

**AUDIT COMMITTEE CHARTER
OF
PRICOL LIMITED**

1 PREFACE

- 1.1 Pricol Limited or the Company (“Pricol” or “the Company”) believes in the conduct of its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty and integrity.
- 1.2 Section 177 of the newly enacted Companies Act 2013, dealing with Audit Committee, has prescribed that the Terms of Reference of the Audit Committee has to be in writing.
- 1.3 Accordingly, an Audit Committee Charter (“AC Charter”) has been formulated with a view to provide the scope for the Audit Committee to deal with the matters which are prescribed under the Companies Act 2013 and the Listing Agreement.
- 1.4 The AC Charter will be posted on the Company’s website at **www.pricol.com**.

2 PRIMARY OBJECTIVES

- 2.1 Audit Committee’s role shall flow directly from the Board of Directors’ overview function on corporate governance, which holds the Management accountable to the Board and the Board, in turn, accountable to the shareholders. Acting as a catalyst in helping the organization achieve its objectives, the primary role of the Audit Committee is that of assisting the Board of Directors in overseeing the:
 - 2.1.1 integrity of the Company’s financial statements;
 - 2.1.2 compliance with legal and regulatory requirements;
 - 2.1.3 qualification and independence of the external auditors;
 - 2.1.4 performance of the Company’s external auditors and the Internal Audit function; and
 - 2.1.5 adequacy and reliability of the internal financial control system

3 COMPOSITION

- 3.1 The Audit Committee shall consist of minimum three (3) Directors as members of the Committee, out of which two thirds of the members will be independent directors.
- 3.2 All members of Audit Committee shall be financially literate and at least one member to have accounting or related financial management expertise.
- 3.3 The members of the Audit Committee shall elect a Chairperson from amongst themselves.
- 3.4 The Chairperson of the Audit Committee shall be an Independent Director.
- 3.5 Board’s Report shall disclose the composition of Audit Committee.

4 SECRETARY

- 4.1 The Company Secretary shall act as Secretary to the Audit Committee Meetings.

5 MEETINGS

- 5.1 The Audit Committee shall meet at least four (4) times in a year and not more than four (4) months shall elapse between two successive meetings.
- 5.2 The Audit Committee shall meet periodically with management, the internal auditor and the external auditor as deemed fit by it.
- 5.3 The Auditors, the Internal Auditor and the Chief Financial Officer shall attend and participate at meetings of the Committee. The Committee may invite such of the executives, as it considers appropriate, to be present at the meetings. The right to vote shall vest only with the members of the Committee.
- 5.4 The auditors of the Company and key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have a right to vote.

6 QUORUM

- 6.1 The quorum shall be either two (2) members or one-third of the members of the Audit Committee, whichever is greater, but there should be a minimum of two Independent Directors present at the meeting.

7 ANNUAL GENERAL MEETING

- 7.1 The Chairman of the Committee shall attend the Annual General Meetings to answer shareholder queries and provide any clarifications on matters relating to audit.

8 AUTHORITY / POWER

- 8.1 The Committee shall act and have powers in accordance with the terms of reference by the Board, which shall include the following:
 - 8.1.1 To investigate any activity / matter within the scope of this Charter or specified in Section 177(4) Companies Act and relevant Rules or referred to it by the Board and for this purpose, shall have power to obtain professional advise from external sources and have full access to information contained in the records, books of accounts and the Company's personnel.
 - 8.1.2 To seek information from any employee or director of the Company, to perform its duties effectively and have direct access to such employee or director.
 - 8.1.3 To hear the auditors and Key Managerial Personnel in the meetings.
 - 8.1.3 To secure assistance and attendance of outsiders with relevant knowledge / expertise in accounting, legal or other matters, if it considers necessary.
 - 8.1.4 To engage independent counsel and other advisors as it deems appropriate to perform its duties and responsibilities.

9 TERMS OF REFERENCE

The responsibilities of the Audit Committee shall include the following:

9.1 Financial Statements

- 9.1.1 Examination of the financial statement and auditors' report
- 9.1.2 Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- 9.1.3 Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- 9.1.4 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; Such review shall be conducted till the full money raised through the issue has been fully spent
- 9.1.5 Discuss and review, with the management and auditors, the annual financial statements before submission to the Board, with particular reference to:
 - 9.1.5.1 Matters required to be included in the Directors' Responsibility Statement in the Board's report in terms of sub-section (3)(c) of Section 134 of the Companies Act 2013
 - 9.1.5.2 Any changes in accounting policies and practices and reasons for them
 - 9.1.5.3 Major accounting entries involving estimates based on exercise of judgment by management
 - 9.1.5.4 Significant adjustments made in the financial statements arising out of audit findings
 - 9.1.5.5 Qualifications in the draft audit report
 - 9.1.5.6 Disclosure of any related party transactions
 - 9.1.5.7 Compliance with listing and other legal requirements relating to financial statements
- 9.1.6 Review of financial statement before submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company.
- 9.1.7 Review the financial statements, in particular, the investments made by the unlisted subsidiary company.

9.2 STATUTORY AUDITORS

- 9.2.1 Discuss with Statutory Auditors, before the audit commences, the nature and scope of audit as well as post-audit discussion / review to ascertain any area of concern.

- 9.2.2 Recommend to the Board, the appointment / re-appointment and the terms of appointment of auditors of the Company, removal of the external auditors, fixation of audit fee and also approval for payment for any other services rendered by the external auditors.
- 9.2.3 Review and monitor the auditors' independence and performance and effectiveness of audit process.
- 9.2.4 Call for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors

9.3 **INTERNAL AUDITOR**

- 9.3.1 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;
- 9.3.2 Discuss with internal auditors any significant findings and follow-up thereon.
- 9.3.3 Review 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.
- 9.3.4 Review the appointment, removal, performance and terms of remuneration of the Chief Internal Auditor.
- 9.3.5 Review Internal Audit Reports relating to the internal control weaknesses.
- 9.3.6 Review the significant internal reports to management prepared by the internal audit department, as well as management's response to it

9.4 **INTERNAL CONTROL**

- 9.4.1 Review with the management, statutory and internal auditors, the adequacy of internal control systems and ensure adherence to it.
- 9.4.2 Review management letters / letters of internal control weaknesses issued by statutory / internal auditors.
- 9.4.3 Evaluation of internal financial controls and risk management systems

9.5 **OTHERS**

- 9.5.1 Scrutiny of inter corporate loans and investments.
- 9.5.2 Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- 9.5.3 Appointment of Registered Valuers, if required, on such terms and conditions, for valuation of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a company or its liabilities, if required, under the provision of this Act, Monitoring the end use of funds raised through public offers and related matters

- 9.5.4 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

9.6 WHISTLE BLOWER MECHANISM

- 9.6.1 To review the functioning of the Whistle Blower mechanism.

9.7 COMPLIANCE WITH REGULATORY REQUIREMENTS AND POLICIES

- 9.7.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 9.7.2. Review the findings of any examinations by regulatory agencies and any auditor observations.
- 9.7.3 Review the report of the Monitoring Agency appointed by the Company, to monitor the utilization of proceeds of such public / rights issue and make appropriate recommendations to the Board.

9.8 RISK MANAGEMENT

- 9.8.1 Discuss with the management, the Company's policies with respect to risk assessment and risk management, including appropriate guidelines to govern the process, as well as the Company's major financial risk exposures and the steps management has undertaken to control them.

9.9. RELATED PARTY TRANSACTIONS

- 9.9.1 Approval or any subsequent modification of transactions of the company with related party transactions
- 9.9.2 The following details shall be placed periodically before the Audit Committee
 - 9.9.2.1 A statement in summary form of transactions with related parties in the ordinary course of business
 - 9.9.2.2 details of material individual transactions with related parties which are not in the normal course of business.
 - 9.9.2.3 Details of material individual transactions with related parties or others, which are not on arm's length basis, together with Management's justification for the same.

(‘materiality’ threshold to be defined by the management and reviewed by the Audit Committee)

9.10 SUBSIDIARY COMPANY

- 9.10.1 Review the financial statements, in particular, the investments made by the unlisted subsidiary companies, if any.

9.11 REPORTING

- 9.11.1 The Audit Committee will report and update the Board, periodically, on various matters that it has considered as well as on the independence of the Auditors.

9.11.2 The Annual Report of the Company shall disclose the composition of the Audit Committee, brief description of the scope of the Audit Committee Charter, names of members, Chairperson, meetings and attendance.

9.11.3 The recommendations of the Audit Committee on any matter relating to financial management including the audit report, shall be binding on the Board. If the Board does not accept the recommendations of the Audit Committee, it shall record the reasons thereof and disclose in the Board's Report along with reasons for it.

10 OTHER FUNCTIONS

10.1 Perform such other activities related to this Charter as requested / assigned by the Board of Directors.

10.2 Carry out additional functions as is contained in the Companies Act and relevant rules, SEBI Regulations or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.
