



## JK Cement Limited ('Company')

### **INTERNAL FINANCIAL CONTROL POLICY (Reviewed on 21.3.25)**

#### **INTRODUCTION**

Internal Financial Controls 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, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

The Companies Act, 2013 ('Act, 2013') under various provisions has cast duty on the board, audit committee and statutory auditors to comment on the adequacy of 'internal financial control' in a company. Further, the corporate governance report of every listed company also needs to carry a certification from the CEO/MD/whole time director and CFO that they are responsible for establishing and maintaining internal controls over financial reporting.

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 they are adequate and are operating efficiently.

The Board of Directors of the Company at present are adhering to internal financial controls requirement which commensurate with its size and operation and is now being reduced into writing in terms of the requirements of Companies Act, 2013("Act") read with Rule 8(5)(viii) of Companies (Accounts) Rules, 2014, reg 4(2)(f), 17(8) r/w part B to Schedule II of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

#### **DEFINITIONS**

**"Applicable Laws"** means Companies Act, 2013 and relevant schedules and rules made thereunder ('Act'), Listing Regulations or any other relevant law as may be prescribed.

**"Audit Committee"** means Committee constituted by the Board of the Company under the provisions of the Companies Act, 2013 and the Listing Regulations.

**"Board of Directors" or "Board"** in relation to a Company, means the collective body of Directors of the Company.

**It** means the Board of Directors of JK Cement Limited, as constituted from time to time. in relation to a Company, means the collective body of Directors of the Company.

**"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)x

**“Internal Financial Control”** or ‘IFC’ 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 and assets are safeguarded.
- To ensure that financial reporting is accurate and reliable.
- To ensure Company’s resources are used prudently and managed in an efficient, effective and economical manner.
- IFC 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
- To ensure the propriety of transactions, sources of information, accountability, ownership, integrity, compliance with regulations and achievement through operational efficiency.

Role of Board of Directors, Audit Committee, Independent Directors for maintaining internal financial controls

**1. Preparation of financial statements**

**a. Section 129 r/w 133 of the Companies Act, 2013**

- i. The Accounting Standards specified under the Act (which are deemed to be applicable as per Section 133 of the 2013 Act, read with Rule 7 of Companies (Accounts) Rules, 2014 is one of the criteria constituting the financial reporting framework. The Company prepares and presents their financial statements (u/s 129) in accordance with the accounting standards u/s 133.
- ii. The auditors u/s 143(2) of the Act evaluate if the accounts, financial statements present a true and fair view of the state of affairs at the end of the financial year and shall report the same to the shareholders. t.
- iii. Section 129(4) of the Act states that the provisions of the Act applicable to the preparation, adopting and audit of the financial statements of a holding

company shall *mutatis mutandis*, apply to the consolidated financial statements.

2. Role of Board of Directors in internal financial control (elaborated)

- i. The Board of directors of the Company shall ensure the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- ii. The financial statements and the auditor's report thereon shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company.
- iii. Further, the Board of Directors shall annex directors responsibility statement stating the following in the Board's Report:
  1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
  2. 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;
  3. 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;
  4. the directors had prepared the annual accounts on a going concern basis;
  5. the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

3. Duty of Auditors [Section 143 of the Act]

*The auditor's report shall also*

*state—*

*XXX*

*whether the company has adequate internal financial controls system with reference to financial statements in place and the operating effectiveness of such controls;*

4. Duty of Audit Committee [Section 177(3)(vii) of the Act]

- a) Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include, evaluation of internal financial controls and risk management systems;
- b) The Audit Committee has power to call for the comments of the auditors about internal control systems, the 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.

- c) AC shall review 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
- d) Overseeing the internal control weaknesses

#### 5. *Role of Independent Directors under schedule IV of the Companies Act, 2013*

The independent directors shall satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible

#### 6. **Roles and responsibilities of CEO/ CFO**

CEO and CFO of the Company shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II indicating the following:

- a. They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct
- c. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d. They have indicated to the auditors and the Audit committee
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Monitoring internal financial controls of the subsidiary companies [Reviewing Internal Financial Controls at Group level]

- 1. The Audit Committee shall also review the financial statements of the unlisted subsidiaries.
- 2. Investments made by the subsidiary company shall be reviewed by the AC
- 3. Also, the minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the Company
- 4. The Company shall submit quarterly/ year-to- date consolidated financial results to the exchanges.

#### **ELEMENTS OF INTERNAL FINANCIAL CONTROL FRAMEWORK**

The essential elements of proper internal financial control framework are:

- Organizational Structure is well defined promoting culture, team spirit;
- Delegation of Authority is clearly defined;
- Policies and procedures are clear and documented;
- Transparency in recruitment of staff is maintained and recruited staffs are properly trained;
- Information Technology controls are advanced;
- Review process including compliance audits, besides statutory audit, internal audit, cost audit, are in place;
- Liaison with auditors and legal advisors;
- Senior Management compliance assurance;
- Risk identification and assessment and mitigation process, with respect to Company's financial controls, thus ensuring accuracy and reliability of financial reporting exist.

**KEY NOTES ON INTERNAL CONTROL POLICY :**

Internal controls shall ensure the following:

- Senior management to be responsible for establishment of overall policies and active oversight of parameters and controls;
- Internal auditor, to ensure that proper systems and procedures are at place for internal control at various departments;
- Independent assessments are made encompassing functioning of various compliances under various statues and Rules & Regulations framed there under.
- Adequate systems and procedures are in place for physical verification of stocks (of raw materials, finished goods, stores and spare parts, work-in-progress) fixed assets and other assets.
- Proper books of accounts, vouchers along with supporting documents are maintained.
- Confirmation of balances from debtors, creditors and other parties are obtained periodically/at year end;
- Operational risks analysis, mitigation techniques;
- 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;
- That products and activities are assimilated into the risk management system in a timely and appropriate manner.

For Effective Internal Financial Controls, the Board of Directors and senior management shall ensure:

- Physical verification of inventories, cash and all Fixed Assets at reasonable intervals.
- Adequate Internal Control procedure is in place for maintaining proper records in respect of sale/purchase of goods.
- All undisputed statutory dues including provident fund, investor Education Protection Fund, Employee State Insurance, Income Tax, Value added Tax, GST, Custom Duty, Excise Duty, Rates and Taxes and other Statutory dues are paid within the prescribed time.
- Funds availed on short term are not used for long term purposes investment.
- Cash and bank balances are monitored at regular intervals
- The funds raised through Public issue, Right issue, Preferential issue/ 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 of Rs. 20,000/- or more are taken or accepted and/or repaid from/to any person except through an account payee cheque or bank draft (Section 269SS and 269T of Income Tax Act, 1961).
- No cash transaction exceeding Rs 10,000/ per day per person is carried out (Section 40A(3) of Income Tax Act, 1961 or such amount as may be amended from time to time).

### **Preparation of financial statements**

The financial results shall be prepared on the basis of accrual accounting policy and shall be in accordance with uniform accounting practices adopted for all the periods.

The quarterly and year to date results shall be prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25 or Indian Accounting Standard 31 (AS 25/ Ind AS 34 – Interim Financial Reporting), as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable.

The standalone and consolidated financial results shall be prepared in accordance with Indian Generally Accepted Accounting Principles (“GAAP”) under the historical cost convention followed on the accounting (except for certain revalued fixed assets) and recognizes income and expenditure on accrual basis except those with significant uncertainties.

The Company may adopt Accounting Policies to provide for:

- Methods of depreciation, depletion and amortization;
- Valuation of inventories, investments and Fixed Assets;
- Treatment of goodwill, government subsidies;
- Treatment of retirement benefits;
- Recognition of profit on long term contracts;
- Treatment of contingent liabilities;
- Recording of foreign transactions and fluctuations in Transaction currency;
- Recognition of revenue and estimation of expenditure for current and future period;
- Tax and Government levies.

### **Compliances w.r.t. financial statements (elaborated)**

1. The quarterly financial results submitted shall be approved by the board of directors
2. While placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading
3. The Company shall submit quarterly and year-to-date standalone financial results to the stock exchange within forty-five days of end of each quarter, other than the last quarter
4. The Company shall submit annual audited standalone financial results for the financial year, within sixty days from the end of the financial year along with the audit report
5. In case the Company opts to submit unaudited financial results, they shall be subject to limited review by the statutory auditors of the listed entity and shall be accompanied by the limited review report.
6. The Company shall ensure that, for the purposes of quarterly consolidated financial results, at

least eighty percent of each of the consolidated revenue, assets and profits, respectively, shall have been subject to audit or in case of unaudited results, subjected to limited review.

**Internal Financial Controls include the following:**

1. Policies and Procedures for ensuring the orderly and efficient conduct of business including adherence to Company's policies.
2. Safeguarding of assets of the company.
3. Prevention and detection of frauds and errors.
4. Accuracy and completeness of the accounting records and,
5. Timely preparation of reliable financial information.
6. Maintaining an Audit Trail as per Ind AS in accounting software to ensure transparency and compliance.

**1. Policies and Procedures for ensuring the orderly and efficient conduct of business including adherence to company's 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 recognizes that effective resolution of customer complaints and proper feedback is crucial for good customer relations and hence it has a policy to satisfy the existing customers without delay and simultaneously exploring possibilities of new customer acquisition in domestic as well as international markets.

**Procedure**

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

**Employee Satisfaction**

**Policy**

The Company considers employees as valuable resources to the organization and recognizes that employee satisfaction is a priority area to ensure their optimum productivity. The Company has various policies for transparent recruitment of qualified staff together with good training policies for the benefit of employees.

**Procedure**

Company has various policies e.g. for Leave , travel , vehicle mediclaim, sexual harassment, whistle blower etc. The Company conducts various training programs to enhance the skills of its employees.

**Technology Policy**

The Company has a policy for continuous technology up-gradation through training and R & D. SAP has been implemented across the organization.

## **Procedure**

The Company uses secure and reliable technology. The Company also have its own Customer Technical Support Department.

## **Communication Policy**

The Company places top priority on effective communication. It has an open door policy for its stakeholders, employees as well as customers so that they can communicate with ease. All policies are expressly communicated to the concerned and also hosted on the website at [www.jkcement.com](http://www.jkcement.com). This Policy should be communicated and disseminated to all concerned person of the Company.

## **Procedure**

- The Company has a streamlined customer / stakeholders' communication system in place, which includes Corporate presentation, catalogues, email correspondence, after sales visits and service 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 update them.

## ***2. Safeguarding of its Assets***

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

Company's assets include:

- Tangible & Intangible Assets
- Property with third parties
- Funds, securities and negotiable instruments
- Employees - Leases and copy rights used

## **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.

### **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 been availing the services of cybersecurity 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.

### **Employee Retention**

The Company attaches high importance to transparent recruitment of qualified persons and effective training to retain talented employees and continuously upgrade their skill and knowledge. They are allowed to take vacations, get annual medical tests and annual reviews to gauge their satisfaction and interest in working for the company.

### **Cash**

The Company has an adequate system in place to protect its cash and bank balance which is managed at optimum level, under the supervision of a Dy. Managing Director & CFO of the Company.

### **Credit**

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

### **Audits and Internal Checks**

The Company apart from statutory audit has an internal audit mechanism, cost audit, secretarial audit, as per the requirements.

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

The Company has put in place 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**

Company believes in prevention rather than cure and has developed a system of identifying possible risk/fraud areas. This will be further upgraded regularly. Following are some of the examples of fraud:

- I. Forgery or unauthorized alteration of any documents or account including cheque, bank draft, E- banking transaction(s) or any other financial instrument etc. of the Company.
- II. Falsifying records such as pay-rolls, removing the documents from files and/or replacing it by a fraudulent note etc.
- III. Willful suppression of facts/deception in matters 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.

- IV. Utilizing Company funds for personal or other than official purposes.
- V. Authorizing or releasing payments for goods not supplied or services not rendered.
- VI. 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.
- VII. Any other act that falls under 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, adoptable 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 in house internal audit team and external independent agency;
- ✓ Statutory Audit carried throughout the year to review and reporting;
- ✓ Bill watch system;
- ✓ File management system;
- ✓ Mechanism of authorization;
- ✓ Centralized fund routing through Registered & Corporate office at Kanpur;
- ✓ Reconciliation of all bank accounts regularly.

There is frequent supervision of all employees and reviews 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 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 "SAP" package at all its locations across India for accounts and commercial department.

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

As per Listing Regulations, 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.

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 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 record of doing the same without undue delay.

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

Policy has been reviewed by the Audit Committee and will be further amended/modified proactively from time to time. In case of any inconsistencies w.r.t. any clause/ provision as stated in this policy with the applicable law, the provisions of applicable law shall prevail.

6. In Accordance with requirement of the Companies Act, 2013, Companies must retain the audit trail records for at least eight years, accordingly in SAP Hana **an inbuilt** audit trail to capture all changes in books of accounts, including modifications, deletions and adjustments is to be enabled and the system should not allow the disabling of the audit trail. External auditors may confirm its existence in their report

Date: 21.3.2025  
Place: New Delhi



Dr. Raghavpat Singhania  
Managing Director