



**B L KASHYAP**  
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**February 07, 2025**

<b>Department of Corporate Services, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001</b>	<b>Listing Department, National Stock Exchange of India Ltd, Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051</b>
<b>ISIN Code</b>	<b>: INE350H01032</b>
<b>Scrip Code : 532719</b>	<b>Trading Symbol : BLKASHYAP</b>

Dear Sir / Madam,

**Sub: Internal Financial Control Audit**

**Ref: SEBI/HO/CFID-SEC2/OW/2024/34812/1, 8<sup>th</sup> November, 2024**

This is in reference to SEBI's letter SEBI/HO/CFID-SEC2/OW/2024/34812/1, 2024, dated 8th November, 2024 wherein the Company has been advised to place the said letter before the Audit Committee and Board of Directors and to submit their comments to the Stock Exchanges within three months from the date of the letter. In compliance with this directive, the members of the Audit Committee and Board have reviewed the audit of Internal Financial Controls of the Company and shared their comments, which are now being submitted to the Stock Exchanges.

You are requested to take note of the above and acknowledge the receipt.

Yours faithfully,  
For **B.L. Kashyap and Sons Limited**

**Pushpak Kumar**  
**VP & Company Secretary**  
**(FCS 6871)**

**Encl: as above**

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## **Audit Committee's Comments on the Report of Interim Internal Financial Controls Over Financial Reporting**

### **1. Acknowledgment of the Report**

The Audit Committee has reviewed the detailed report prepared on the interim internal financial controls over financial reporting for the Company 'B.L. Kashyap and Limited' as at December 31, 2024. The Committee acknowledges the comprehensive approach adopted by the auditors in their evaluation of the Company's internal financial control systems, including their focus on operational effectiveness and compliance with the Section 143(3)(i) of the Companies Act, 2013 Companies Act, 2013.

### **2. Key Observations and Strengths Identified**

- **Internal Control Framework:**

The Company has demonstrated a well-structured internal control framework, underpinned by policies, standard operating procedures (SOPs), delegation of authority, and strong IT automation. These systems align with the guidance issued by the Institute of Chartered Accountants of India and ensure orderly, efficient, and compliant operations.

- **IT Integration and MIS:**

The adoption of the Navision system for accounting and project management has significantly enhanced data integrity, automation, and control. Furthermore, the implementation of a file tracking system and MIS strengthens decision-making processes and operational transparency.

- **Internal and Project Audit Processes:**

The engagement of independent chartered accountants for special and project audits ensures a robust review mechanism. The outlined scope of audit processes, including control evaluation, compliance checks, and financial accuracy, highlights a commitment to continuous improvement.

- **Statutory Compliance:**

The Company's adherence to statutory laws, including provisions related to taxes, provident funds, and employee benefits, is commendable. The internal control systems effectively monitor statutory compliance, safeguarding against penalties and legal risks.

- **Risk-Based Approach:**

The risk-based methodology employed for the audit ensures that critical areas such as cash management, inventory controls, and fixed asset management are thoroughly evaluated.

### **3. Areas for Improvement and Recommendations**

While the report highlights the Company's strong internal financial controls, the following enhancements are recommended:

- **IT Backup and Cybersecurity:**

The Audit Committee notes the need to strengthen the IT network's resilience and ensure regular testing of data backup systems. Enhancements in cybersecurity measures should also be prioritized, given the increasing reliance on digital systems.

- **Segregation of Information in File Tracking:**

The implementation of the file tracking system is noted as a positive development. However, ensuring proper segregation of sensitive information and user access controls is essential to maintain confidentiality and data integrity.

- **Compliance with Internal Audit Recommendations:**

Periodic follow-ups on the implementation of internal audit recommendations should be documented and monitored to ensure timely action.

- **Monitoring of Delegation of Authority:**

The delegation of authority system is robust. However, periodic reviews to ensure alignment with evolving business requirements are advisable.

### **4. Other Matters**

The Audit Committee acknowledges the challenges posed by the remote nature of the audit, as noted in the "Other Matters" section of the report. The Committee commends the auditors for their diligence and commitment to ensuring a thorough and reliable audit despite these constraints.

## **5. Conclusion**

The Audit Committee is satisfied with the adequacy and effectiveness of the internal financial control systems over financial reporting as reported. The Committee appreciates the management's efforts in maintaining a strong control environment and encourages continuous monitoring and improvement to ensure long-term sustainability and compliance.

The Audit Committee will continue to provide oversight and strategic guidance to further strengthen the internal control framework of the Company.

## **Board Comment on the Report on Interim Internal Financial Controls Over Financial Reporting**

The Board acknowledges the statutory auditor's detailed report on the interim internal financial controls over financial reporting as of December 31, 2024. The report affirms the adequacy and effectiveness of the Company's internal financial control systems, which are designed to ensure accurate financial reporting, safeguard assets, prevent fraud, and maintain compliance with applicable laws and regulations.

We take note of the auditor's findings and the risk-based approach adopted during the audit, including reviews of control designs, compliance procedures, IT automation, and delegation of authority.

The following measures and observations have been considered:

### **1. Internal Control Framework**

- The Company has implemented a robust control environment, including clear delegations of authority, well-documented SOPs, and regular internal audits.
- The use of Navision software for financial processes ensures data integrity and control.

### **2. Assessment of Key Processes**

- Revenue recognition, fixed asset procurement, and statutory compliance processes are monitored effectively, with periodic audits to address risks.
- IT controls and cybersecurity measures are in place to ensure data safety and operational efficiency.

### **3. Compliance with Legal and Regulatory Requirements**

- The report confirms adherence to statutory requirements, including tax laws, GST, and other corporate compliance matters, with no significant deviations identified.

### **4. Opportunities for Improvement**

- Strengthening the network for faster data access and enhancing data backup protocols.
- Continuous monitoring and updates to MIS and File Tracking systems for improved decision-making.

### **5. Conclusion**

The Board is satisfied with the effectiveness of the internal financial controls as described in the auditor's report and appreciates the management's efforts to maintain a high standard of governance.

The Audit Committee will closely monitor the implementation of any recommendations made in the report and ensure alignment with the Company's objectives.

We propose submitting the report and the Board's comments to SEBI within the stipulated timeframe.