

PREAMBLE

Section 134 (5) (e) of the Companies Act, 2013 ("Act") requires, the Board of every Listed Company to lay down Internal Financial Control Policy to be followed by the Company which helps in 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 timely preparation of reliable financial information.

DEFINITIONS

"**Audit Committee**" means Committee of Board of Directors of Dhelakhat Tea Company Limited ("the Company") constituted under the provisions of the Act and the Listing Agreement.

"**Board of Directors**" or "**Board**", means the collective body of Directors the Company. [Section 2(10) of the Act]

"**Books or Books of account**" as per sub-section (12A) of Section 2 of Income Tax Act, 1961 means "Books or Books of account 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 electromagnetic data storage device."

"**Financial Statement**" as per Section 2(40) of the Act means a Statement which includes –

- a balance sheet as at the end of the financial year;
- a profit and loss statement for the financial year;
- cash flow statement for the financial year;
- a statement of changes in equity, if applicable; and
- 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 the Act 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 safeguard 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."

"**Policy**" means the "Internal Financial Control and Risk Management Policy.

'**Risk**' can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all business activities.

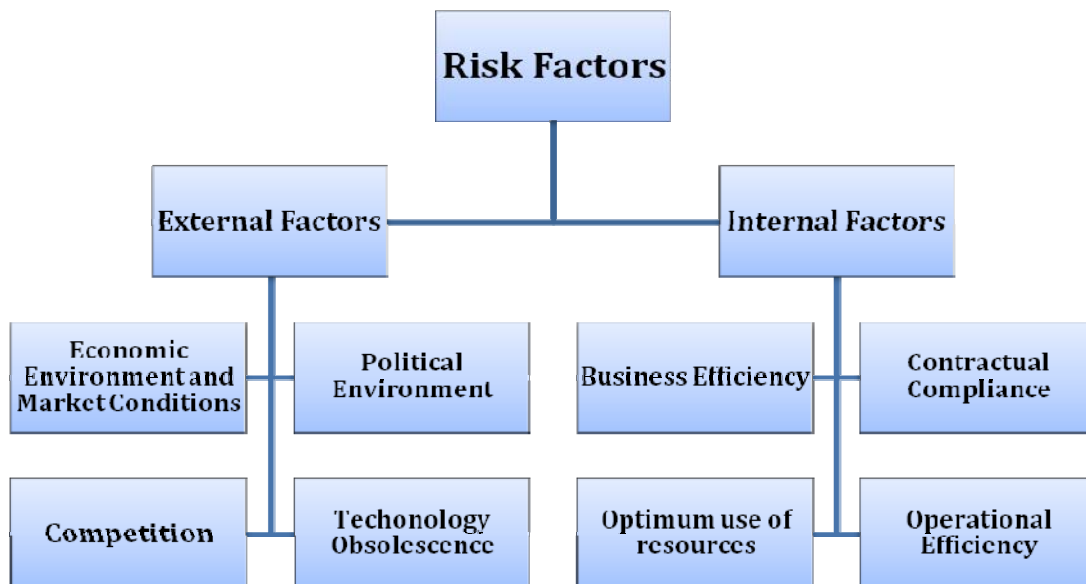
'**Risk Management**' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities.

OBJECTIVES AND SCOPE OF THE POLICY

- To mitigate risks and provide reasonable assurance that operations are efficient and effective and assets are safeguarded;
- Financial reporting is accurate and reliable;
- Ensuring 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;
- A framework for an effective internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the Company's and to all Employees that they are responsible for adhering to those internal controls;
- To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Company's objectives through operational efficiency.

RISK FACTORS

Risk management aims at systematic identification and analysis of risks. It is the application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk. The business of the Company is subject to both external and internal risks that are enumerated below:-



The major risks associated with the Tea Industry are identified below. The management of the Company may formulate strategies and policies for mitigation of such risks.

- a) Production of tea is directly related to rainfall and weather conditions. As such the total crop of tea depends on the weather conditions and rainfall distribution that prevail during the year;

- b) The price of tea depends on the demand and supply dynamics. Over and above this long periods of drought adversely affect the quality of tea manufactured and thus prices fluctuate;
- c) The Government's policy on marketing of tea under Tea Marketing Control Order varies and significantly effects price realization;
- d) Production of tea is mostly labour dependent which has a huge impact on cost. 60% of the total cost incurred is on labour charges and any increase in wages has direct considerable bearing on profits.

RISK MANAGEMENT

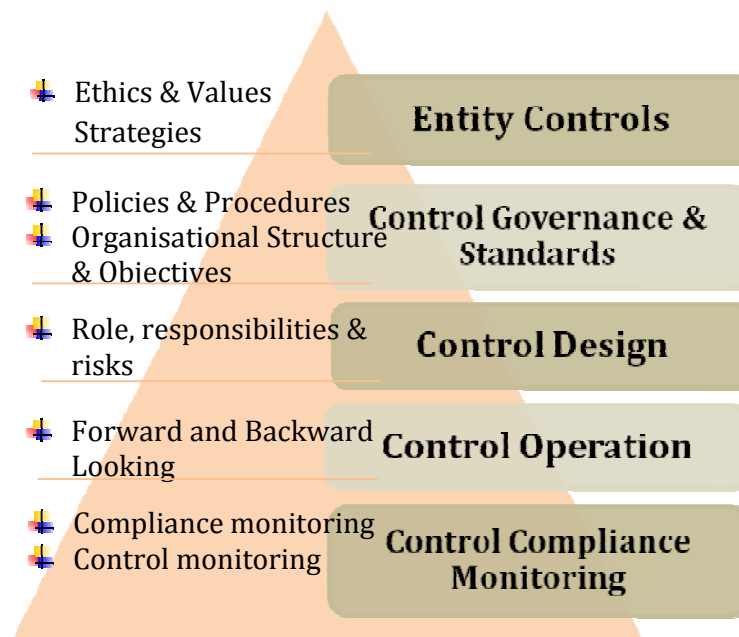
All Senior Executives under the guidance of the Chairman/ Managing Director/ Manager and Board of Directors have the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Company's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk

ELEMENTS OF INTERNAL FINANCIAL CONTROL

Internal Financial Controls of the Company comprises of the following key elements.

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

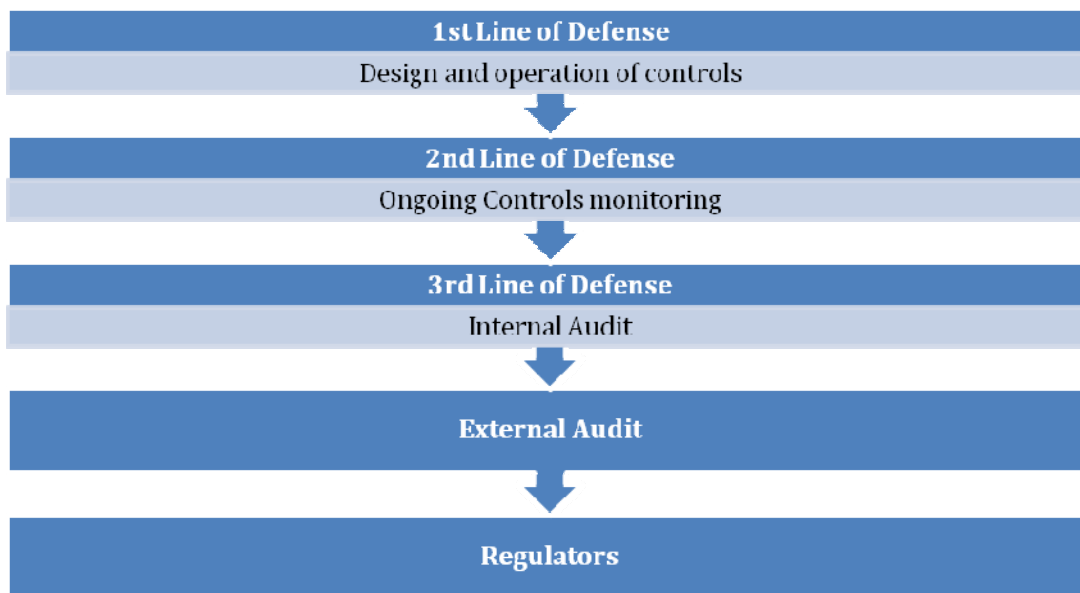
CONTROL FRAMEWORK



IMPLEMENTATION OF INTERNAL FINANCIAL CONTROL

The “Three Lines of Defense” model provides a simple and effective way to enhance communications on Internal Financial Controls by clarifying roles and duties:

- The first line is responsible for setting up the controls, mitigation of risk and defining policies and procedures to be complied with;
- The second line monitors compliance with the laid down controls. It is not an independent assurance function, but a monitoring tool for the management;
- The third line provides the independent assurance on the activities of first and second lines of defence;
- Audit Committee and Board of Directors provide overall direction and oversight.



Role of the Board of Directors

Generally every staff member of the Company is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies.

- Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans;
- setting performance objectives;
- monitoring implementation of corporate performance and overseeing major capital expenditures, acquisitions and divestments;
- ensuring the integrity of the Company’s accounting and financial reporting systems;

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The Chief Financial Officer is 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 assets, ensuring reliability of records and statutory compliances.

Role of the Audit Committee

Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. The Committee shall also act in accordance with the terms of reference specified in writing by the Board. The Independent Directors of the Company shall satisfy themselves on the integrity of financial information and that financial control and the systems of risk management are robust and adequate.

For the Audit Committee to demonstrate that it has taken necessary steps to evaluate the Internal Financial Control systems, it may call for the comments of the Internal Auditors and the Statutory Auditors about the Company's Internal Control Systems, scope of audit, etc, as this would give them additional insights on the assessment of such controls.

INTERNAL CONTROL FRAMEWORK

The Company shall create, maintain accounting records in e-platform and shall establish, review, manage control framework and lay down standard operating procedure in the following operational areas:

- Sales & Invoicing;
- Receivables Management;
- Payables management;
- Employee payments;
- Taxes and duties;
- Fixed assets;
- Inventories;
- General Ledger

Sales & Invoicing

- Prices for invoicing shall be driven by masters or pre-approved sale orders;
- Invoice generation should be system driven and online;
- System of obtaining acknowledgement for invoices should be in place;
- Establish price approval policy, discounts approval policy with proper authorization to vary rules;
- Despatching of goods shall not be made without valid invoices, Central Excise gate passes and entry in Plantation Ledger Account (PLA).

Receivables Management

- Credit sales shall not be done without back up;
- Credit period shall be 30 days. A cash discount of 1.5% may be given for payments received within 7 days

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- 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 to be raised for bank charges on dishonour of cheques;
- Bank guarantee, LC expiry to be reviewed and monitored regularly;
- Monthly statement of accounts to be generated monthly with aging analysis;
- Account sales and F Forms to be collected from agents on a quarterly basis;
- System of monitoring acknowledgements from customers.

Payables Management

- Authorization for payment of the invoice after adhering to the terms and conditions;
- Payments of Invoices shall be based on original invoice as per the terms approved;
- Vendor ledger to be reconciled on a monthly basis and control account are to be cleared up by following up for the pending items.
- Confirmation of balance in writing from all vendors is must for at least once in a year.

Employee Payments

- All payments to employees are to be governed by pre-approved policies;
- Maintain accurate employee attendance and leave records;
- Segregate duties for maintenance of personnel records and running of pay roll;
- 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.

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 authorization 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.

Fixed Assets

- Maintain an asset register with all relevant details of each asset;
- Establish physical security protection measures such as locks on premises;
- Take out appropriate insurance cover for all types of assets to cover relevant perils associated to it;
- Perform periodical asset register audit with physical count;
- Review insurance coverage details regularly.

Inventories

- Storage areas for inventories shall be properly secured with proper security arrangements. It shall be regularly reviewed for improvements;
- Inventories shall be properly organized and stored for smooth access for both verification & delivery;
- Segregation of administrative duties for material procurement and warehouse management should be in place;
- Physical verification of inventory is to be carried out for all classes of items;
- Adequate insurance cover should be in place for all types of risks for inventories.

General Ledger

- Segregation of duties with regard to creation & authorization of entries;
- Systematic work flow enabled authorization of journal vouchers;
- Statistical analysis for reasoning of cancelled / deleted entries periodically;
- Reconciliation of control accounts and review system for monitoring;
- Systematic monthly period closure of books;
- Centrally controlled master data management of chart of Accounts;
- Budget controls for expenditure;
- Systematic review of each and every component of financial statements.

CONTROL PROCEDURES

The control activities shall be physical as well electronic.

- 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.
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