

Asset Disposal & Floor Price Policy

Version: 1.0

Effective Date: 01 April, 2025

Owner: Finance (Fixed Assets)

Approved By: ☐ Board / ☒ CFO / ☐ CEO



1. Purpose

This Policy establishes a consistent, transparent, and compliant framework for the identification, valuation, approval, and disposal of company assets, and sets minimum floor price rules to prevent undervaluation and safeguard shareholder value.

2. Scope

Applies to all tangible fixed assets (e.g., vehicles, plant & machinery, furniture, IT hardware) owned by the Company across all locations in India. IT assets must also follow data-sanitization controls defined by Information Security/EHS teams.

Out of scope: Disposal of land & buildings via strategic transactions (require Board-approved transaction documents), and intangible assets

3. Definitions

- **Asset Owner/Using Department:** The function of using/holding the asset.
- **Residual Value:** Estimated value at end of useful life per Schedule II/management assessment.
- **Net Book Value (NBV):** Historical cost minus accumulated depreciation/impairment.
- **Fair Value (Market Value):** Price that would be received to sell an asset in an orderly transaction at measurement date.
- **Assets Held for Sale:** Assets expected to be recovered principally through sale, measured at **lower of carrying amount and fair value less costs to sell**.
- **Scrap Value:** Net realizable proceeds from sale as scrap = *gross scrap (weight × scrap rate/kg) – dismantling/transport costs*.

- **Floor Price:** The **minimum acceptable price** for disposal as defined in Section 7 of this Policy.
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4. Roles & Responsibilities

- **Asset Owner / Department Head**
 - Identify surplus/obsolete/damaged assets, initiate disposal request with condition report & photographs.
- **Finance – Fixed Assets / Controllership**
 - Validate NBV, impairment indicators, Ind AS 105 classifications; compute depreciation cut-off; maintain fixed asset register and disposal accounting.
- **SCM/Procurement (or Investment Recovery Team)**
 - Run competitive process (e-auction/sealed bids), vendor onboarding, commercial closure.
- **EHS / Information Security**
 - Ensure e-waste, hazardous waste, and data destruction compliance and certification (e.g., physical destruction or certified data wiping for storage media).
- **Tax**
 - Determine GST applicability, TCS/TDS (if any), and income-tax gain/loss treatment.
- **Internal Audit / Compliance**
 - Periodic audits; policy adherence.
- **Approving Authorities**
 - Approve floor price and final disposal as per matrix in Section 9.

5. Disposal Triggers

- Obsolescence/technological upgrade; uneconomical repair; safety or regulatory non-compliance; idle > 12 months; project/contract closeout; accident/total loss (as certified).

6. Valuation & Evidence Requirements

For every asset (or lot), Finance will compile a **Valuation Dossier** including:

1. **NBV** from FAR at proposed disposal date.
2. **Fair Market Value** estimation via:
 - **Market Approach** (quotes from at least 2–3 independent buyers or reference auction data), or
 - **Independent valuer** report for high-value assets (see thresholds).
3. **Scrap Value** worksheet (gross weight × current scrap rate/kg – dismantling & logistics). Attach rate proofs (market circulars/e-auction comps) and weight certificates (e.g., weighbridge slips).
4. **Costs to Sell**: dismantling, loading, transport, auction fees.
5. **Compliance Checklists**: E-waste/hazardous waste/data wipe certificates, if applicable.

Note: Where criteria for **Held for Sale** are met, measure at **lower of carrying amount and fair value less costs to sell** and present separately as per Ind AS 105.

7. Floor Price Rule (Mandatory)

Unless expressly approved as an exception (Section 10), the **Floor Price** shall be set as:

Floor Price = Max { NBV, Fair Market Value, Net Scrap Value }

- **NBV** ensures the assets are not sold below book without justification.
- **Fair Market Value** captures demand where resale is viable.
- **Net Scrap Value** prevents sales below realizable scrap, particularly for end-of-life assets (e.g., buses, heavy machinery).

Where **Ind AS 105** classification applies, ensure financial statement measurement is also consistent (lower of carrying amount and fair value less costs to sell); **the disposal Floor**

Price for auction purposes is still determined using the Max rule above to protect recovery.

8. Disposal Methods

- **Primary: Competitive bids** with at least three independent bidders.
 - **Alternate:** OEM buy-back/trade-in, inter-unit transfer, donation (with valuation & Board approval), All auctions must publish description, condition, photographs, **Floor Price**, inspection window, EMD, payment & pickup timelines, GST applicability.
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9. Approval Matrix (*illustrative—customize values*)

NBV	Floor Price Set By	Approval	Valuation Requirement
≤ ₹1,00,000	Finance (Manager)	Department Head + Finance Head	Market quotes + Scrap calc
₹1,00,001 – ₹10,00,000	Finance (Controller)	CFO	Market quotes + Scrap calc
> ₹10,00,000 or any strategic asset	Finance + Independent Valuer	MD	Independent valuer report mandatory

Related party buyers (if any) require **MD** pre-approval and at least one independent valuation. (Intra group transfer of assets between our own entities are excluded)

10. Exceptions

Selling **below the Policy Floor Price** requires a **reasonable business case** (e.g., safety risk, accelerated clearance costs, legal constraints) and **CFO + MD** approval with documented justification.

11. Tax, Accounting & Compliance

- **GST:** Disposal of fixed assets is a **supply**; levy GST at applicable rates, issue tax invoice, and report in returns.
 - **Income Tax:** Recognize gain/loss on disposal; for block of assets, follow Section 32/Capital Gains rules as applicable.
 - **Accounting:** Derecognition entries, gain/loss in P&L; cease depreciation post Held-for-Sale classification; disclosures per Ind AS 105.
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12. Process Steps (RACI Summary)

1. **Initiation** – Asset Owner raises Disposal Request Form (DRF) with condition report & photos (R: Dept; A: Dept Head).
 2. **Valuation Dossier** – Finance compiles NBV, FMV evidence, scrap calc (R: Finance; C: SCM).
 3. **Floor Price Setting** – Finance sets per Section 7 (A: Finance Head).
 4. **Approval** – As per Matrix (Section 9).
 5. **Disposal Execution** – SCM runs auction/sealed bids; EHS/IS supervises compliance (R: SCM; C: EHS/IS).
 6. **Sale Closure** – Tax invoice, payment, handover, gate pass, certifications (R: SCM/Finance/Tax).
 7. **Accounting & FAR Update** – Derecognition, gain/loss booked; FAR updated (R: Finance).
 8. **Record Retention** – Archive dossier for 8 years (R: Finance/Compliance).
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13. Controls & Documentation (Minimum)

- Disposal Request Form (Annexure A)
- Condition & Photo Log (Annexure B)
- Valuation Dossier (NBV sheet, market quotes/valuer report, scrap worksheet, rate/weight proofs) (Annexure C)
- Compliance Certificates (Annexure D)

- Auction/Bid pack with bid sheet and award note (Annexure E)
 - Tax invoice & receipt; logistics handover (Annexure F)
 - Journal entry & FAR update proof (Annexure G)
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14. Monitoring & Audit

Internal Audit will sample at least **20% of disposals annually** to test conformance with floor price rule, approvals, and statutory compliance. Findings will be reported to the Audit Committee for remediation.

15. Policy Review

Finance shall review this Policy annually (or upon major regulatory change) to update useful lives, residual value assumptions, scrap-rate sourcing, and thresholds.

Annexure C (illustrative): Scrap Value Worksheet

Asset: Bus (License/Asset ID: _____)

Gross Weight (kg): 9,800 Source: Weighbridge Slip # _____

Prevailing Scrap Rate (₹/kg): 12.75 Source: Market circular/quotes dated __/__/____

Gross Scrap Proceeds (₹): $9,800 \times 12.75 = 124,950$

Less: Dismantling (₹): 7,500

Less: Loading/Transportation (₹): 4,000

Net Scrap Value (₹): $124,950 - 11,500 = 113,450$

NBV (₹): 86,000 Fair Market Value (₹): 1,02,000 (two buyer quotes attached)

→ Policy Floor Price = $\text{Max}\{86,000; 1,02,000; 1,13,450\} = ₹1,13,450$

(Use this computation to avoid sales at ₹85,000 when scrap realization supports ~₹1.13 lakh.)

Annexure - A - Disposal Request Form

1. Department Details

Department
Location / Plant
Requested By
Employee ID
Designation
Contact No.

Date

2. Asset / Material Details

Sl. No.	Asset / Material Description	Asset Code / Tag No.	Quantity	Condition (Working / Not Working / Scrap)	Reason for Disposal
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3. Supporting Details

Physical Verification Done by
Verification Date
Remarks

4. Disposal Method Recommended (Tick)

Scrap
Auction
Return to Vendor
Write-off
Other (Specify)

5. Approvals Required

Department Head
Finance Department
Asset Controller
CFO / Authorized Signatory

Name Date Signature

6. Disposal Execution (To be filled by Stores / Admin)

Disposal Completed On
Disposed By
Mode of Disposal
Gate Pass / Document Reference
Remarks