

Lloyds Steels Industries Limited

# Internal Financial Control Framework

### **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.

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:

### **Customer Satisfaction**

**Policy:** The Company has a policy to satisfy the customer by adhering to the specifications, timely delivery, customer satisfaction, minimize customer complaints, lessening the internal rejections and meet requirements as per contract. The Company realizes that timely completion of manufacturing and providing efficient services to customers and proper feedback is crucial for good customer relations. The Company has a Quality Policy that "Continued Customer Relationship" and "Meeting Customers Expectation" at an acceptable cost as the main objective for growth.

**Procedure:** The Company has laid down measures for quality control, timely delivery and 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. The Company has various policies for the benefit of employees. Such policies boost employee morale and play a vital role in their overall performance.

**Procedure:** The Company has various policies i.e Leave Policy, Travel Policy, Productivity Policy, Retirement Policy etc. The Company conducts various Training Programs to enhance the skills of the employees.

### **Communication**

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

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

#### Adherence to Company's policies

The Company has been disseminating all its policies to the concerned/affected persons and whenever possible, acknowledgements are taken to the effect that they have understood the policies and will abide by the same in letter and spirit. The Company also periodically reviews the policies and updates them.

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

The Company has to safeguard its moveable and immovable assets against accidental losses, corruption, 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.

### Use of Company's Property off Premises

Equipment, files or other information, property or assets of the Company may be moved from the Company's premises only with proper authorization for the purpose of utilizing the same elsewhere such as in new project sites. Where such permission is given for Company property or assets to be used in other places or site, as part of an approved arrangement, the employees are expected to keep those assets safe, secured, and confidential by following proper safety procedures. Such equipment and files are brought back to the Company after the purpose is achieved.

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

Since the Company has its Registered Office in Plot No. A-5/5, Works at A-6/3, A-5/5 – A-5/4 and office premises at A-6/3, MIDC Industrial Area, Murbad, Dist. Thane – 421 401, Maharashtra, care is taken to protect it apart from taking insurance policy. By constant vigilance through appropriate security on the office, equipments of mechanical and electrical, stores, plumbing, heating, air conditioning etc. The Company has its corporate office at Mumbai.

### 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 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. The company has a cyber-security expert to protect the company's electronic data, including customer information, passwords, financial accounts and work product. Employees are advised to regularly change their passwords to sensitive areas of business and overall control is exercised through the EDP Department.

### Employee Retention

The Company attaches high importance to retain talented employees and continuously upgrade their skill and knowledge by organizing and deputing various training programs/workshops. 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 senior official 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 in which various functional areas are covered by way of financial, management, systems and compliances audit and the same are upgraded as per the requirements from time to time.

### **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 Policies, Code of Business Ethics, and deploying checks and balances at various levels.

### **Fraud**

Following are some of the examples of fraud:

- a) Forgery or unauthorized alteration of any document or account belonging to the Company
- b) Forgery or unauthorized 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) Willful 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 out on quarterly and annual basis
- ✚ Bill watch system
- ✚ File management system
- ✚ Mechanism of authorization
- ✚ Routing of fund through Corporate Office at Mumbai.
- ✚ Reconciliation of all banks accounts regularly.

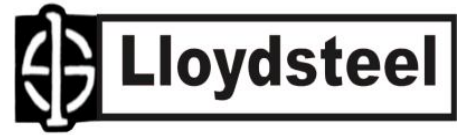
There is frequent supervision of all employees and review of their work especially those who have access to financial records. The company has adequate internal controls to prevent fraud from occurring and detective controls to reveal any inconsistency. In case of violation of Code of Business Ethics, the gradual system of punishments has been laid down, depending on the gravity of the misdeed which presumably acts as a deterrent for violating the said Code.

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

The Company needs to prepare its accounts as per the provisions of Companies Act and by considering the guidance notes and accounting standards laid down by the Institute of Chartered Accountants of India. The Company has comprehensive software namely 'SAP' which is capable of recording all accounting entries in a proper manner. Further the 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 exchanges, 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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