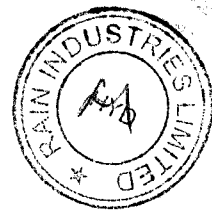


RAIN INDUSTRIES LIMITED

INTERNAL FINANCIAL CONTROL POLICY



RAIN INDUSTRIES LIMITED

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INTERNAL FINANCIAL CONTROL POLICY

INTRODUCTION

As per the provisions of Section 134(5)(e) of the Companies Act, 2013, Directors of a listed company to state in their Directors' Responsibility Statement that they have laid down internal financial controls and they are adequate and are operating efficiently.

The Company at present is adhering to Internal Financial Controls 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 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014) is one of the criteria constituting the financial reporting framework on which companies prepare and present their financial statements under the Act and against which the auditors evaluate if the financial statements present a true and fair view of the state of affairs.

As per the provisions of Section 129(4) of the Companies Act, 2013, the preparation, adopting and audit of the financial statements of a holding company shall, mutatis mutandis, apply to the consolidated financial statements.

As per the provisions of Clause (vii) of Sub-section 4 of Section 177 of the Companies Act 2013, 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".

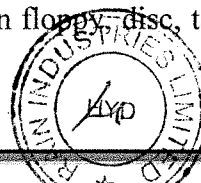
Sub-section 5 of Section 177 provides that the Audit Committee may call for the comments of the Auditors about internal control systems including the observations of the Auditors and may also discuss any related issues with the Internal Auditors and the Management of the Company.

DEFINITION

"Audit Committee" means Committee of Board of Directors of the Company constituted in compliance with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

"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” 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 all the terms and definitions as provided under Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be applicable to this policy.

OBJECTIVES

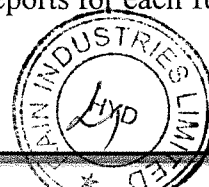
IFC is a framework for an effective internal control system which conveys to Officials and the employees of the company that they are responsible for ensuring that the internal controls are established, documented, maintained and adhered to across the Company by all Employees and the objectives of this 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 managed in an efficient, effective and economical manner.
- To ensure the propriety of transactions, sources of information, accountability, ownership, integrity, compliance with regulations and achievement through operational efficiency.

ELEMENTS OF INTERNAL CONTROL FRAMEWORK

The essential elements of proper internal financial control framework are:

- Organizational Structure is well defined with culture and team spirit
- Delegations of Authority is clearly spelt out, including adherence to Dual-signatory Policy for approval of payments or other financial commitments.
- Policies and procedures are clear and documented
- Transparency in recruitment of staff is maintained and recruited staff are properly Trained
- Information Technology controls are implemented
- Review process besides statutory audit, secretarial audit, internal audit and cost audit are in place.
- Periodical review of Management Information System (MIS) Reports for each function by respective departmental-heads and Senior Management.



- Periodical liaison with auditors and legal advisors
- Senior Management compliance assurance and
- Risk identification and assessment and mitigation process exist.

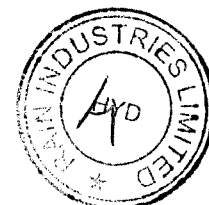
KEY NOTES ON INTERNAL CONTROL POLICY:

Internal Controls include reviews of the following areas:

- Senior management, to be responsible for establishment of overall policies and active oversight of parameters and controls.
- Internal audit, 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 at 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 and 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 and mitigation techniques.
- There are adequate checks and balances, operating systems, management information systems, management reporting, front and back office operations, contingency planning and disaster recovery.
- And finally, to ensure that all 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, cash and all Fixed Assets at reasonable intervals.
- Adequate Internal Control procedure is at 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, Goods and Service Tax, Service Tax, Custom Duty, Excise Duty, Rates and Taxes and other Statutory dues are paid within the prescribed time.
- Adherence to applicable regulations of Reserve Bank of India under Foreign Exchange Management Act, 1999
- 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/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 cash transaction exceeding Rs.10000, except those permitted under Income Tax Rules.



ACCOUNTING POLICIES

The Financial Statements will be prepared in accordance with Indian Generally Accepted Accounting Principles (“GAP”) 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 and 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.

FINANCIAL STATEMENTS

The Financial Statements of the Company shall be prepared in accordance with schedule III of Companies Act, 2013.

Adherence to Company’s policies

The Company shall take necessary steps for disseminating all its policies to the concerned 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 shall also periodically review the policies and update them.

Safeguarding of 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
- Leases and copy rights used

Tangible & Intangible Assets

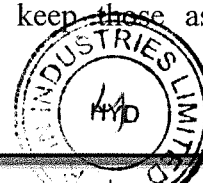
All Building, Plant & Machinery, Furniture, Office Equipment, Stock, etc. are adequately protected under Insurance Policy with Insurance Company approved by IRDA.

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 Outside Workplace

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 these assets safe and



confidential by following proper safety procedures.

Company's Registered, Corporate and other Offices

The Company has its registered office at Hyderabad, Telangana State.

Adequate Care is taken to protect it apart from taking insurance policy. By constant vigilance on electrical, plumbing, heating, air conditioning system, etc.

Computer Systems and Electronic Data

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.

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.

Working Capital Management

The Company has adequate system in place to protect its cash and bank 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 on aging analysis

Audits and Internal Checks

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

1. 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.

2. Fraud

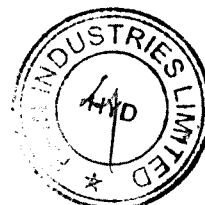
Company believes in prevention rather than cure and has developed system of identifying possible risk/fraud areas.

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



- ✓ Statutory Audit carried throughout the year to review and reporting.
- ✓ Mechanism of authorization
- ✓ Centralised fund routing through Registered & Corporate office at Hyderabad
- ✓ Reconciliation of all bank accounts regularly.
- ✓ The Company has put in place Anti-Fraud Policy.

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.

3. 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 SAP software package 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.

Risk Management

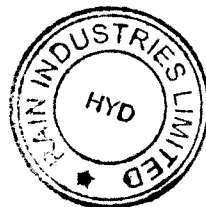
Risk Management to control risk through a properly defined risk management framework.

Related Party Transaction

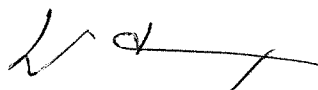
A Policy has been formulated to examine, approve the related party transactions and also on dealing with related party transactions.

Disclosures

The Internal Financial Control Policy shall be disclosed on the website of the Company i.e., at www.rain-industries.com



For Rain Industries Limited


N. Radhakrishna Reddy
Managing Director
DIN: 00021052

Place: Hyderabad

Date: February 28, 2020