Policy on retirement of fixed assets

The policy of retiring a fixed asset has been documented here.

1. Occasions:

A fixed asset (either in full or part) shall be retired from asset register in the following circumstances:

a. When declared that it is not traceable, during physical verification
b. When to be sold (after or before impairment / with or without impairment)
c. When destroyed physically due to fire or any other accident and hence not usable
d. When personal assets (mobile phone, car, laptop) are sold to employees on their resignation, retirement, death.
e. When an asset is replaced by another asset including personal assets
f. When an asset is declared as "non-performing"
g. When land or any other asset was agreed to be gifted to Government / Government departments including agencies.
h. When an asset is transferred to another unit, which was installed incurring cost towards foundation. The sending unit shall retire the cost of foundation in all such cases.
i. When an asset has to be retired as the trial project (pilot) for which it was acquired did not yield envisaged result.
j. Any other reasons with proper justification

2. Documentation during business plan process:

Every year, business plan is being prepared alongwith list of capital expenditure proposals (CEPs). Where such proposals involve replacement, the list of CEPs shall also carry the following particulars:

a. Business segment (Sugar, refinery, Cogen & distillery)
b. Asset number (including sub asset number) which will get replaced
c. Year of addition of such asset
d. WDV of the said asset as on preceding 30th Nov
e. Estimated value that will be realized on disposal
f. Loss involved if any

The amount of such estimated loss shall be included as non- operating exp in the business plan. Generally, only those assets which are considered in this loss estimation shall be considered for retirement.

3. **Documentation in RFWD:**

In all the above occasions a Request for Write off & Disposal (RFWD) shall be created in SAP. The person who initiates the RFWD shall mention reason for RFWD in SAP.

a. **Retirement of asset due to its non-availability:**

Where a fixed asset has to be retired due to the reason it is not physically available, the Unit Head (for plants) / Functional Head (for Corporate) shall record reason for the same in RFWD of SAP

b. **Retirement of asset before the expiry of estimated life:**

Where a fixed asset has to be retired before the expiry of life (as mentioned in SAP), reason for the same shall be recorded in RFWD of SAP by Unit Head.

4. **Value to be written off:**

a. Where an asset has to be retired from the asset register as it is not physically traceable or has been destroyed in full due to accident etc., the written down value of the said asset shall be written off in full.
b. Where a part of an asset has to be retired, the value to be written off will be arrived as per the example given below:

	Rs.
Gross block of the asset to be retired, say	100
WDV of the asset to be retired, say	60
Estimated value of that part of the asset (to be retired) which is included in the gross block	15
Value to be written off [15/100 x 60]	9

5. **Certification of value to be written off:**

The Chief Engineer of plant shall certify the value to be written off in all the cases where retirement of a part of an asset is involved. A document giving workings for the value to be written off, signed by Chief Engineer shall be uploaded in RFWD raised in SAP.

6. Movement of asset retired:

Every fixed asset (other than those which are fully destroyed in an accident and those identified as physically not available), after the RFWD is approved, shall be dismantled and moved to scrap yard for subsequent disposal. In other words, an asset which is retired from asset register shall not be kept at its original place in the plant.

7. Approving authority for RFWD:

No change is proposed to the existing authority matrix, which is reproduced hereunder for reference:

S No.	Amount of write off involved-For an individual asset based on WDV as on the last day of previous month in which RFWD is prepared	Approving authority
1	Below Rs.1,00,000/-	Business Finance at corporate + Head of Operations
2	Above Rs.1,00,000, but less than or equal to Rs.5,00,000/-	CFO
3	Above Rs.5,00,000/-	M D

8. Reconciliation of RFWDs raised:

At the end of every quarter, every plant shall verify whether all the assets were retired from the asset register for which approval was accorded in the quarter. In the event of this reconciliation throwing any left-out items, the same shall be retired in the subsequent quarter.

9. Goods & Service tax (GST)

As per the prevailing provisions of GST, the input credit availed on purchase of any capital goods shall be reversed proportionately if the said capital good is retired before the expiry of 5 years from the date of putting into use.

Therefore, whenever a fixed asset is retired, before the expiry of 5 years from the date of putting into use, the GST shall be reversed as per example given below:

Date of putting into use	31-3-2019
Amount of ITC availed	90,000/-
Date of retirement in SAP	31-12-2022
No. of months asset was used	33
Input tax credit to be reversed	Rs.40,500 /- [27/60 x 90,000]

In addition to the above, the said capital good, when sold subsequently as scrap, GST @ prevailing rate shall also be paid on the value realized.

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