

FLUIDOMAT LIMITED
CIN: L74210MP1978PLC001452

“POLICIES AND PROCEDURES ON INTERNAL FINANCIAL CONTROL”

[Under Section 134(5) (e) of the Companies Act, 2013]

INTRODUCTION:

The Board of Directors of FLUIDOMAT LIMITED in its Board Meeting held on 13th February, 2015 has adopted the following Internal Financial Control Policy which shall be applicable with effect from April 01, 2015.

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 that is adequate and are operating efficiently. The Act does not prescribe the contents of the Policy, Procedures and Practices.

The Company at present is adhering to internal Financial Control commensurate with its size and operation which is now reduced into writing in terms of the requirements of Companies Act, 2013 read with Rule 8(5)(viii) of Companies (Accounts) Rules, 2014

DEFINITIONS:

“Audit Committee” means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing agreement.

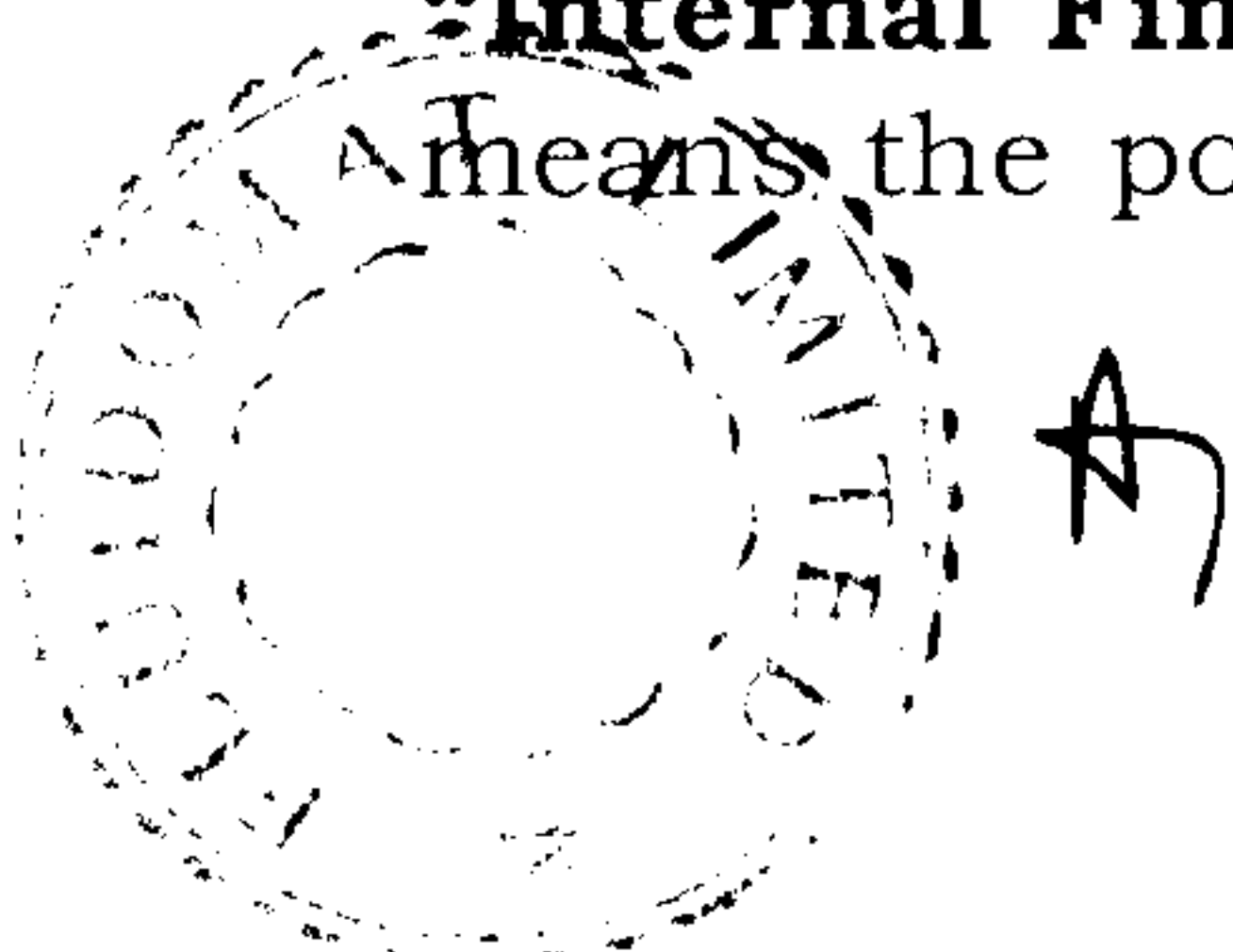
“Board of Directors” or “Board” in relation to a Company, means the collective body of Directors of the Company. [Section 2(10) of the Companies Act, 2013]

“Books or Books of Account” as per sub-section (12A) of Section 2 of Income Tax Act, 1961 means and includes ledgers, day-books, cash books, account books and other books, whether kept in written form or as print-outs of data stored in floppy, disc, tape or any other form of electro-magnetic data storage device.

“Financial Statement” as per Section 2(40) of Companies Act, 2013 in relation to a Company means a Statement which includes-

- (i) A balance sheet as at the end of the financial year;
- (ii) A profit and loss account for the financial year;
- (iii) Cash flow statement for the financial year;
- (iv) A statement of changes in equity, if applicable; and
- (v) Any explanatory note annexed to, or forming part of, any document referred to in sub clause (i) to sub-clause (iv);

“Internal Financial Control” as per Section 134(5)(e) of Companies Act, 2013 means the policies and procedures adopted by the Company for ensuring the



orderly and efficient conduct of its business, including adherence to Company's policies, safeguard of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and the timely preparation of reliable financial information".

"Policy" means Internal Financial Control Policy.

OBJECTIVES:

The objectives of this Policy are;

- To mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded.
- Financial reporting is accurate and reliable.
- To ensure Company's resources are used prudently and in an efficient, effective and economical manner.
- Resources of the Company are adequately managed through effective internal controls.
- To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Company's objectives through operational efficiency.

ELEMENTS OF INTERNAL CONTROL FRAMEWORK :

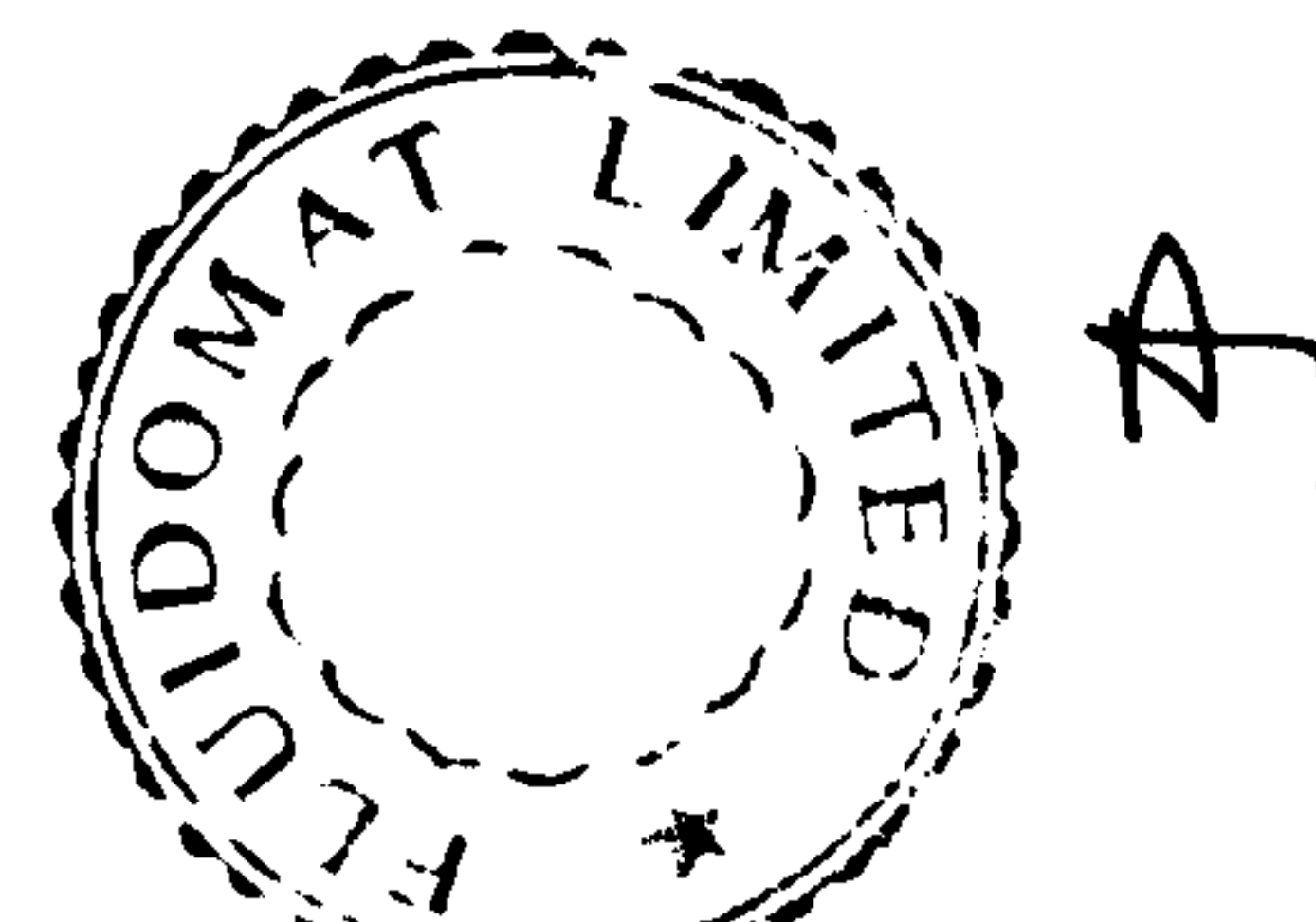
The essential elements of an effective internal financial control framework are:

- Structure and culture of Organization;
- Delegations of Authority;
- Policies and procedures;
- Trained and properly qualified staff;
- Information Technology controls;
- Review process e.g. internal audit;
- Liaison with auditors and legal advisors;
- Senior Management compliance assurance;

POLICY:

The Company shall have defined organization structure, policies, procedures, records and methods of reporting that are necessary to collectively ensure that the financial and non-financial operations of the Company is conducted in an orderly and efficient manner to achieve the Company's objectives by:

1. Assessing and containing the risks faced by the Company to acceptable level.



2. Preventing and correcting irregularities.
3. Safeguarding assets against the loss / misuse.
4. Ensuring financial and other records are complete and accurately and reliably reflect the conduct of the Company.
5. Preventing the misuse or appropriation of resources.
6. Resources are acquired economically and employed efficiently, qualify business processes and continuous improvement is emphasized.
7. The actions of all Company officers including Directors, Key Managerial Personnel, Senior Management and Staff are in compliance with the Company's policies standard compliance and procedures and also relevant laws and regulations.
8. To ensure Company's resources are used prudently and managed in an efficient, effective and economical manner.
9. Internal Financial Control is a framework for an effective internal control system which conveys to Officials and the employees of the company that they are responsible for ensuring that the internal controls are established, documented, maintained and adhered to across the Company by all Employees.

POLICY SCOPE:

Internal Financial Control is basically a process which encompasses systems, policies and procedures that protect the assets of the Company, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations.

These systems are not only related to accounting and reporting but also relate to the organisation's culture, communication process both internal and external, which include, handling of funds received and expenditure incurred by the Company, preparing appropriate and timely financial report to the Board and Officers, conducting the annual audit of the Company, company's financial statements, evaluating staff and progress, maintaining inventory records and properties and their whereabouts and maintaining personal and conflict of interest policies.

Internal Financial Controls of the Company has got the following key elements:-

1. Control Environment;
2. Information and Control System;
3. Control Procedures;

Control Environment



It includes –

- ✓ Integrity and ethical behavior
- ✓ Commitment to competence
- ✓ Directors and Audit Committee participation
- ✓ Management Philosophy and operating style organisation structure
- ✓ Assigning authority and responsibility
- ✓ Human resource policy and practices

Information Control System

It facilitates –

- ✓ Focus on preventing of errors or irregularities
- ✓ Focus on identifying errors or irregularities if occurred
- ✓ Focus on recovery from repairing the damaged from or minimizing the cost of an error or irregular.

Control Procedures

The control activities shall be physical.

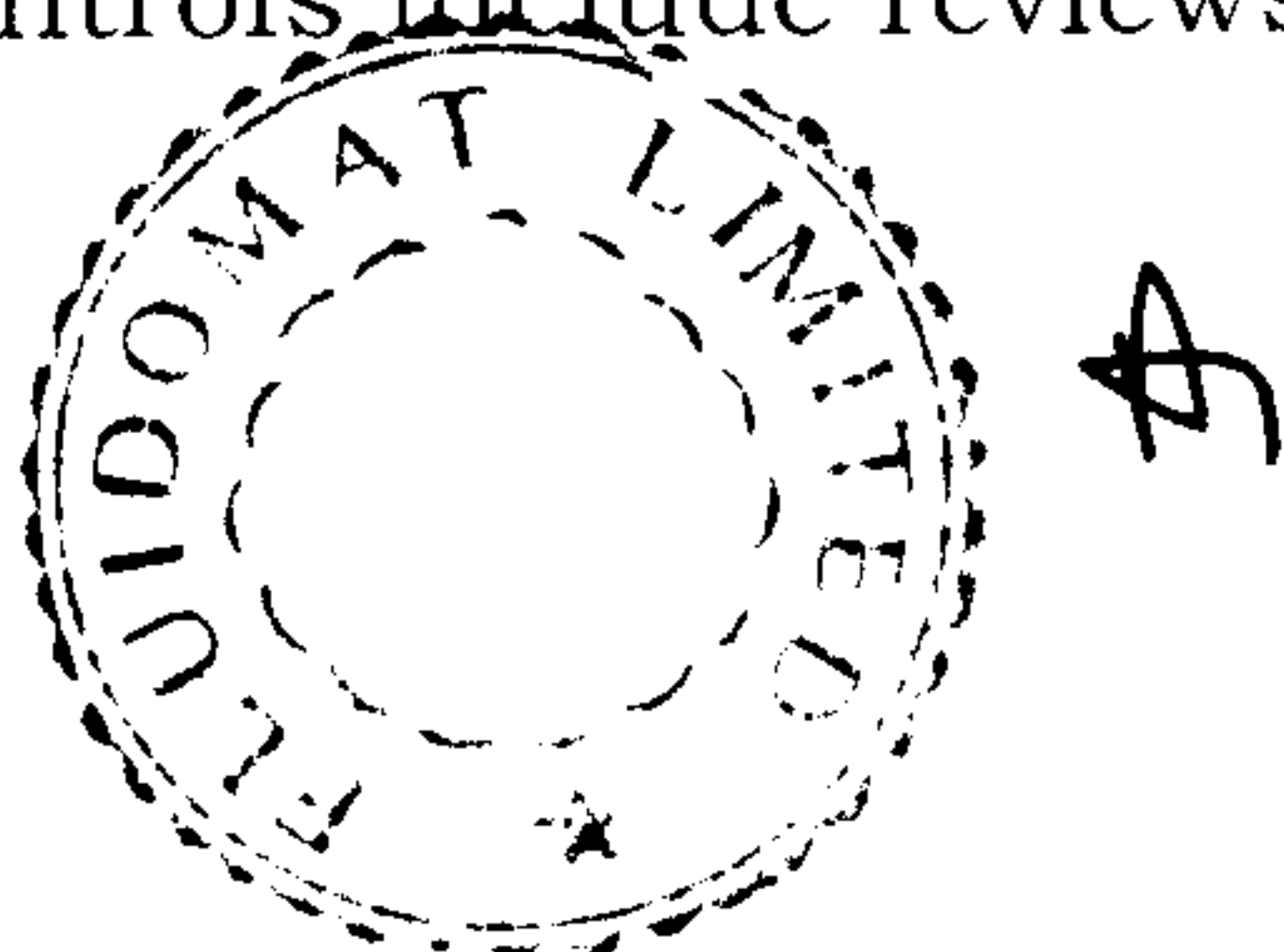
- ✓ Controls which include security over assets, limiting access to the assets to only authorised people and periodical reconciliation of quantities on hand with the quantities recorded in the Company's records.
- ✓ Information processing control shall be divided into general controls and application controls.
- ✓ General Control shall cover data centre operations, system software, acquisitions and maintenance, access security and application systems, development and maintenance.
- ✓ Application control shall be for processing of a specific application, namely, running computer programme to prepare payroll every month.

POLICIES ON CONTROL ACTIVITIES:

1. All Accountants shall act like control consultant with a real time proactive, control philosophy that focus first on preventing business risk than on detecting and correcting errors and irregulars.
2. Use modern information technology to achieve the objectives of recording, maintaining, producing of outputs of accurate and timely information, evaluating the risks associated with the updated mode of collecting and storing and reporting data and designing specific control procedures that help control the risks applicable to the new design.
3. Evolve control procedures to the business process so as to improve the quality of internal control systems while enhancing the organizational effectiveness.
4. Duplication of recording of business event should be eliminated.

KEY NOTES ON INTERNAL CONTROL POLICY:

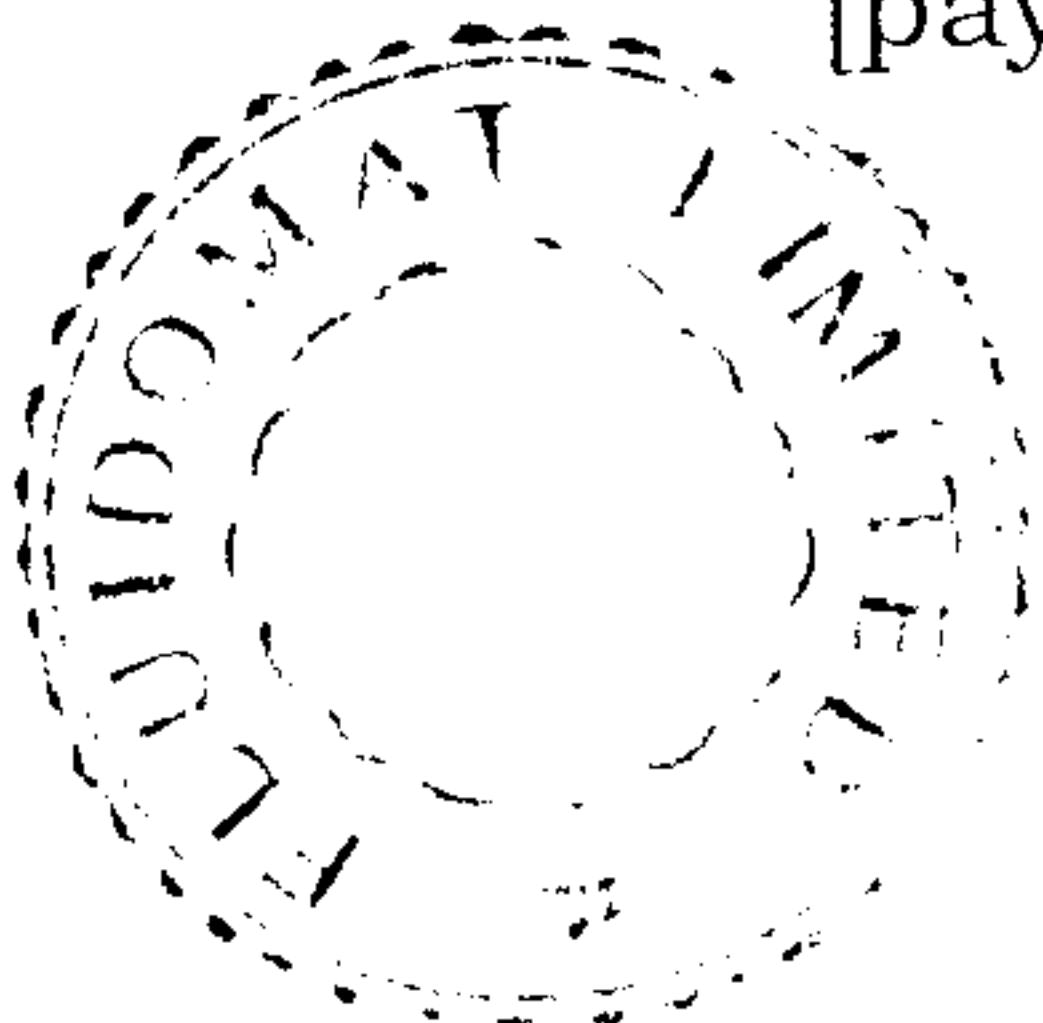
Internal Controls include reviews of the following areas:



1. Senior management, to be responsible for establishment of overall policies and active oversight of parameters and controls.
2. Internal audit, to ensure that proper systems and procedures are at place for internal control at various departments,
3. Independent assessments are made encompassing functioning of various compliances under various statues and Rules & Regulations framed there under,
4. Adequate systems and procedures are at place for physical verification of stocks (of raw materials, finished goods, stores and spare parts, work-in-progress) fixed assets and other assets,
5. Proper books of accounts vouchers along with supporting documents are maintained,
6. There are adequate checks and balances, protection of customer funds and securities, operating systems, management information systems, management reporting, front and back office operations, contingency planning and disaster recovery,
7. And finally, to ensure that products and activities are assimilated into the risk management system in a timely and appropriate manner.

For Effective Financial Control, The Board Of Directors And Senior Management Shall Ensure:

- Physical verification of inventories at reasonable intervals.
- Physical verification of Fixed Assets at reasonable intervals.
- Adequate Internal Control procedure are at place for maintaining proper records in respect of sale/purchase of goods and services.
- All undisputed statutory dues including provident fund, Investor Education Protection Fund, Employee State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Rates and Taxes and other Statutory dues are paid within the prescribed time.
- Funds availed on short term basis are not used for long term investment.
- The funds raised through Public issue, Right issue, Preferential/Private placement shall be used for the purposes as stated in Prospectus/Offer Letter.
- The Company shall comply with all applicable Statutory Laws, Rules and Regulations.
- No loan or deposits exceeding Rs. 20,000/- or more are taken or accepted from any person otherwise than by an account payee cheque or account payee bank draft (section 269 SS of income tax act 1961)



A)

- No loan or deposits exceeding Rs. 20,000/- or more are repaid otherwise than by an account payee cheque or account [payee bank draft (section 269 T of Income Tax Act 1961)]
- No expenditure exceeding 20,000/- is made otherwise than by an account payee cheque or account [payee bank draft (section 40 A(3) of Income Tax Act 1961)]

ACCOUNTING POLICIES:

The Financial Statement will be prepared in accordance with applicable accounting standard on accrual basis except those with significant uncertainties.

The Company may adopt Accounting Policies to provide for:

1. Methods of depreciation, depletion and amortization.
2. Valuation of inventories, investments and Fixed Assets.
3. Treatment of goodwill, government subsidies
4. Treatment of retirement benefits
5. Treatment of contingent liabilities
6. Recording of foreign transactions and fluctuations in Transaction currency.
7. Recognition of revenue and estimation of expenditure for current and future period.
8. Tax and Government levies.

BALANCE SHEET:

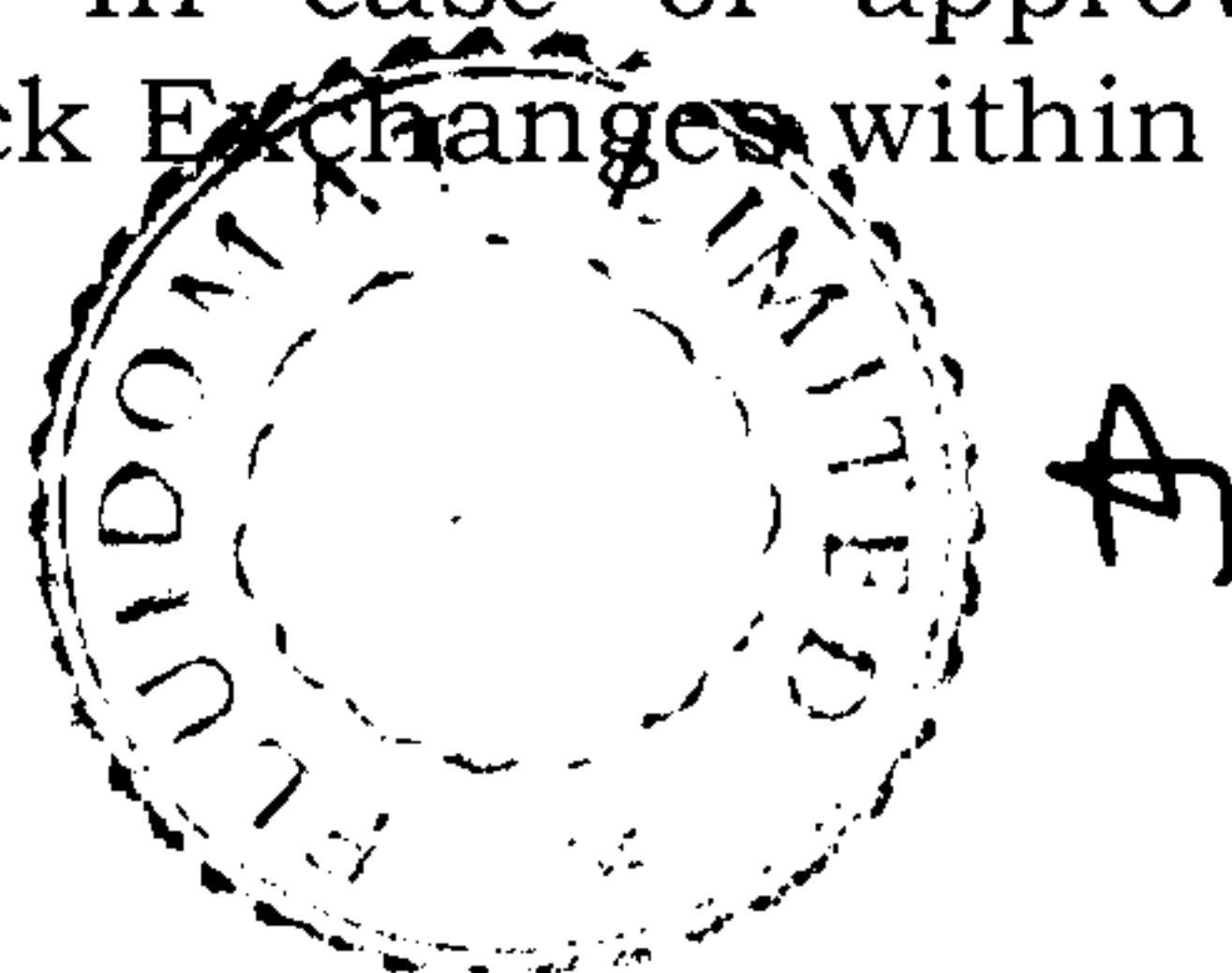
The Balance sheet and Statement of Profit and Loss of the Company shall be in accordance with schedule III of Companies Act, 2013

ACCURACY AND COMPLETENESS OF THE ACCOUNTING RECORDS:

The Company needs to prepare its accounts as per the provisions of Companies Act 2013. The Company has comprehensive software 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. Company has successfully implemented "E.X. next Generation" for accounts.

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 approved quarterly results, the same are intimated to the Stock Exchanges within 15/30 minutes from the conclusion of



the meeting of Board of Directors and also published in leading newspapers within 48 hours.

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

REGULATORY FRAMEWORK/REQUIREMENTS:

Internal Control Policy is framed as per the following regulatory requirements:

49 I (C) DISCLOSURE AND TRANSPARENCY:

The Company shall ensure timely and accurate disclosure on all materiel matters including the financial situation, performance, ownership and governance of the Company:

Information should be prepared and disclosed in accordance with the prescribed standard of accounting, financial and non- financial disclosure.[Clause 49 I (C)(a)]

The Company should implement the Accounting standards in letter and spirit in the preparation of financial Statements taking in to consideration the interest of all stakeholders and should also ensure that the Annual Audit is conducted by an independent, competent and qualified auditors.[Clause 49 I (C)(d)]

49 I (D). RESPONSIBILITIES OF BOARD:

Key Functions of Board:

Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and investments.[Clause49 I (D)(a)]

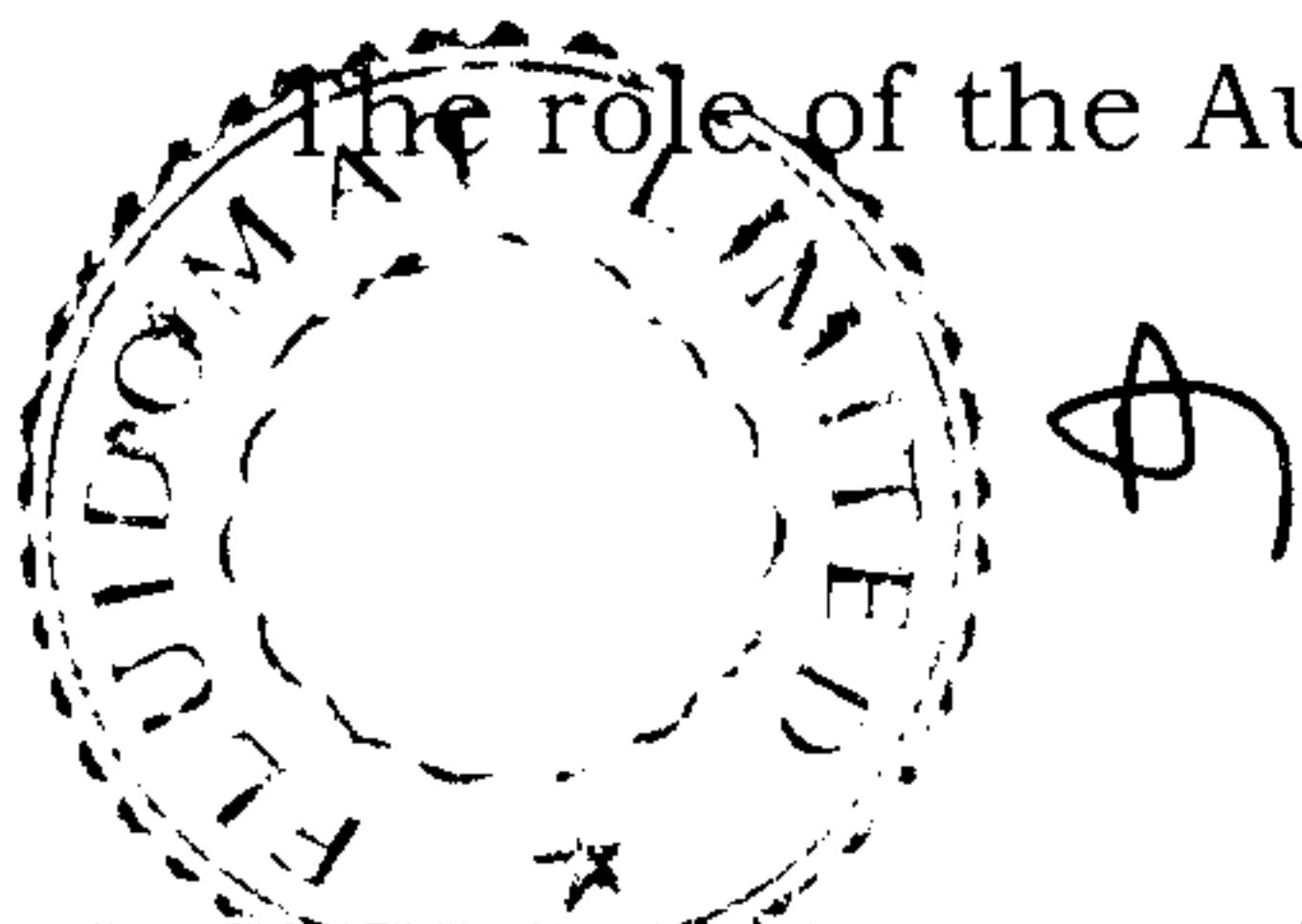
Ensuring the integrity of the Company's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particulars, systems for risk management, financial and operational control, and compliance with Law and relevant standards. [Clause49 I (D)(g)]

Other Responsibilities:

The board should ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the Company to excessive risk.

49(III) D. ROLE OF AUDIT COMMITTEE

The role of the Audit committee shall include the following:



Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

Recommending for appointment, remuneration and terms of appointment of Auditors of the Company.

Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

Reviewing, with the management, the annual financial statements and Auditor's report thereon before submission to the board for approval, with particular reference to:

a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013.

b. Changes, if any, in accounting policies and practices and reasons for the same

c. Major accounting entries involving estimates based on the exercise of judgment by management

d. Significant adjustments made in the financial statements arising out of audit findings

e. Compliance with listing and other legal requirements relating to financial statements

f. Disclosure of any related party transactions

g. Qualifications in the draft audit report.

Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

Review and monitor the Auditor's independence and performance, and effectiveness of audit process.

Approval or any subsequent modifications of the transactions of the Company with related Parties.



Scrutiny of inter-corporate loans and investments.

Valuations of undertakings or Assets of the Company, wherever it is necessary.

Evaluation of internal Financial Controls and Risk Management Systems.

Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

Discussion with internal auditors any significant findings and follow up there on.

Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

To review the functioning of the Whistle Blower mechanism, in case the same is existing.

Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

49 (VI) RISK MANAGEMENT:

The Company shall lay down procedures to inform the Board Members about the Risk Management and minimization procedures.[Clause 49 (VI) A

The Company through its Board of directors constitutes a Risk Management Committee. The Board shall define the Role and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the Risk Management Plan to the Committee and such other functions as it may deem fit.[Clause 49 (VI) C]

VII (D) AUDIT COMMITTEE APPROVAL:



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All Related Party Transactions shall require prior approval of Audit Committee. However Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to following conditions:-

The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy of Related Party Transactions of the Company and such approval shall be applicable in respect of transactions in respect of transactions which are repetitive in nature.

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in interest in the company.

Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/ current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit:

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1crore per transaction.

Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

Such omnibus shall be valid for a period not exceeding one year and shall require fresh approvals of after the expiry of One year.]

VIII DISCLOSURES:

(A) Related Party Transactions :

Details of all Material transactions with related parties shall be disclosed quarterly along with the Compliance Report on Corporate Governance.

The Company shall disclose the policy on dealing with Related Party Transaction on its Website and a web link thereto shall be provided in the Annual Report.

(B) Disclosure of Accounting Treatment:

Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction in the Corporate Governance Report.

COMPANIES ACT, 2013:



“Books of Account” as per Section 2(13) of Companies Act, 2013 defines:

“Books of account” includes records maintained in respect of—

(i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;

(ii) all sales and purchases of goods and services by the company;

(iii) the assets and liabilities of the company; and

(iv) the items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section;

1. Provision of the Section 128 of Companies Act, 2013:

Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year and such books shall be kept on accrual basis and according to the double entry system of accounting.

Provided that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within seven days thereof, file with the Registrar a notice in writing giving the full address of that other place:

Provided further that the company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed. [Sub-section (1) of Section 128]

2. Provision of the Section 129 of Companies Act, 2013:

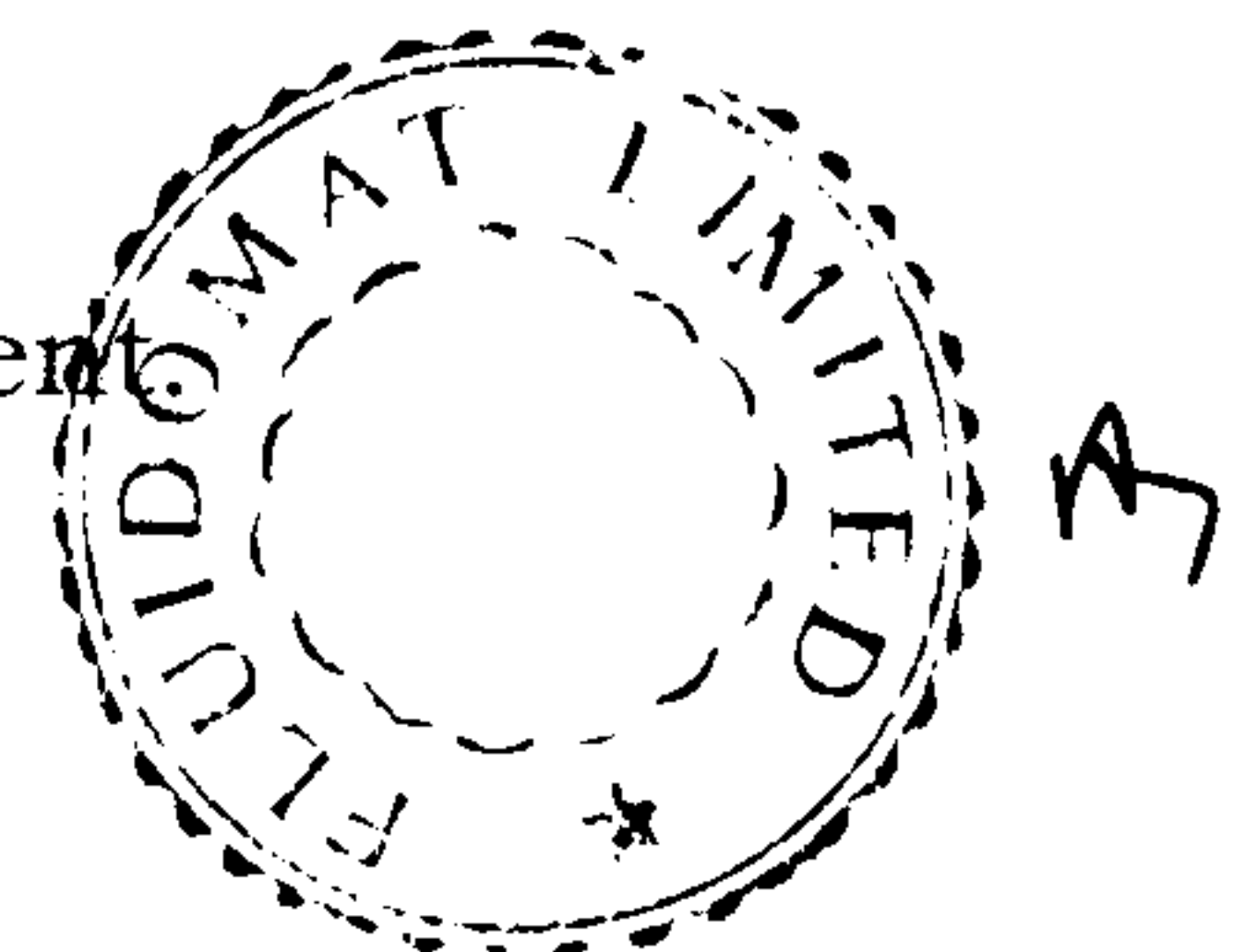
The financial statements of the Company shall give a true and fair view of the state of affairs of the Company and shall comply with the accounting standards as notified under section 133 and shall be in the form as may be provided in Schedule III. [Sub-section (1) of Section 129]

Without Prejudice to sub-section (1) where the financial statements of the Company do not comply with the accounting standards referred to in sub-section (1), the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation. [sub-section(5) of Section 129]

3. Provisions of the Section 134 of the Companies Act, 2013:

(1) The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board at least by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, for submission to the auditor for his report thereon.

(2) The auditors' report shall be attached to every financial statement



(3) There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include—

(a) the extract of the annual return as provided under sub-section (3) of section 92;

(b) number of meetings of the Board;

(c) Directors' Responsibility Statement;

(d) a statement on declaration given by independent directors under sub-section (6) of section 149;

(e) in case of a company covered under sub-section (1) of section 178, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;

(f) Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made—

(i) by the auditor in his report; and

(ii) by the company secretary in practice in his secretarial audit report;

(g) particulars of loans, guarantees or investments under section 186;

(h) particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form;

i) the state of the company's affairs;

(j) the amounts, if any, which it proposes to carry to any reserves;

(k) the amount, if any, which it recommends should be paid by way of dividend;

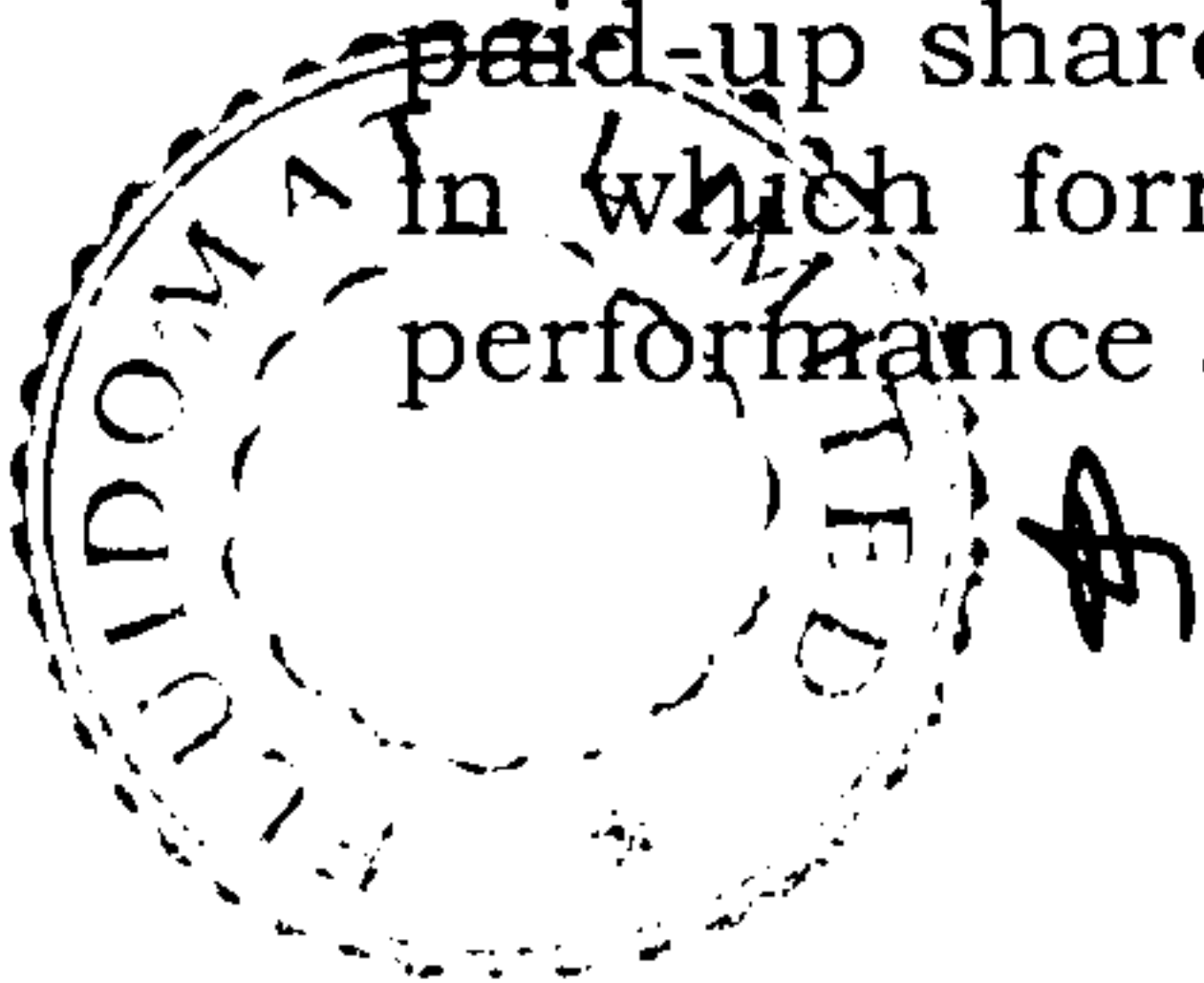
(l) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;

(m) the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;

(n) a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company;

(o) the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year;

(p) in case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors;



(q) such other matters as may be prescribed

(4) The report of Board of Directors shall be attached to the financial statements under this sub-section.

(5) The Directors' Responsibility Statement referred to in clause (c) of sub-section (3) shall state that:

(a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) The directors had prepared the annual accounts on a going concern basis; and

(f) The directors had devised proper systems to ensure compliance with the Provisions of all applicable laws and that such systems were adequate and operating effectively.

(7) A signed copy of every financial statement, including consolidated financial Statement, if any, shall be issued, circulated or published along with a copy each of—

(a) any notes annexed to or forming part of such financial statement;

(b) the auditor's report; and

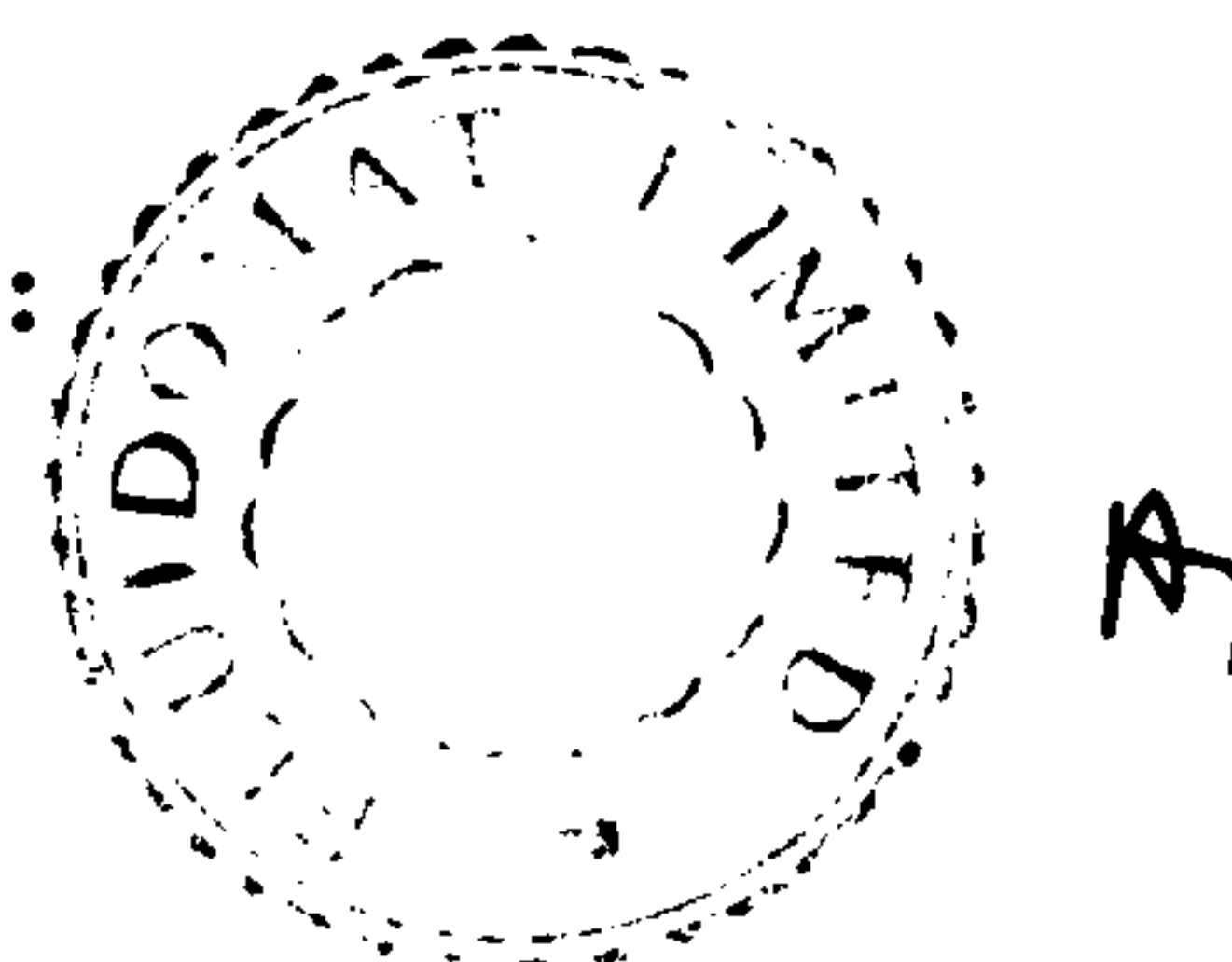
(c) the Board's report referred to in sub-section (3).

Rule 8 of the Companies (Accounts) Rules, 2014

The Board's Report shall be prepared based on the stand alone financial statements of the company and the report shall contain a separate section wherein a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement is presented.[Rule 8(1)]

The details in respect of adequacy of internal financial controls with reference to the Financial Statements.[Rule (5) (viii)]

Provisions of the Section 177 of the Companies Act, 2013:



The Audit Committee assists the Board in the discharge of its duties regarding the Group's financial statements, accounting policies and the maintenance of proper systems of risk management and internal control.

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include—

- (i) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- (ii) review and monitor the auditor's independence and performance, and effectiveness of audit process;
- (iii) examination of the financial statement and the auditors' report thereon;
- (iv) approval or any subsequent modification of transactions of the company with related parties;
- (v) scrutiny of inter-corporate loans and investments;
- (vi) valuation of undertakings or assets of the company, wherever it is necessary;
- vii) evaluation of internal financial controls and risk management systems;
- (viii) monitoring the end use of funds raised through public offers and related matters.

The Audit Committee may call for the comments of the auditors about internal control, scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.

INTERNAL AUDIT

Provisions of the Section 138 of the Companies Act, 2013:

Company shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

PROCEDURES ON INTERNAL FINANCIAL CONTROLS:

PREAMBLE:

Internal Financial Controls comprises the plan of the Company and all the coordinated methods and measures adopted by the Company in order to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to the prescribed managerial policies, prevention and detection of frauds & errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information.



CEO/CFO are primarily responsible for implementing, maintaining the internal financial controls in order to assist the Board in carrying out its activities in an efficient and orderly manner to ensure adherence of the management policies, safeguarding of its assets, ensuring reliability of its records and statutory compliances.

PROCEDURE:

The Company shall create, maintain computerized accounting records and shall establish, review & manage control framework in the following operational areas:

- A. Sales & Invoicing
- B. Receivables Management
- C. Purchase of goods & services
- D. Payables management
- E. Employee payments
- F. Treasury operations
- G. Taxes and duties
- H. Fixed assets
- I. Inventories
- J. General Ledger

A. SALES & INVOICING:

- ✓ Prices for invoicing shall be driven by customers purchase orders.
- ✓ Invoice generation should be system driven.
- ✓ Price approval, discounts approval with proper authorisation to vary rules.
- ✓ Without valid invoices, dispatching of goods shall not be made.

SOP in annexure-A

B. RECEIVABLES MANAGEMENT:

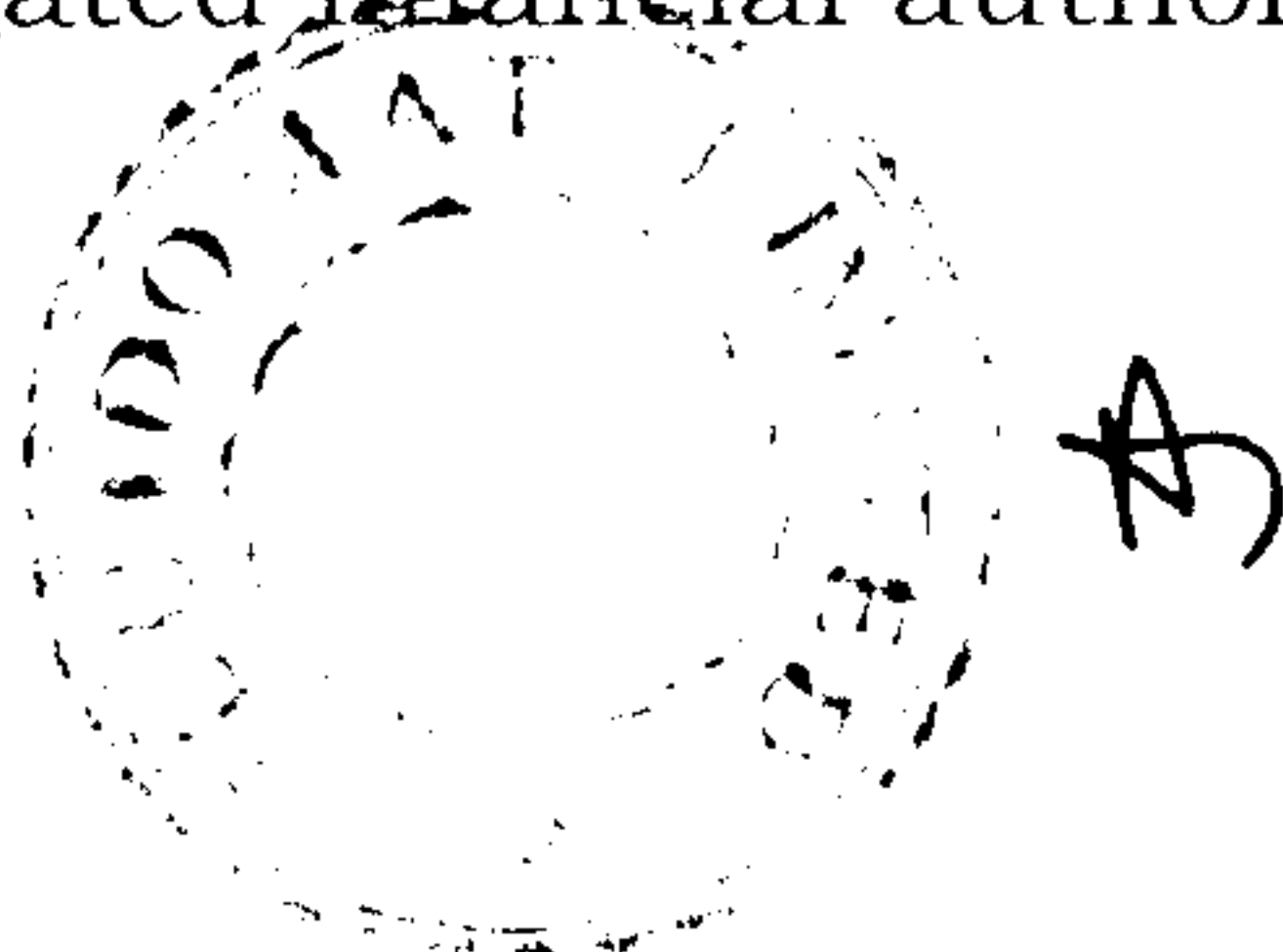
- ✓ Establish regular reporting and follow-up on aging accounts
- ✓ Segregation of duties of employees in accounts receivable and receipt accounting
- ✓ Review credit balances in customer account regularly.
- ✓ Payments viz., cheques / DDs should be banked without any delay.
- ✓ Establish monitoring system for timely collection of concessional form.
- ✓ Debit notes are to be raised for bank charges on dishonour of cheques.
- ✓ Bank guarantee, LC expiry to be reviewed and monitored regularly.

SOP in annexure-B

C. PURCHASE OF GOODS & SERVICES:

- ✓ All procurements of goods & services shall be at competitive prices.
- ✓ Procurement decisions shall be evaluated and monitored by cross functional team at all levels.
- ✓ Vendors shall be pre-approved by the Head of Purchase before first transaction.
- ✓ Ordering for purchase of goods & services shall be backed by Purchase orders(PO) or work order (WO) duly signed by authorised officers.
- ✓ All POs, WOs shall be pre-approved by the duly authorised official with appropriate delegated financial authority.

SOP in annexure-C



D. PAYABLES MANAGEMENT:

- ✓ Authorization for payment of the invoice after adhering to the terms and conditions of the POs / WOs.
- ✓ Payments of Invoices shall be based on original invoice as per the terms of approved PO / WO.
- ✓ Vendor payments shall be made through A/c payee cheque, DD, RTGS and NEFT. Other mode of payment is only second option.
- ✓ Vendor ledger to be reconciled on a monthly basis and control account are to be cleared up by following up for the pending items.
- ✓ Concessional forms like C-form shall be issued for eligible purchases.

SOP in annexure-D

E. EMPLOYEE PAYMENTS:

- ✓ All payments to employees are to be governed by pre-approved policies.
- ✓ Maintain accurate employee attendance, leave records.
- ✓ Segregate duties for maintenance of personnel records and running of pay roll.
- ✓ Permanent Employees payments shall be made through e-payment to respective bank accounts.
- ✓ All payroll control accounts are to be reviewed and reconciled on a monthly basis.
- ✓ Maintain confidentiality about individual employee's earnings unless it is required for statutory purposes.

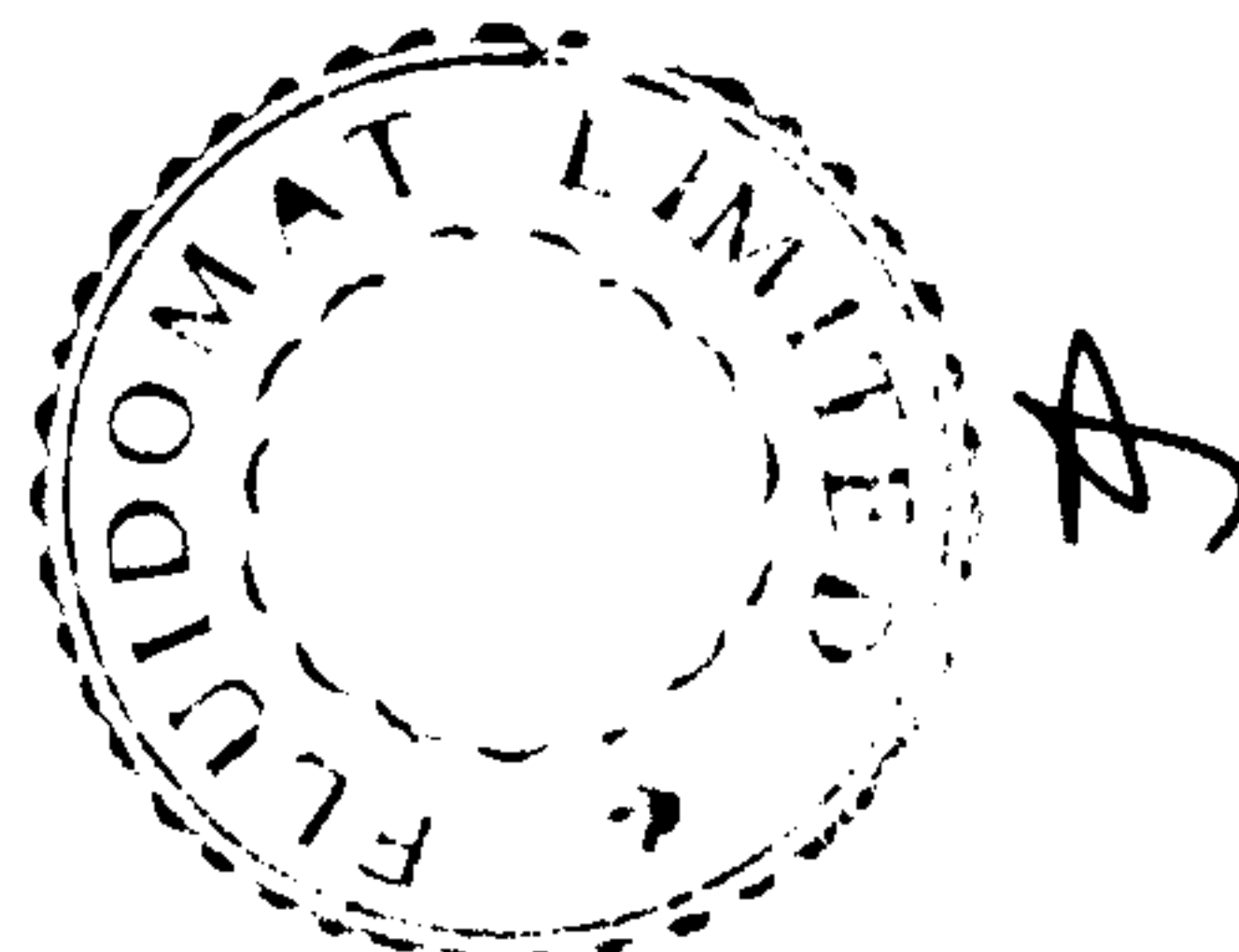
SOP in annexure-E

F. TREASURY OPERATIONS:

- ✓ No cash receipts from any customers without prior approval in writing.
- ✓ Accounting of receipts and depositing of cheques, DDs in to banks shall be made without any delay.
- ✓ Reconciliation with bank statement for receipts side should be done daily.
- ✓ Cash balance should be counter checked by supervisory officer on a daily basis.
- ✓ Adequate insurance cover for all risks associated with cash is mandatory.
- ✓ Segregation of duties to ensure cash handling is separated from the finance manager.
- ✓ Un-used cheque leafs shall be in safe custody.
- ✓ Authorised cheque signatories shall not sign blank cheques under any circumstances.
- ✓ Independent direct confirmation of bank balances from banks by internal audit.
- ✓ Transactions involving forex shall be governed as per FEMA Rules and RBI Policy.

SOP in annexure-F

G. TAXES AND DUTIES:



- ✓ Remittance of statutory liability & filing of prescribed returns on or before due date is the primary responsibility of the concerned accounts head.
- ✓ Tax ledgers and control accounts are to be reconciled before remittance of taxes, duties based on the applicable laws and regulations.
- ✓ All signatories to any statutory remittances or return or appeal or application or correspondence in whatever manner shall have appropriate authorisation in writing including for digital signatory.
- ✓ Develop a monitoring & reporting system for ensuring compliance of all statutory obligation mapped to its time schedule. Develop a monitoring & reporting system for systematic review of all disputes in appeals before quasi-judicial, judicial for a relating to all statutory compliance or obligations.

SOP in annexure-G

H. ASSETS:

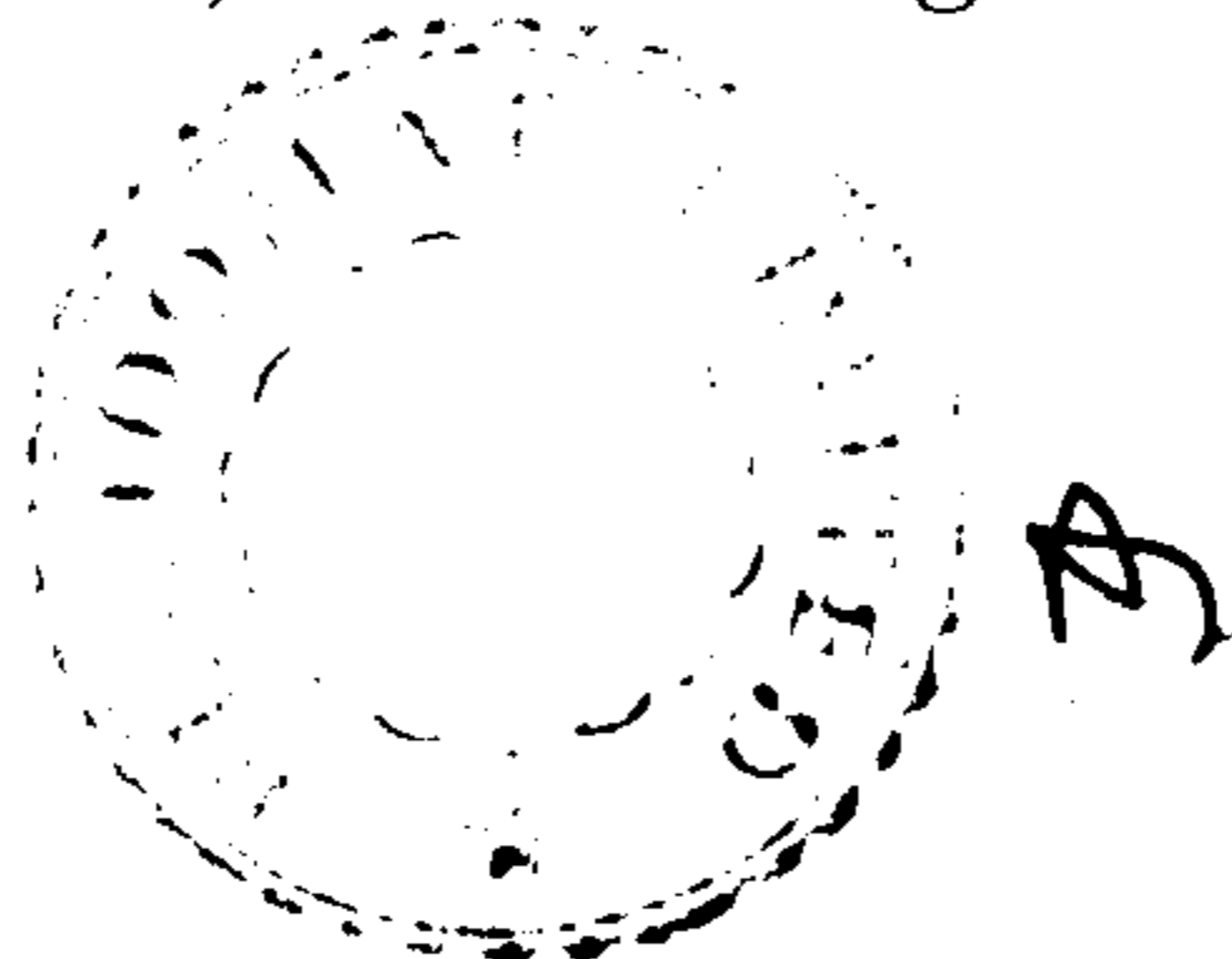
- ✓ Keep all smaller valuables in a safe.
- ✓ Maintain an asset register with all relevant details of each asset.
- ✓ Establish physical security protection measures such as locks on premises.
- ✓ Establish security / surveillance cameras for enhancing protection measures for large area where movements of men and machines are there.
- ✓ Take out appropriate insurance cover for all types of assets to cover relevant perils associated to it.
- ✓ Review insurance coverage details regularly.
- ✓ Perform periodical asset register audit with physical count.
- ✓ Establish safeguarding measures to protect those assets from misuse or encroachment or theft where such assets are located away from the normal business premises.
- ✓ Intangible assets shall be under proper surveillance system.
- ✓ Software's and others shall be virus protected.

SOP in annexure-H

I. INVENTORIES:

- ✓ Storage areas for inventories shall be properly secured with proper security arrangements. It shall be regularly reviewed for improvements.
- ✓ Inventories shall be properly organised and stored for smooth access for both verification & delivery.
- ✓ ABC classification of inventory management system shall be followed.
- ✓ Physical verification of inventory is to be carried out for all classes of items (i.e. ABC) for the pre-set time schedule for each category.
- ✓ Physical verification of inventories should be conducted periodically.
- ✓ Adequate insurance cover should be in place for all types of risks for inventories.
- ✓ Establish systematic review process for initiation of insurance claims during transit.
- ✓ Periodical review of obsolete, non-moving inventories to design a plan for periodical disposal.

SOP in annexure-I



J. GENERAL LEDGER:

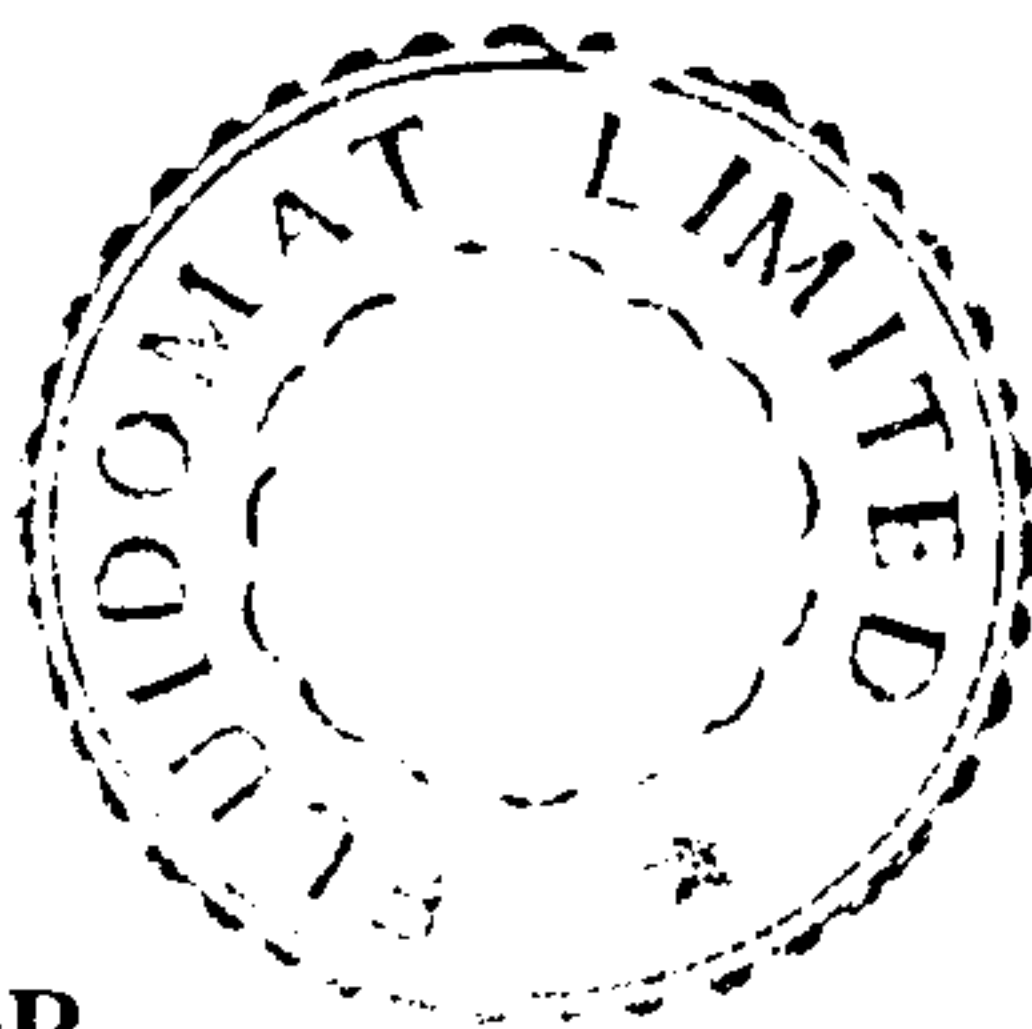
- ✓ Segregation of duties with regard to creation & authorisation of entries.
- ✓ Systematic work flow enabled authorisation of journal vouchers.
- ✓ Reconciliation of control accounts and review system for monitoring.
- ✓ Systematic review of GL for Revenue, Expenses, Assets and Liabilities should in place.
- ✓ Centrally controlled master data management of chart of Accounts.
- ✓ Systematic review of each and every component of financial statements.
- ✓ Access control of GL to authorised users and surveillance system for monitoring unauthorised access.
- ✓ Establish disaster recovery system in place and evaluate its fail-safe capabilities.

REVIEW OF THE POLICY BY AUDIT COMMITTEE:

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

For, FLUIDOMATLIMITED

Ashok Jain



ASHOK JAIN
CHAIRMAN & MANAGING DIRECTOR
DIN:00007813

Place: Indore
Date: 13/02/2015

END