

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

1. Objective

The objective of this SOP is to describe the complete process for purchase, maintenance and sale/transfer of fixed assets.

2. Scope

This SOP is applicable to all fixed assets owned by the Company and its group companies across all locations.

3. Construct of the policy

This SOP has been categorized into five sections, which are:

1. Budgeting of fixed assets
2. Purchase of fixed assets
3. Capitalization of fixed assets
4. Physical verification and tagging of fixed assets
5. Disposal of fixed assets

Budgeting of fixed assets

At the beginning of every year, budget for procurement of fixed assets shall be prepared and the same would be approved by CEO. Only budget approved assets can be procured. In case of any urgent requirement of unbudgeted asset, adjustments should be made in budget and approval of CEO should be taken before procurement.

Purchase of fixed assets

Kindly refer SOP on Procurement and Payments (SOP#1) for procedures relating to purchase of fixed assets.

Capitalization of fixed assets

- The Engineering department shall do the installation and erection of the fixed asset, along with the concerned user department.
- Once the asset is installed/constructed, the Engineering dept. shall prepare the **installation/completion certificate*** and give the same to Winery Accounts

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

dept. Winery Accounts dept. shall immediately send scan copy of the same to Accounts dept.–HO, along with the copy of PO, MRN and invoice.

- Accounts dept.–HO shall capitalize the asset and make relevant additions in the fixed assets register. The date of capitalization will be the date of installation/completion certificate.
- Accounts dept.–HO shall allot a unique tagging number to the asset purchased and intimate the same to Engineering dept. and Accounts dept. – Winery.
- Accounts dept.–HO shall take necessary steps to include the asset purchased under insurance cover.

** Installation certificate shall not be needed for assets which are procured in ready to use condition like computers, mobile phones, vehicles, oak barrels, etc.*

Physical verification and tagging of fixed assets

➤ Physical verification and tagging of fixed assets:

- Physical verification of all the assets shall be done jointly by Accounts and Engineering dept. in following manner-

Value of fixed assets	Periodicity of physical verification
Upto ₹ 25 lacs	Once in 3 years
Above ₹ 25 lacs (Incl. CWIP)	Once in 2 years

- Following departments shall do the tagging for new fixed assets purchased, immediately after receiving the tagging number from Accounts dept. – HO
 - IT assets: IT dept.
 - Office equipment: Admin dept.
 - Sales office assets: Respective sales offices
 - Winery assets: Winery Accounts dept.
- Tagging for old assets will be done in phased manner on a quarterly basis.

➤ Write off of fixed assets:

- In case any asset has to be written off due to various reasons such as not found during physical verification, damaged, asset being obsolete or non-functional, etc. then the User dept. in consultation with Accounts department shall prepare a **Write off Proposal** (Refer **Annexure 1**). Write off proposal should clearly mention the amount of the loss due to write off of the said assets.
- The respective user dept. shall get the write off proposal approved by CEO.
- However, CEO's approval will not be required for Furniture & fixtures, Mobile phones, IT assets and assets costing below 5 lacs and having WDV of less than 2 lacs. In such cases the write off proposal will be approved by EVP-

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

Operations (for Winery assets), President-Sales (for Sales office assets) and CFO (for HO and IT assets).

- After getting the approval, the write off proposal shall be given to Accounts dept. and Accounts dept. shall write off the said asset and book the resulting loss in books of account.
- Accounts dept. should ensure that all write off proposals are serially numbered

Disposal of fixed assets

This section is divided into following sub-sections:

- A. Pre-disposal & disposal procedures (*User dept. and Purchase/stores dept.*)
- B. Post-disposal procedures (*Accounts dept.*)

Section A: Pre-disposal & disposal procedures

This section has further been divided into following sub-sections according to the nature of asset being sold:

- Disposal of Vehicles
- Disposal of Plant and machinery (Incl. Scrap sale)
- Disposal of IT assets
- Disposal of Mobile phones

➤ **Disposal of Vehicles:**

1. Disposal of vehicles used by Employees:

- 1.1 Vehicles will become eligible for replacement as per the prevailing policy.
- 1.2 Once the vehicle becomes eligible for replacement, the user of the vehicle shall raise a request for replacement through **Vehicle Replacement Proposal** ("VRP") (Refer **Annexure 2**).
- 1.3 VRP shall be given to Accounts department to be filled as required and signed by Manager – Finance & accounts.
- 1.4 VRP shall be approved as per the following authority matrix:

Approving authority	Condition
AVP – Admin	If the vehicle has completed the replacement period as per the prevailing vehicle policy
AVP – Admin and	If the vehicle has not completed the

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

CEO	replacement period as per the prevailing vehicle policy
-----	---

1.5 Vehicle can be disposed in the following priority order:

1. Sale to existing user
2. Sale to other employees
3. Open market sale

1.5.1 Sale to existing user (read with prevailing Vehicle Policy):

- 1.5.1.1 The user will be eligible to purchase the car in his/her own name at a price as mentioned in the prevailing vehicle policy. **However; Admin dept. may take a call to not to sale the vehicle to the existing user and sale it in any other way or transfer it to some other employee/unit, after taking approval of CEO/President-Sales/EVP-Operations/CFO.**
- 1.5.1.2 Employee should pay the entire transfer price in one installment, unless otherwise approved by AVP – Admin. Employee may avail a personal loan from the company as per the existing loan policy. Upon receipt of transfer price, DGM – Financial Accounting should approve the VRP and send the same to the legal department.
- 1.5.1.3 Legal department will assist the employee in transfer related formalities and duly hand over all related documents to the employee and take acknowledgment on VRP.
- 1.5.1.4 VRP shall then be returned to Accounts department for accounting purpose.

1.5.2 Sale to other employees:

- 1.5.2.1 If the existing user doesn't want to purchase the vehicle, then the vehicle can be sold to other employees by way of auction.
- 1.5.2.2 If the vehicle is to be auctioned out to employees, then minimum two quotations/opinions should be taken from showroom/dealer and that value is to be considered as base value (after adding all taxes) for auction. An advertisement could also be posted on websites like Olx or Quikr to determine the base value.

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

- 1.5.2.3 An email intimation shall then be circulated to all permanent employees by Admin dept, stating the specifications of the vehicle, base amount, time and date to physically inspect the vehicle, last date to submit the bids, terms of payment and any other terms and conditions of auction.
- 1.5.2.4 The bids should be submitted to Admin department. The email intimation sent to employees should specify the name of the employee to whom the bids should be sent.
- 1.5.2.5 Upon completion of bidding timelines, Admin dept. should open the bids and employee quoting highest bid should be selected.
- 1.5.2.6 Admin dept. shall send an email intimation to the concerned highest bidder (keeping AVP-Admin in CC) and confirmation of the bidder should be taken on the same. In case AVP-Admin being the interested party, CFO should be kept in CC. If the employee doesn't give the confirmation within 3 working days, the vehicle should be sold to the next highest quote. Vehicle will be sold as per the terms mentioned in the mail, which may vary from time to time.
- 1.5.2.7 Payment and documents handover formalities will be same as described in 1.5.1.2, 1.5.1.3 & 1.5.1.4.

1.5.3 Open market sale:

If the auction doesn't get any bids above the base value, then the vehicle will be sold to the dealer whose quote was considered as base value for auction. Alternatively, additional quotations could be taken. Upon receipt of sales consideration, all vehicle related documents will be handed over to the dealer and Accounts dept. should be intimated about the sale.

2. Disposal of other vehicles:

- 2.1 Vehicles used for more than 5 years will be eligible for disposal. Admin team (in consultation with Accounts dept.) shall review the fixed asset register on annual basis and identify the vehicles which are being used for more than 5 years.

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

2.2 Out of the vehicles identified above, Admin team shall identify the under-performing vehicles based on the internal survey. An auction proposal will be made by DGM – Winery HR & admin (in consultation with Accounts dept.) and sent to EVP – Operations for approval. Auction proposal shall have the following details:

- Description of the vehicle
- Year of acquisition
- Acquisition cost
- Details of major repairs/overhauling carried out (if any)
- WDV of the vehicle as on date
- Details of warranty or AMC (if applicable)
- Details of technical defects and reasons for disposal

2.3 Once the proposal is approved by EVP – Operations, the formalities will be same as mentioned in 1.5.2.2 to 1.5.2.7 & 1.5.3

Documentation:

Following documents should be maintained at respective location as an audit trail-

- Approved VRP/proposal for auction
- Email intimation sent to employees
- Documents for calculation of base price for auction
- Approved comparative quotation (if any in case of open market sale)
- Sales invoice

➤ **Disposal of Plant and Machinery (Incl. Scrap sale):**

1. When a fixed asset is identified for disposal, **Fixed Asset Disposal/Transfer Form** ("FADF") (Refer **Annexure 3**) shall be raised by the user dept. and approved by DGM - Projects and Engineering.
2. FADF shall then be sent to Finance department for filling the required details and should be approved by Manager – Finance & Accounts (Winery).
3. FADF shall then be sent to Stores department to decide the mode of disposal and should be approved by GM – Stores.

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

4. FADF should be finally signed by EVP – Operations. Additional approval of CEO is to be taken through write off proposal (Refer **Annexure 1**), for all cases other than transfer of assets to other units and sale of asset to any other group company.

5. Disposal of Fixed Asset can be by any of the following modes:
 - 5.1. Transfer to other unit/department/group company:
 - 5.1.1. Transit insurance, if required, should be taken before initiating transfer of fixed asset
 - 5.1.2. A copy of FADF and other relevant documents (such as purchase invoice, warranty papers, etc.) should be sent to the receiving unit along with the asset
 - 5.1.3. An intimation of transfer of asset should be given by Accounts department – Winery to Accounts department – HO along with the scanned copy of approved FADF, for changing the location of asset in fixed asset register.

 - 5.2. Sale:
 - 5.2.1. Certified valuer will be appointed by Stores department in consultation with Engineering department to determine the estimated sale value of the high value assets (if necessary).
 - 5.2.2. Advertisement to be given in the newspaper/request for quotations is to be sent by the stores department, specifying the last date to send the quotes.
 - 5.2.3. Quotes received in the sealed envelope should be opened by the Purchase committee.
 - 5.2.4. Comparative quotation analysis should be done by the Purchase committee and the buyer should be selected. Comparative quotation analysis should be signed by at least 2 members of Purchase committee.
 - 5.2.5. Post sale of asset, FADF shall be given to finance department for post-disposal procedures.

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

5.3. Sale as scrap:

If the asset is not salable then it is to be transferred to scrapyards under the control of GM – Materials. It should be sold to the contracted scrap dealer at a contracted rate and finance dept. should be intimated about sale. For selection of scrap dealer, etc., SOP on Scrap Disposal (Materials SOP# 03, effective from 10.07.2014) will be applicable.

6. Documentation:

Following documents should be maintained at the winery as an audit trail-

- Approved FADF
- Approved comparative quotation analysis
- Approval of CEO (if acquired)
- Sales invoice.

➤ **Disposal of IT assets:**

1. Laptops & desktops will be eligible for replacement as per the existing policies. Early replacements to be approved by GM-IT. Printers and other IT assets will be discarded depending upon their performance.
2. IT department shall prepare **IT asset disposal proposal** (Refer **Annexure 4**), which should be approved by GM - IT
3. Assets can be disposed in following order-
 1. Sale to existing user
 2. Sale to other employees
 3. Giving in charity
 4. Sale as scrap

4.1 Sale to existing user:

- As per the existing policy, laptops older than 3 years can be sold to the existing user for Rs. 10,000 and other IT assets will be sold at the rate as approved by GM-IT. **However; Admin dept. may take a call to not sale the asset to the existing user and sale it in any other way, transfer it to other employee or retain it for future use, after taking approval of CFO.**



SOP on Fixed Assets

Commercial SOP #	3
Version	1.0
Issued on	20-Jan-2016
Effective from	20-Jan-2016

- After sale of asset, IT department shall send the details of asset sold to Accounts department for accounting purpose.

4.2 Sale to other employees:

Asset can be sold to other employees at a rate approved by GM – IT. IT department shall send a mail to all permanent employees stating the specifications of the asset, selling price of the asset and other terms and conditions. Asset will be sold on "*first come, first serve*" basis. Finance department should be intimated after the sale of the asset.

4.3 Giving in Charity:

Asset can be given away as charity based on approval of GM - IT on asset disposal proposal. Once the asset is given away, an acknowledgement should be taken from the recipient. IT department shall then send the scanned copy of approved asset disposal proposal along with the scanned copy of acknowledgement to finance department.

4.4 Sale as scrap:

- IT department shall keep track of IT assets identified as scrap, by maintaining a scrap register.
- IT department shall send the details of asset identified as scrap to the Accounts dept. for write off of asset.
- All scrap lying as on 28th February shall be sold by the end of that financial year. For procedures relating to scrap sale, Refer **Annexure 5**.
- Accounts dept. should be intimated about the details post sale of scrap.

5. Documentation:

Following documents should be maintained as an audit trail-

- Approved IT Assets Disposal Proposal
- Email intimation sent to employees (in case sold by way of auction)
- Acknowledgement from the recipient if assets given away as charity

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

- Final quotation received from the certified scrap dealer
- Sales invoice
- Green certificate and Form 13.

➤ **Disposal of Mobiles:**

1. Employees will be eligible for replacement of mobile as per the existing mobile policy. Once eligible, the user shall send an intimation to Admin department via email for replacement of mobile.
2. If the mobile has not completed the tenure as defined in the policy, approval of AVP – Admin should be taken
3. Assets replaced can be disposed in following order-
 1. Sale to existing user
 2. Sale to other employees
 3. Sale as scrap

5.1 Sale to existing user:

- Existing user can purchase the mobile at price as given below:

Age of the mobile	Selling price of mobile
Below 2 years	20% of the original cost
2-3 years	15% of the original cost
Above 3 years	10% of the original cost

However; Admin dept. may take a call to not sale the mobile to the existing user and sale it in any other way, transfer it to other employee or retain it for future use.

- After sale of mobile, Admin dept. shall send the details of asset sold to Accounts department for accounting purpose.

5.2 Sale to other employees:

Same as IT assets.

5.3 Sale as scrap:

Scrapped mobiles will be sold along with the IT assets. **However; before considering mobile phones as scrap, possibility of sale to the dealer from whom the new mobile is being purchased i.e. exchange offer should be explored.**

	<h2>SOP on Fixed Assets</h2>	Commercial SOP #	3
		Version	1.0
		Issued on	20-Jan-2016
		Effective from	20-Jan-2016

Note: Admin department will be the custodian of all mobiles held for sale.

Section B: Post-disposal procedures (for Accounts dept.)

1. After sale of asset, finance department at respective location should prepare the sales invoice after taking into consideration the relevant taxes. Scanned copy of sales invoice and approved auction proposal/VRP/FADF are to be sent to Accounts department – HO by respective finance department.
2. Accounts department at HO shall update the fixed assets register and record necessary entries in Tally. Adjustments will be made in the block of assets as per Sec 32 of Income Tax Act, 1961.
3. Accounts department – HO shall review insurance cover and ensure removal of sold/disposed assets from the coverage to reduce the premium.

Exceptions to the policy:

1. Oak barrels will be discarded at the discretion of wine maker based on quarterly barrel testing. However, other procedures should be followed for disposal, as per the disposal of P&M specified in SOP.

List of Annexures:

- Annexure 1 – Asset Write off Proposal
- Annexure 2 – Vehicle Replacement Proposal (VRP)
- Annexure 3 – Fixed Asset Disposal Form (FADF)
- Annexure 4 – IT Assets Disposal Proposal
- Annexure 5 – Procedure for scrap sale of IT assets and Mobiles

- i. Once the decision to sale the scrap is taken, the list of IT scrap shall be sent to the certified scrap dealers in the respective locality and quotations will be invited.
- ii. Based on the quotations received, negotiations for price will be done by the IT department (quotes from non-certified dealers may be taken for negotiation purpose in case there is only one certified dealer).
- iii. Final quotation as agreed should be sent by the dealer via email and it should be approved by GM – IT
- iv. Upon sale of scrap, all necessary documents (viz. Green certificate, Form 13, etc.) should be obtained from the scrap dealer



Asset Write off Proposal

Sula Vineyards Pvt. Ltd.

Sr. No:
(To be filled by Accounts Dept.)

Department Name:

Sr. No.	Asset description	Year of purchase	Quantity	Original value*	Loss due to Write off*	Reason for write off
		Total				

*To be filled by Finance department

Comments (if any):

Prepared by:

Approved by:



Vehicle Replacement Proposal

Sula Vineyards Pvt. Ltd.

To be filled by the User

1. Name of the user:

2. Description of the vehicle:

3. Vehicle registration number:

4. Reasons for replacement: (Tick whichever is applicable)

Completion of 4 years Others (Please specify):

5. Do you want to exercise the buy out option as per the policy: Yes No

6. Year of Purchase/Construction*: 7. Acquisition cost*:

8. WDV as on date*: 9. Details of major repairs/overhauling carried out (if any)*:

Prepared by:

Checked by:

Approved by:

(User)

(Finance Dept.)

* To be filled by finance department

To be filled by Finance Department

1. Whether sales consideration received: Yes/No

2. Whether sales consideration as per the policy/bid: Yes/No

3. Comments (if any):

Approved by:

To be filled by Legal Department

Following documents have been handed over to the purchaser:

1. RC book
2. NOC on company letter head
3. Form 28, 29 and 30

Kindly complete the re-registration formalities and submit a copy of new RC book to the Legal department within 30 days. Please note that no registration or incidental charges will be borne by the company.

Approved by:

Signature of the purchaser:

(Legal Dept.)

Date:



Fixed Asset Disposal/Transfer Form

Sula Vineyards Pvt. Ltd.

To be filled by User Department

1. Asset Description:

2. Tagging number (if any):

3. Present condition of the Asset with details of defects and approximate cost of repairs thereto:

4. Details of Warranty or AMC (If applicable):

5. Reasons for disposal:

6. Recommendation for mode of disposal: (Tick whichever is applicable)

Transfer to other unit/department

Sale

Scrap (Estimated Scrap Value: ₹)

Prepared by:

Approved by:

To be filled by Finance Department

1. Year of Purchase/Construction:

2. Acquisition cost:

3. WDV as on date:

4. Details of major repairs/overhauling carried out (if any):

Approved by:



Fixed Asset Disposal/Transfer Form

Sula Vineyards Pvt. Ltd.

To be filled by Stores Department

1. Mode of disposal: (Tick whichever is applicable)

Transfer to other unit/department

Sale

Scrap

2. Comments (if any):

Approved by:

Authorisation by EVP - Winery

Comments (if any):

Signature:

Date:



IT Assets Disposal Proposal

Sula Vineyards Pvt. Ltd.

***Codes for proposed mode of disposal**

C1 - Transfer to other user or retention for future purpose

C4 - Giving away as charity

C2 - Sale to the existing user as per the Laptop/Desktop policy

C5 - Sale as scrap

C3 - Sale to other employees

Sr. No.	Asset Tagging No	Asset description	Name of the user	Year of purchase	Original value#	WDV#	Reason for disposal	Disposal code*

To be filled by Finance department

Comments (if any):

Prepared by:

Approved by: