be made to eliminate the material effects of such differences."

18. In such a scenario there would remain no comparable uncontrolled transactions for the purpose of comparison. The transfer pricing exercise would therefore fail. Therefore in keeping with the OECD guidelines, endeavor should be made to bring in comparable companies for the purpose of broad comparison. Therefore the working capital adjustment as claimed by the Assessee should be allowed. We hold and direct accordingly."

23. We therefore, direct the AO/TPO to consider the workings in the light of the aforesaid ruling and allow appropriate adjustment in arriving at an arm's length price. We hold and direct accordingly.

Ground 2.13

24. The above ground deals with correction of margin. The learned AR has submitted that the AO has erred in giving effect to the directions of the DRP wherein the ALP Net Cost Plus markup has been considered as 27.66% as against 25.60%. The learned AR has also sought consideration of correct margins in the case of CG-VAK Software Exports Limited and Inteq Software Private Limited. In view of the principles of natural justice and pendency of the application for rectification (dated 26.05.2021) of mistake apparent from the records, we deem it appropriate to remand the matter back to the file of the AO / TPO to examine the claims of the assessee with regard to erroneous computation of margin. Accordingly, ground 2.13 raised by the assessee is allowed for statistical purposes.

25. In the result, the appeal filed by the assessee is partly allowed.

Order pronounced on this 28th day of July, 2022.

Sd/-
(Laxmi Prasad Sahu)
ACCOUNTANT MEMBER

Sd/-
(George George K)
JUDICIAL MEMBER

Bangalore; Dated : 28th July, 2022.
Devadas G*

Copy to :

1. The Appellant.
2. The Respondent.
3. The DRP-1, Bengaluru.
4. The Pr.CIT-3, Bengaluru.
5. The DR, ITAT, Bengaluru.
6. Guard File.

Asst.Registrar/ITAT, Bangalore

ANNEXURE-A

InfoBeans Technologies Limited
(Formerly Known as InfoBeans Systems India Private Limited)
Notes Forming Part of Financial Statements

Company Overview

InfoBeans operating at CMMI level 3, is a software services company specializing in business IT Services. Our business is primarily engaged in providing custom developed services to offshore clients. InfoBeans provides software engineering services primarily in Custom Application Development (CAD), Content Management Systems (CMS), Enterprise Mobility (EM), Big Data Analytics (BDA).

The Company is a public limited company incorporated and domiciled in India and has its registered office at Indore, Madhya Pradesh, India. The Company has its primary listing on the National Stock Exchange in India.

1. Significant accounting policies**(a) Basis of Preparation of Financial Statements:**

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. All Asset and Liabilities have been classified as current or non-current as per the operating cycle criteria set out in the revised Schedule III to the Companies Act, 2013.

(b) Use of Estimates:

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

(c) Revenue Recognition:

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. Revenue includes rendering of Services. Dividend income is recognized when received.

(d) Fixed Assets:

Tangible Assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any. Cost includes all identifiable expenditure incurred in their acquisition and construction/ installation and other related expenditure. Capital work in progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date.

Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment, if any.