

# **RUSHABH PRECISION BEARINGS LIMITED**

**CIN: L99999MH1989PTC053093**

**Regd. Office: Vijay industrial gala No 214, 2nd floor, Chincholi Bunder, Link Road, Malad, Mumbai, Malad West, Maharashtra, India, 400064**

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## **SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (SICFR)**

### **1. INTRODUCTION**

Section 134 (5) (e) of the Companies Act, 2013 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.

As per Section 177 of the Companies Act, 2013, the Audit Committee shall review the Internal Financial control (hereinafter, IFC) before their submission to the Board and shall also discuss any related issues with the Internal and Statutory Auditors and Management of the Company. It shall also act in accordance with the terms of reference specified in writing by the Board.

state whether the Company has adequate Internal Financial Controls system in place and the operating effectiveness of such controls.

As per 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.

### **2. DEFINITIONS**

"Act" shall mean the Companies Act, 2013 and the Rules made thereunder, including the modifications, amendments, clarifications, circulars or re-enactment thereof

"Audit Committee" or "AC" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing agreement

"Board" means Board of Directors of the Company.

"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 electro-magnetic data storage device."

"Company" means RUSHABH PRECISION BEARINGS LIMITED

"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, or in the case of a company carrying on any activity not for profit, an income and expenditure 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):

"HOD" means Head of each department of the RUSHABH PRECISION BEARINGS LIMITED Group.

"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, the safeguard of its assets, the prevention and detection of its frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

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“RUSHABH PRECISION BEARINGS LIMITED Group” means the

Company, its subsidiaries and joint ventures. "Policy" means Internal

Financial Control Policy.

“SICFR” means System of Internal Control over Financial Reporting. It covers major functions as mentioned in the annexure to this policy.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 and the Listing Agreement (Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements, 2015) as may be amended from time to time shall have the meaning respectively assigned to them therein

### **3. RESPONSIBILITIES AND GOALS**

The responsibilities of the Board and the AC in relation to financial reporting are established in the Company’s by-laws and the applicable regulations. One of the functions of the Board is to confirm the compliance of Section 134 (3) (c) of the Act (Board’s Responsibility Statement) while preparing financial statements. One of the main functions of the AC is to supervise the effectiveness of internal controls of the Company and to supervise the process of preparing and regulated financial information.

The HODs are responsible for defining, implementing and maintaining the SICFR; a responsibility that falls not only within the financial department but covers the entire organization in terms of the information generated by business activities and supporting areas such as HR, the legal department and information systems (IT), that have impact on the financial information.

The Financial Department (FD hereinafter), in its duty of monitoring the implementation of the system and its reporting to the AC, will submit achievement information of the implementation of all on-going action plans to ensure the integrity of the financial information reported.

### **4. SCOPE OF APPLICATION**

The Policy would be applicable to the RUSHABH PRECISION BEARINGS LIMITED Group.

### **5. CONTENT**

#### **5.1 Control Environment**

##### **Code of Conduct**

The company has a Code of Conduct that can be accessed by employees via the website/ intranet. This code includes as a commitment with third parties to provide accurate financial information that depicts the economic substance of the businesses and the value of the assets.

##### **Whistleblower Channel**

The company has in place an anonymous whistleblowing channel accessible via the Intranet and corporate website, which allows employees and third parties to report any financial and accounting irregularities, as well as breach of the code of conduct that could have an impact on the financial statements.

##### **Policy Framework**

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The Company has in place various policies approved by the Board for efficient, responsible corporate functioning in compliance with applicable regulations. SICFR will adhere to policy framework and its objectives for all procedures undertaken for the respective IFCs.

## **5.2 Assessment of financial information risks**

### **Process of identifying risks and controls**

- Within the global process of Risk assessment, it includes the identification of risks and mitigating controls regarding the reliability of financial reporting.
- In terms of risk management, in relation to SICFR, is the responsibility of the FD.

### **Process of identifying the consolidation scope**

- The Accounting Department, within the FD, will follow a procedure to establish controls that ensure the consolidation of all companies that must be consolidated under accounting regulation. Those companies that report information to the group must apply controls to ensure the integrity of the consolidation process.

## **5.3 Control Activities**

All those responsible for preparing financial information (those responsible for company financial information, contracts, cost centers, etc.), as well as those responsible for all non-financial processes that have an impact on financial information, will be responsible for implementing and updating controls to ensure the reliability of financial reporting. When implementing these controls, the principle of segregation of duties must be considered, preventing tasks that might generate conflict from being carried out by the same people.

### **Documentation describing the flow of activities and controls**

- Descriptive documentation will be generated gradually based on the risk levels identified as part of the risk identification process. Please see in appendix of this policy current procedures and controls in place.

### **Information Systems**

- In relation to internal control policies and procedures over information systems, the Information Technology (IT) Department will be responsible for establishing controls and procedures to ensure the proper functioning of systems that support the relevant processes in relation to preparing financial information, especially regarding access security, change control, operations, functional continuity and segregation of duties.

### **Subcontracting to third parties**

- Those that subcontract tasks to third parties that have an impact on financial statements, will be responsible for establishing the controls required to ensure that the reliability of financial information is not affected. These controls will be documented and tested its effectiveness.

### **Review and authorization of financial information**

- Prior to their publication and approval by the Board, the FD will submit to the AC both the annual statements and periodic financial information that is reported to the Stock exchanges, highlighting main judgments and assumptions where the accounting impact is significant.

The Chief Financial Officer shall ensure that the financial statements presented before the Board would be in compliance with the Applicable regulations.

## **5.4 Information and Communication**

### **Accounting policies**

The FD is responsible for the application of enforceable accounting standards

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and for resolving doubts or conflicts derived from its interpretation.

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## **Mechanisms to collect and prepare standardized financial information**

The FD will continuously monitor to ensure that there is an appropriate proportion of subsidiaries within group transactional information systems and report information uniformly.

### **5.5 Supervision of system functionality by the AC**

#### **Discussion with the external auditor on internal control weaknesses identified during the accounts review**

- The AC's functions include discussions with external auditors regarding significant weaknesses in internal control systems detected during the audit.
- The Statutory auditor will annually present the AC the internal control weaknesses detected in the course of the audit process. These weaknesses will be incorporated within the SICFR action plan and the FD will be responsible for defining an action plan to correct them, reporting on its progress to the AC.

#### **SICFR supervisory activities from the AC, with support of the internal auditor**

- In cooperation with the AC, the Internal Auditors includes in its annual working plans specific audit of IFC.

**Updated on: January 21, 2025**

**Responsibility for Implementation of Policy: GM - Internal Audit**