

NPR FINANCE LIMITED

Todi Mansion, 1, Lu- Shun Sarani, 9th Floor, Kolkata-700 073
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PHONE NO. – 033 2237 7201, Website: www.nprfinance.com

Internal Financial Control Policy

NPR Finance Limited (the “Company”) encourages adherence to prescribed policies and procedures and strives to ensure reliable financial reporting which is an enabling tool in improving the overall confidence on reported numbers to various stakeholders. This requires the adaption and maintenance of proper Internal Financial Control system.

1. PREFACE

1.1 In terms of section 134(5)(e) of the Companies Act, 2013 (“the Act”): 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.

1.2. Moreover, section 143(3)(i) of the Act requires the Auditor’s Report to state whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

1.3. Further, Regulation 9A of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, the Chief Executive Officer, Managing Director or such other analogous person of a listed company, intermediary or fiduciary shall put in place adequate and effective system of internal controls to ensure compliance with the requirements given in the regulations to prevent insider trading.

1.4. This reconstituted Internal Financial Control Policy has been adopted by the Board of Directors (“the Board”) on the recommendation of the Audit Committee at its meeting held on 14th February, 2019.

1.5. This Policy is applicable on the Board of Directors, all Committees of the Board, the Top Management and all the employees of the Company.

2. POLICY OBJECTIVES.

This Policy is aimed at providing:

- Demonstrable framework for internal financial controls;
- Testing of operating effectiveness of controls

3. DEFINITIONS

3.1. “**Act**” means the Companies Act, 2013 readwith the Rules and Schedules made thereunder, including any statutory modifications or re-enactment thereof.

3.2. “**Audit Committee**” shall mean committee of the Board of Directors constituted in terms of the Companies Act, 1956 or Companies Act, 2013 and the Rules made thereunder.

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- 3.3. **“Board”** means the Board of Directors of NPR Finance Ltd.
- 3.4. **“Chief Executive Officer” (i.e. CEO), or “Managing Director” or “Company Secretary” or “Chief Financial Officer” (i.e. “CFO”):** shall mean the person so appointed/ re-appointed in terms of the Companies Act, 1956 or/and the Companies Act, 2013 and the Rules made thereunder.
- 3.5. **“Committee”** means a Committee of the Board of Directors of the Company.
- 3.6. **“Company”** means NPR Finance Limited inclusive of its Registered Office and all Branch Offices.
- 3.7. **“Field Officer or Cash Collection Officer/agent”** refers to authorised persons who are designated to collect payment from the customers on behalf of the Company.
- 3.8. **“Financial Year”** shall have the same meaning as assigned to it under sub-section (41) of section 2 of the Companies Act, 2013.
- 3.9. **“Head Office”** refers to the Registered Office of the Company.
- 3.10. **“Key Managerial Personnel” or “(KMP)”** means Key Managerial Personnel as defined in sub-section (51) of Section 2 of the Companies Act, 2013.
- 3.11. **“Listing Regulations”** means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any statutory modifications or re-enactment thereof.
- 3.12. **“Risk Management Committee”** of the Company is a committee of the Company which is responsible for laying down procedures to inform Board members about the risk assessment and minimization procedures.
- 3.13. **“SEBI”** means the Securities and Exchange Board of India.
- 3.14. **“Top Management”** refers to the Key Managerial Personnels (as is defined in the Companies Act, 2013 readwith the Rules and Schedules made thereunder as amended from time to time) and the senior management, which includes the officers/personnel of the Company who are members of its core management team and normally this shall comprise all members of management one level below the executive directors, including all functional heads.
- 3.15. **“Vigil Mechanism /Whistle Blower Policy”** refers to the Policy of the Company which provides a channel to its employees and directors to report to the management concerns about unethical behaviour, actual or suspected fraud, etc.
- 3.16. All other words/expressions referred to in this policy and not expressly defined, shall derive meaning from the Companies Act, 2013 readwith the Rules and Schedules thereunder and /or Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations,2015 (“Listing Regulations”) as amended from time to time and/or other specified laws referred to in the policy, as the case may be.

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4. POLICY STATEMENT.

The Company strives to optimise the efficiency of its Internal Financial Control system by following the below mentioned procedure:

4.1. GENERAL.

- Statutory laws and regulations should to be followed in letter and spirit and that the concept of good governance is followed.
- All signatories to any statutory remittances or return or appeal or application or correspondence in whatever manner shall have appropriate authorisation in writing.
- The funds raised through Public issue, Rights issue, Preferential /Private Placement etc. should be used for the stated purposes mentioned in the Prospectus/Offer Letter.
- Cyber security of the Company's system should be monitored properly by the concerned Committee/delegated person on whom the responsibility is entrusted.
- The concerned Committee(s) of the Board must ensure that, Risk assessment, evaluation and mitigation is accomplished within time in order to minimize losses and maximise gains by tapping on suitable opportunities.
- Sufficient Insurance cover must be obtained for all vital assets.

4.2. COMMUNICATION

- The Company places top priority on effective communication for its stakeholders, employees as well as customers so that they can communicate with ease.

4.3. FINANCIAL STATEMENTS AND TRANSACTIONS.

- Financial Statements are prepared in accordance with the applicable Accounting Standards and others laws and regulations so as to reflect a true and fair view of the financial position of the Company.
- Analysis for reasoning of cancelled / deleted entries must be accomplished periodically.
- Undisputed Statutory dues are paid within the respective due dates.
- Transactions must be approved by the person(s) who has/have been delegated approval authority, which is usually delegated on the basis of special competency or knowledge.
- Related Party transactions are conducted on arms – length basis.
- Unauthorised access to Company's accounting records should be prevented.

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- Modification rights with respect to accounting entries should be completed restricted to only few authorised persons.
- System of periodic monitoring of the expenses to ensure budgetary compliances.
- Authorisation levels are fixed at various levels to commensurate with competence and knowledge of the authority for approval of financial transactions.

4.4. ASSETS MONITORING.

- Physical verification of inventories and fixed assets are carried out at reasonable intervals.
- Responsibility for physical security/custody of Company's assets are separated from record keeping/accounting for those assets.
- Periodical review of obsolete and non-moving inventories is conducted and a plan is designed for the periodical disposal of redundant inventories.
- Unauthorised access to Company's assets is prevented.

4.5. TREASURY MONITORING.

- Cash and bank balances should be monitored at regular intervals by persons, independent of persons involved in those functions.
- Reconciliation with bank statement for receipts and payments side should be done on a regular basis and outstanding items should be dealt with.
- Un-used cheque leaves shall be kept in the safe custody of the banking head of the Company.
- Rotation of Cheque signing authorizations' may be done if the Top Management feels the need for doing so at any point of time.

4.6. FINANCING TO CUSTOMERS.

- Temporary Receipts(TRs) issued to customers by the Field Officer at the time of financing should be serially numbered and prepared in triplicate –one copy should be granted to the payer, another copy should be sent to the Head Office and a third copy should be retained by the issuer. The TRs should contain the unique Hologram of the Company and should be issued using double-sided carbon paper. Such temporary receipts should be given out from a bound receipt book and such receipt book should be periodically examined by the Internal Auditor.
- The Field Officer/concerned Branch office employee should collect and submit all proper Know-Your-Customer (KYC) documents of the customers, including contact details, to the Head Office.

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- Financial ability of the customer to repay the loan must be judged and thorough verification of customers' background, KYC documents, Bank Statements etc. should be done.
- Customers should be called from Head Office for confirmation of amount paid by them against the Equated Monthly Installments (EMIs).
- Cash payments should not be collected from customers except when prior approval is obtained in writing from the Managing Director in this regard.
- There must be proper follow-up on aging accounts.

4.7. MONEY- CHANGING DIVISION TRANSACTIONS.

- The Principal Officer and Anti Money Laundering Reporting Officer of the Money-changing Division, must ensure that, the Movement Register of the sales executive staffs is always kept updated with particulars regarding time of leaving for collection of documents etc. from customers, time of entering, name of customer and other details.
- Physical verification of foreign currency and Indian National Rupee (INR) balance must be conducted on a daily basis and should be examined by the Internal Auditor at the time of conducting the audit.
- Foreign currency and Travelers' Card sale-purchase and card encashment should be tracked on a daily basis.
- Traveler's Card encashment voucher/Bill should be duly signed by the Principal Officer and/or Anti Money Laundering Reporting Officer.
- The KYC and Basic Travel Quota (BTQ) Forms containing details of customers' travel should be complete in all respects.

4.8. POWER GENERATION DIVISION.

- It should be monitored that, there is no delay in raising of bills and receipt of payment against the bills raised.

4.9. REAL ESTATE DIVISION.

- There must be established price approval system, discounts approval system with proper authorisation to vary rules.
- All property documents including, Title Deeds and other papers pertaining to purchase of property must be thoroughly verified and the ownership of the seller duly checked.
- Similarly, the financial viability of the purchaser at the time of sale of property must be duly verified.

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4.10. EMPLOYEE CHECKS.

- All Employee records should be properly maintained and periodic verification of the same should be conducted.
- It should be ensured that, the Senior Management Personnel sign the Company's Code of Conduct and the same is renewed annually.
- Duties should be separated so that one person's work routinely serves as a check on another's work.
- All employees should be clearly informed that, malafide intentional failure to comply with established practices will subject individuals to the terms of strict disciplinary action or dismissal.
- All payments to employees are to be governed by pre-approved policies of the Top Management.
- There must be frequent supervision of all employees and review of their work, especially those who have access to financial records.

4.11. FRAUD CHECKS.

- The above mentioned checks/steps in clause nos. 4.1 to 4.10 will facilitate quick detection of fraudulent actions.
- The Audit Committee must ensure that, Vigil Mechanism/Whistle blower mechanism is accessible to all employees so that, they can easily and readily convey significant information or report suspicious activities to the Management.
- Any Willful suppression of facts/deception in matter of appointment, placements, submission of reports, etc. as a result of which a wrongful gain(s) is/are made to one and wrongful loss(s) to the others, also tantamounts to fraud.
- Further, destruction, disposition, removal of records or any other assets of the Company with intention to manipulate and misrepresent the facts and any unauthorised utilisation of Company funds for personal or other than official purposes will be strictly punishable.
- It is expected that, the Company's prescribed Code of Conduct for Senior Managerial Personnel (Managers, Departmental Heads and Senior Executive of the Company) is strictly adhered to. Any violation of the same, will attract the penal provisions as mentioned in the above referred Code of Conduct.
- Similarly, the Directors must abide by the Directors' Code of Conduct in letter and in spirit.
- Fraudulent customers, buyers, sellers can be detected through thorough background check and verification and also by evaluating their financial viability.

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- Fraud detection process can also be accomplished and further prevented through : (a) Internal Audit ; (b) Statutory Audit ; (c) File management system ; (d) Centralised fund routing ; (e) Regular reconciliation of Bank Accounts.

5. ROLES AND RESPONSIBILITIES.

5.1. The Directors of a listed Company are specifically required to state in the Directors' Responsibility Statement in terms of section 134(5) of the Act that, the Directors have laid down internal financial controls to be followed by the company and that, such internal financial controls are adequate and were operating effectively. Thus, it is the responsibility of the entire Board to ensure the adequacy of the Internal Financial Control system.

5.2. The Board should satisfy itself that the system is functioning effectively and that the Board / Risk Management Committee / ay other Committee delegated by the Board, must ensure that the system is efficient in managing risks.

5.3. The internal audit team plays an important role in evaluating the effectiveness of the system and contributes to ongoing effectiveness.

5.4. Regulation 17(8) of the Listing Regulations readwith Part B of Schedule II thereto inter-alia requires, the CEO and the CFO to furnish Compliance Certificate stating that - 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.

5.5. The Chief Financial Officer and Managing Director should co-ordinate with the Top Management and ensure the policies on risk and internal financial control are being adhered.

5.6. Further, Regulation 18(3) of the Listing Regulations readwith Part C of Schedule II thereto and section 177(4) of the Act, inter alia, requires the Audit Committee to evaluate the Internal Financial Control system of the Company. It will be responsibility of the Audit Committee to review the effective of the Internal Financial Control system.

5.7. Moreover, the Code for Independent Directors in terms of Schedule IV of the Act requires inter alia, the Independent Directors to satisfy themselves on the integrity of financial information and that the financial controls and the systems of risk management are robust and defensible.

5.8. All employees have some responsibility for internal control as part of their accountability for achieving objectives. They collectively, should have the necessary knowledge, skills, information and authority to establish, operate and monitor the system. This will require understanding of the Company, its objectives, the industries and markets in which it operates and the risks it faces.

6. SYSTEM OF INTERNAL CONTROLS TO ENSURE COMPLIANCE WITH THE REQUIREMENTS GIVEN IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015 TO PREVENT INSIDER TRADING.

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6.1 Regulation 9A of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 requires the Company to put in place adequate and effective system of internal controls to ensure compliance with the requirements given in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, to prevent insider trading.

6.2 Such Internal control shall include the following:

a. All employees who have access to unpublished price sensitive information (“UPSI”) are identified as designated employee.

b. All the UPSI shall be identified and its confidentiality shall be maintained as per the requirements of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

c. Adequate restrictions shall be placed on communication or procurement of UPSI as required by the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. Select persons at the discretion of the Managing Director will be provided access to UPSI.

d. Lists of all employees and other persons with whom UPSI is shared shall be maintained and confidentiality agreements shall be signed or notice shall be served to all such employees and person. The Board of Directors will determine the list of such persons.

e. All other relevant requirements specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, shall be complied with.

f. There shall be a periodic process review to evaluate effectiveness of such internal controls.

g. The Board of Directors shall ensure that the Managing Director or such other analogous person as authorised by the ensures compliance with above provisions.

h. The Audit Committee shall review compliance with the above provisions at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively.

7. REVIEW, MONITORING AND AMENDMENTS IN THE POLICY.

7.1. The Audit Committee in consultation with the Managing Director and the Chief Financial Officer shall review and monitor this Policy on a progressive basis, subject to the approval of the Board as and when required.

7.2. Any subsequent amendment / modification in the Act, Listing Regulations, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and /or other applicable laws in this regard, shall automatically apply to this Policy.

8. CAUTIONARY STATEMENT.

8.1. Internal Financial Control can be expected to provide only reasonable assurance, not absolute assurance to an entity's orderly and efficient conduct of its business, including

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adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors etc.

8.2. Internal Financial Control is a process and a means to an end – not an end in itself.

8.3. Internal Financial Control is affected not merely by policy manuals – rather its success and failure largely depends on the employees at every level of the organisation.