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CIN: L99999GJ1992PLC018626

## INTERNAL FINANCIAL CONTROLS

### INTRODUCTION

- Section 134 (5) (e) of the Companies Act, 2013 requires Directors of a listed company to state in their Directors' Responsibility Statement that they have laid down internal financial controls to be followed by the Company and that such policy is adequate and are operating efficiently.
- As per Section 177 (4) (vii) of the Companies Act, 2013 and Clause 49 (III) (D) (11) of the Listing Agreement, the Audit Committee shall evaluate the internal financial control.
- Code of independent director (Schedules IV of the Companies Act, 2013) states that directors satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.
- As per Section 143 (3) (i), Statutory Auditors are required to make a statement in their Auditor's Report, whether the company has adequate Internal Financial Control system in place and the operating effectiveness of such controls.
- Rule 8 (5)(viii) of the Companies (Accounts) Rules, 2014; states that the details in respect of adequacy of internal financial controls with reference to the Financial Statements, shall be given in Board report.

The Company already has a comprehensive Internal Financial Control in place which is now being enumerated below in terms of the new definition provided under the Companies Act, 2013.

Internal Financial Controls include the following:

1. Policies and Procedures for ensuring the orderly and efficient conduct of its business including adherence to Company's policies.
2. Safeguarding of its assets.
3. Prevention and detection of frauds and errors.
4. Accuracy and completeness of the accounting records and,
5. Timely preparation of reliable financial information.

### 1. Policies and Procedures for ensuring the orderly and efficient conduct of its business including adherence to policies

Efficient conduct of business is essential to keep pace with the competitive world and to ensure that the Company is working at peak efficiency. Following are some of the components for efficient conduct of business:

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## **Customer Satisfaction**

### *Policy:*

The Company has a policy to satisfy the existing customer's requirement and exploring new customer in overseas market. The Company realizes that effective resolution of customer/supplier complaints and proper feedback is crucial for good customer/supplier relations.

### *Procedure:*

The Company has laid down measures for timely delivery satisfactory after sales service/complaint resolution.

## **Employee Satisfaction**

### *Policy:*

The Company considers employees as valuable resources to the organization and realizes that employee satisfaction is important for it to ensure their optimum productivity.

### *Procedure:*

The Company has various policies i.e. leave policy etc. The Company conducts various training programs to enhance the skills of the employees.

## **Technology**

### *Policy:*

The Company has a policy for continuous technology up-gradation.

### *Procedure:*

The Company uses secure and reliable technology.

## **Communication**

### *Policy:*

The Company places top priority on effective communication. It has an open door policy for its employees as well as customers and supplier so that they can communicate with ease.

### *Procedure:*

The Company has a streamlined customer communications system in place, which includes corporate presentation, catalogues, email correspondence etc.

## **2. Safeguarding of Its Assets**

The Company has to safeguard its moveable and immovable assets against accidental losses, misuse or theft.

Company's assets include:

- Tangible & Intangible Assets
- Property with third parties.
- Funds, securities and negotiable instruments
- Employees

#### Tangible & Intangible Assets

All Building, Plant & Machinery, Furniture, Office Equipment, Stock etc are adequately protected under Insurance Policy with Insurance Company approved by IRDA.

#### Property Entrusted to Third Parties

Only the person properly Authorized may keep the assets of the Company in his custody and entrust the same for safekeeping to third parties.

#### Use of Company's Property off Premises

Equipment, files or other information, property or assets of the Company are, if required may be removed from the Company's premises with proper authorization. Where permission is given for Company property or assets to be used off-site, as part of an approved arrangement, the employees are expected to keep those assets safe and confidential by following proper safety procedures.

#### Company's Registered, Corporate and other offices.

Since the Company has its registered office in Worli (Mumbai) care is taken to protect it apart from taking insurance policy, by constant vigilance on electrical, plumbing, heating, air conditioning etc.

#### Computer Systems and Electronic Technology.

Computer systems, programme and information required to be protected from theft or misuse. It is the employee's responsibility to safeguard any information which they have under in their custody and control. This is the case even when the employees are disposing any unwanted material; they must comply at all times with the Company's security processes and protection requirements, including any specific requirements applicable to a system or programme, which they use. Employees are advised to regularly change their passwords to sensitive areas of business. The Company has password protected accounting and financial system.

#### Employee Retention

The Company attaches high importance to retain talented employees and continuously upgrade their skill and knowledge by organizing various internal training from seniors and

executives. They are allowed to take vacations, and go through annual reviews to gauge their satisfaction and interest in working for the Company.

### Cash

The Company has adequate system in place to protect its cash balance which is managed at optimum level, under the supervision of a CFO of the Company.

### Credit

Efforts are made to make collections on time with constant follow up.

### Audits and Internal Checks

The Company apart from statutory audit has an internal audit mechanism, which is being modified/ upgraded as per the requirements.

## **3. Prevention and detection of frauds and errors**

The Company has put in place various policies, systems and procedures to guide employees for undertaking various transaction(s) within and outside organization and to conduct the same in a transparent & uniform manner by way of delegation and adherence to Company's HR Policies, Code of Business Ethics, and covenants mentioned in the appointment letter.

### Fraud

Following are some of the examples of fraud:

- a. Forgery or un-authorized alteration of any document or account belonging to the Company
- b. Forgery or un-authorized alteration of cheque, bank draft, E-banking transaction(s) or any other financial instrument etc.
- c. Falsifying records such as pay-rolls, removing the documents from files and /or replacing it by a fraudulent note etc.
- d. Wilful suppression of facts/ deception in Matter of appointment, placements, submission of reports, etc. as a result of which a wrongful gain(s) is/are made to one and wrongful loss(s) to the others.
- e. Utilizing Company funds for personal or other than official purposes.
- f. Authorizing or releasing payments for goods not supplied or services not rendered.
- g. Destruction, disposition, removal of records or any other assets of the Company with intention to manipulate and misrepresent the facts so as to create suspicion /suppression /cheating as a result of which objective assessment/ decision would not be arrived at.
- h. Any other act that falls under the fraudulent activity.

### Fraud prevention and detection

The Company has designed fraud prevention and detection measures considering the fraud risk as such they may need to be flexible, adaptable and continuously changing to meet the various changes in fraud risk.

The Company has in place various essential elements of fraud detection process which inter alia include:

- \_ Internal Control
- \_ Internal Audit by an Independent Agency.
- \_ Statutory Audit carried on annual basis
- \_ Bill watch system
- \_ File management system
- \_ Mechanism of authorization
- \_ All payments are authorized & all cheques are signed by Whole-Time Director jointly with one Authorised Signatory.
- \_ Reconciliation of all banks accounts regularly.

There is frequent supervision of all employees and review of their work especially those who have access to financial records. The company has adequate internal controls to prevent fraud from occurring and detective controls to reveal any inconsistency.

#### **4. Accuracy and completeness of the accounting records**

The Company needs to prepare its accounts as per the provisions of Companies Act. The Company has comprehensive software namely ‘Emperor’ which is capable of recording all accounting entries in a proper manner. Further Company has to maintain complete accounting records in order to finalize the same so that final accounts can be drawn as per the prevailing provisions of Companies Act and Accounting Standards.

#### **5. Timely preparation of reliable financial information.**

Under the existing listing agreement with the stock exchange, the Company is required to publish unaudited quarterly/yearly financial results and also audited financial results at the end of the year within the time frame prescribed under the listing agreement.

The said information is also uploaded on the Company’s website. In case of quarterly results, the same are published in leading newspapers within 48 hrs of its approval by the Board of Directors.

The Company has inbuilt mechanism for timely preparation of reliable financial information within given time and the company has a track record of doing the same without undue delay.

#### **Review of the policy by Audit Committee**

The above policy has been reviewed by the Audit Committee in terms Section 177 of the Companies Act, 2013.

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