

AUDIT COMMITTEE:

An Audit Committee, duly constituted by the Board of Directors at their meeting has a well-defined composition, quorum, powers, role, review and terms of reference in accordance with Section 177 of the Companies Act 2013 and applicable rules thereto and as per Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Composition:

The Board of Directors of the Company at their meeting held on October 26, 2018, had reconstituted the Audit Committee comprising of the following Members:

- Mr. S. Lakshminarayanan [Chairman], Non-Executive Independent Director
- Mr. Dhirendra Swarup, Non-Executive Independent Director
- Mr. Rakesh Sood, Non-Executive Independent Director
- Mr. Sunil Srivastav, Non-Executive Independent Director
- Mr. Sunil Arjan Lulla, Executive Vice Chairman and Managing Director

Mandate/ scope / terms of reference of Audit Committee are as follows:

The Board of Directors of the Company at their meeting held on November 9, 2015, has broadened the mandate/ scope/ terms of reference of Audit Committee pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) read with Companies Act, 2013 and applicable rules thereto to include the revised terms of Audit Committee.

Further, the Board of Directors at their meeting had decided to dissolve the Risk Management Committee constituted on November 12, 2014 and include the mandate/ scope/ terms of reference of Risk Management Committee with the terms of reference of Audit Committee, as the SEBI Listing Regulations has mandated constitution of Risk Management Committee for only top 100 listed companies.

Further, with respect to applicability of Sarbanes Oxley (“SOX”) by the Company, the Board of Directors at their meeting held on May 29, 2015 decided to include the terms of reference of Ethics and business in the terms of reference of Audit Committee.

The revised Mandate/Scope/Terms of Reference of Audit Committee w.e.f November 9, 2015 are as follows:

- i) oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- ii) recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- iii) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv) examination of the financial statement and the auditors' report thereon;
- v) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - (a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - (b) changes, if any, in accounting policies and practices and reasons for the same;
 - (c) major accounting entries involving estimates based on the exercise of judgment by management;
 - (d) significant adjustments made in the financial statements arising out of audit findings;
 - (e) compliance with listing and other legal requirements relating to financial statements;
 - (f) disclosure of any related party transactions;
 - (g) modified opinion(s) in the draft audit report;
- vi) reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- vii) reviewing and monitoring, 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;

- viii) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- ix) approval or any subsequent modification of transactions of the Company with related parties;
- x) scrutiny of inter-corporate loans and investments;
- xi) valuation of undertakings or assets of the Company, wherever it is necessary;
- xii) evaluation of internal financial controls and risk management systems;
- xiii) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- xiv) 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;
- xv) discussion with internal auditors of any significant findings and follow up there on;
- xvi) 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;
- xvii) 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;
- xviii) 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;

xix) to review the functioning of the whistle blower mechanism;

xx) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;

xxi) Carrying out any other function as is mentioned in the terms of reference of the audit committee.

xxii) The audit committee shall mandatorily review the following information:

- a. management discussion and analysis of financial condition and results of operations;
- b. statement of significant related party transactions (as defined by the audit committee), submitted by management;
- c. management letters / letters of internal control weaknesses issued by the statutory auditors;
- d. internal audit reports relating to internal control weaknesses; and
- e. the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- f. statement of deviations:
 - i. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
 - ii. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

Ethics

xxiii) Facilitate the development, implementation and operation of an effective ethical and cultural program.

xxiv) Promote an organizational structure and culture that encourages law abiding and ethical conduct.

xxv) To consider and resolve any issues relating to the implementation of the ethical and

cultural program.

- xxvi) To regularly evaluate the program that has been devised to make sure that the organization maintains high ethical standards and that there is no violation of laws and regulations that are applicable to the Company.

Risk Management

xxvii) Learn about the actual risks and control deficiencies in the organization.

xxviii) Help the Board define the risk appetite of the organization.

xxix) Exercise oversight of management's responsibilities, and review the risk profile of the organization to ensure that risk is not higher than the risk appetite determined by the Board.

xxx) Monitor the effectiveness and independence of risk management functions throughout the organization.

xxxi) Review the strategies, policies, frameworks, models and procedures that lead to the identification, measurement, reporting and mitigation of material risks.

xxxii) Review issues raised by Internal Audit that impact the risk management framework.

xxxiii) Ensure that the risk awareness culture is pervasive throughout the organization.

xxxiv) Fulfills statutory, fiduciary and regulatory responsibilities.

xxxv) Any other roles and responsibilities which the Board may deem fit.

Working Procedure:

In accordance with Section 177 of the Companies Act, 2013 and applicable rules thereto, applicable Secretarial Standards and also in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the following working procedure is adopted by the Audit Committee:

a) Constitution of the Committee:

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

Explanation (1).- For the purpose of this regulation, "financially literate" shall mean the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation (2).- For the purpose of this regulation , a member shall be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

b) Quorum:

- Two members or one third of the members of the Audit Committee, whichever is greater, with at least two independent directors present either personally or through electronic mode.
- Electronic mode shall be counted for quorum except on such restricted items as prescribed under Companies Act, 2013.
- Quorum shall be present throughout the meeting
- Where a member is interested in a particular item, he/she shall not be present (physically or through Electronic Mode), during discussion and shall not vote on such item.

c) Chairman:

- The Chairman of this Committee is Mr. S. Lakshminarayanan and in his absence, any member elected by the Committee.

d) Frequency of the meeting:

- Atleast four times in a year and not more than one hundred and twenty days shall elapse between two meetings.
- The audit committee at its discretion shall invite the finance director or head of the finance function, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the committee: Provided that occasionally the audit committee may meet without the presence of any executives of the Company.

e) Minutes of the Meeting:

- Draft minutes of the Audit Committee Meeting shall be duly circulated within 15 days from the conclusion of the meeting to the members of the Committee for their comments.
- The Members, whether present or not shall communicate their comments, If any, in writing within 7 days from the date of circulation of draft minutes.
- Minutes shall be entered in the Minutes Book within 30 days from the date of conclusion of the meeting.
- Minutes of the meeting shall be signed and dated by the Chairman of the Meeting or by the Chairman of the next meeting.
- Signed copy of the minutes shall be circulated to all the members within 15 days after the minutes are signed duly certified by Company Secretary or where there is no Company Secretary, by any Director authorized by Committee.

f) Company Secretary of the Committee:

- The Company Secretary of the Company shall act as a Company Secretary of the Committee.

g) Attendance at the Annual General Meeting:

- The chairperson of the audit committee shall be an independent director and he shall be present at Annual general meeting to answer shareholder queries.

h) Sitting Fees:

- As per the resolution passed by the Board of Directors on May 29, 2015, Independent Directors are eligible for sitting fees of Rs. 40,000/- per meeting and the same may be increased by the Board from time to time.

i) Scope/ Terms of Reference:

- Revised terms of Reference is stated above.
- The role of the audit committee and the information to be reviewed by the audit committee shall be as specified in Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, as amended from time to time.

j) Passing of resolution by Circulation:

- The Committee, in case of urgent business may pass the resolution by circulation.
- Only that business can be transacted through circulations which are not restricted as per Companies Act, 2013.
- Draft resolutions shall be circulated to the members of the Committee by the Company Secretary or any other person authorised by her, together with the necessary papers, individually to all the Members including Interested Director through any valid mode.
- Not more than seven days from the date of circulation of the draft resolution shall be given to the Members for their response.
- Resolution shall deemed to be pass if majority of the members has assented and date of assented by the last member shall be the date of passing of resolution.
- If the approval of the majority of members entitled to vote is not received by the last date specified for receipt of such approval, the Resolutions shall be considered as not passed.
- Resolutions passed by circulation shall be noted at the next meeting of the Committee as well as Board.

k) Other points:

- The Committee shall adhere to all applicable acts, laws, regulations and standards as prescribed by the regulatory authorities.
- The Company shall establish vigil mechanism for directors and employees to report genuine concerns in such manner as prescribed by the Act. The vigil mechanism shall provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.
- In case of ambiguity or clarification, the Company should refer applicable Secretarial standards, provisions of Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, and Articles of Association of the Company.
- In case of any amendments or modification in any of the applicable laws, regulations the working procedure shall stands modified from time to time.
