

AUDIT COMMITTEE

SCOPE OF THE COMMITTEE

The Audit Committee of the Board (ACB) provides direction to the audit function and monitors the quality of internal and statutory audit with an objective of moving towards a regime of unqualified financial statements. The ACB functions as per the provisions of Clause 49 of the Listing Agreement and the provisions of Section 292A of the Companies Act, 1956 or Section 177 of the new Companies Act, 2013. The responsibilities of the ACB include review of the quarterly and annual financial statements before submission to Board, review of compliance of internal control system, overseeing the financial reporting process to ensure transparency, sufficiency, fairness and credibility of financial statements etc. The Committee also reviews the adequacy and effectiveness of internal audit function, Risk management and control systems.

MEMBERSHIP & COMPOSITION

The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors. Chairman of the meeting should be an independent Director. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

- (a) **Chairman** - In case the Chairman is not available for the meeting the members present may elect one among them to be the Chairman of the meeting.
- (b) **Permanent Invitees:** Statutory Auditors, Internal Auditors, Finance Head and Chief Operating Officer, if required
- (c) **Invitees** – In addition to the members as mentioned above, any other director/person may be invited for bringing special knowledge etc. into the discussion. Permanent Invitee and Invitee director/person do not have any voting rights.
- (d) **Secretary** – The Company Secretary of the Company acts as Co-ordinator and Secretary of the Committee.

ROLE AND RESPONSIBILITY

Finance & Accounts

1. To oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
3. To review, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Changes, if any, in accounting policies and practices and reasons for the same
 - b. Major accounting entries involving estimates based on the exercise of judgment by management
 - c. Significant adjustments made in the financial statements arising out of audit findings
 - d. Compliance with listing and other legal requirements relating to financial statements
 - e. Compliance with applicable Accounting Standard issued by ICAI or other appropriate authority
 - f. Disclosure of any related party transactions and review of subsequent modification of transactions of the company with related parties
 - g. Scrutiny inter corporate loans and investments.
 - h. Valuation of undertakings or assets of the company, wherever it is necessary
 - i. Qualifications in the draft audit report.
 - j. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
4. Management discussion and analysis of financial condition and results of operations;
5. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

6. To make recommendations to the Board on any matter relating to financial management including the Audit Report, which shall be binding on the Board. To record the reasons, if the Board does not accept the recommendations and communicate such reasons to the shareholders.

Audit and Risk Management

1. Reviewing, with the management, auditor's independence, effectiveness of audit process and performance of statutory auditors.
2. Recommending to the Board, the appointment, re-appointment, terms of appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
5. Review the management letters / letters of internal control weaknesses issued by the statutory auditors;
6. Review with the statutory auditors any significant findings and follow up there on.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Reviewing, with the management, performance of internal auditors and adequacy of the internal control systems.
9. Review with internal auditors any significant findings and follow up there on.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

11. Discussion with Internal auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. Review internal audit reports relating to internal control weaknesses.
13. To review the implementation and functioning of the Whistle Blower & Vigil Mechanism in the Company.

Others

1. The Committee shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
2. Assess the qualifications, experience & background, etc. of the candidate as appointing of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function)
3. Review the appointment, removal and terms of remuneration of the Chief internal auditor
4. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
5. Review and evaluate the internal financials and risk management system.
6. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
7. To undertake self-evaluation of its own functioning and identification of areas for improvement towards better governance

AUTHORITIES:

1. To engage outside consultants/professional, as deemed fit, to assist in discharge of related functions and to secure his attendance, if considered necessary.
2. To investigate any activity within its terms of reference.

3. To seek information from any employee of the company.

PROCEDURE AND QUORUM:

Time and frequency of meetings – The Committee will meet every quarter. Members who are not physically present may attend through video / teleconference.

Quorum for meetings - Two members present or 1/3 of the total strength whichever is higher, including those who attend via video conference, but two independent director should be present. Members attending meeting through teleconference are to be excluded for the purpose of Quorum.

Onward Reporting – The Minutes of the each meeting of the Committee shall be circulated within 10 working days to all members for their inputs and also be placed before the Board in subsequent meeting.

REFERENCE:

As mandated by:

- Sec 292A of the Companies Act, 1956 or Section 177 of the new Companies Act, 2013.
- Clause 49 II A of the Listing Agreement

VERSION HISTORY:

Committee constituted on April 16, 2001 by the Board of Directors.

The revised charter is approved on April 24, 2014