

Key audit matters	How our audit addressed the key audit matter
<b>Revenue recognition for long term projects and contract estimates</b> (as described in Note 37(a) of the Ind AS financial statements)	
<p>A significant portion of the Company's business comprises long-term fixed price projects. Revenue from these contracts is recognized in accordance with the principles laid down in Ind AS 115, Revenue from Contracts with Customers and as detailed in "significant accounting policies" of the Ind AS financial statements.</p>	<p>In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p>
<p>In accordance with Ind AS 115, the Company classifies its various contracts with customers and determines whether revenue should be recognized at "point in time" or "over the time" basis.</p>	<ul style="list-style-type: none"> <li>• We assessed the revenue recognition accounting policies by comparing with applicable accounting standards.</li> <li>• We tested key controls (both design and operating effectiveness) with respect to revenue recognition and related cost estimations.</li> </ul>
<p>There are various areas involving complexities, judgements and estimates involved in accounting for revenue recognized on "over the time" basis, including:</p>	<ul style="list-style-type: none"> <li>• We carried out analytical procedures on revenue recognized during the year to identify unusual variances.</li> </ul>
<ul style="list-style-type: none"> <li>• Estimation of total contract costs at inception and remaining costs to completion, which is a critical factor in measuring progress of a contract and amounts of revenue to be recognized; and</li> <li>• Assessment of various risks emanating from operational delays, contract terms, changes in estimations and scope, accounting for onerous obligations, technical, legal, external environment etc. This requires the Company to estimate various costs to capture such risks, including liquidated damages and warranties.</li> </ul>	<ul style="list-style-type: none"> <li>• We performed substantive testing by selecting samples of revenue transactions, recorded during the year by testing the underlying documents using statistical sampling.</li> <li>• We evaluated management's estimates (contract costs and risk provisions) by performing analytical procedures on such estimates.</li> <li>• We performed a retrospective review for contracts completed during the current year by comparing the final outcome of the contracts with previous estimates made for those contracts to assess the reliability of the management's estimation process.</li> </ul>
<p>In view of the above and because the Company and its external stakeholders focus on revenue as a key performance indicator, we determined this area to be an area involving significant risk, an area of audit focus, and accordingly a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We performed tests for completeness and appropriateness of actual cost booked in the correct period, by testing the underlying documents for samples selected using statistical sampling.</li> <li>• We assessed the disclosures made in the Ind AS financial statements.</li> </ul>
<b>Trade receivables, unbilled revenue and contract assets</b> (as described in Note 37 (b) of the Ind AS financial statements)	
<p>Trade receivables, including retention money with customers, unbilled revenue and contract assets forms a significant part of the Ind AS financial statements. Customer contracts typically involve time consuming and complex conditions around closure of contracts, including technical acceptances. This generally leads to longer and significant time for realization of receivables. As a result of the above, management's assessment of recoverability of trade receivables, unbilled revenue and contract assets, involves critical evaluation of all factors impacting recoverability, including impact of external environment, capability of customers to pay, historical payment records, evaluation of litigations, etc. including the possible effect from the pandemic relating to COVID-19.</p>	<p>In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p>
	<ul style="list-style-type: none"> <li>• We obtained an understanding of the processes implemented by management over the recognition and the recoverability of the trade receivables, unbilled revenue and contract assets.</li> <li>• We tested key controls (both design and operating effectiveness) over the recognition and the recoverability of the trade receivables, unbilled revenue and contract assets.</li> <li>• We obtained and tested the ageing of aforesaid receivables / assets on a sample basis.</li> <li>• We performed test of details and tested relevant contracts, documents and subsequent settlements for material trade receivable balances, unbilled revenue and amounts included in contract assets.</li> </ul>