

ROYAL INDIA CORPORATION LIMITED

AUDIT COMMITTEE CHARTER

(Effective 24th May, 2014)

1. Primary Objectives

The Audit Committee's role shall flow directly from the Board of Director's overview function on corporate governance; which holds the management accountable to the Board and the Board accountable to the stakeholders. Acting as a catalyst, in helping the organization achieve its objectives, the Audit Committee's primary role is to review the Company's internal financial reporting process, internal financial controls, the audit process, adequacy, reliability and effectiveness of the internal control systems and risk management process, monitoring process for compliance with laws and regulations and the code of conduct.

2. Composition

- 2.1 The Audit Committee shall have minimum three Directors as Members, with at least two-thirds of them being Independent.
- 2.2 All Members of Audit Committee shall be financially literate and at least one Member shall have accounting or related financial management expertise.
- 2.3 The Board shall appoint an Independent Director as the Chairman of the Committee.
- 2.4 The Company Secretary shall act as the Secretary to the Committee.

3. Meetings & Quorum

- 3.1 The Audit Committee shall meet periodically, but at least 4 times a year.
- 3.2 Not more than four months shall elapse between two successive Meetings.
- 3.3 The quorum shall be either two Members or one-third of the Members of the Audit Committee; whichever is greater and a minimum of two Independent Directors. A duly convened meeting of the Committee at which the requisite quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.4 The Managing Director, Executive Director and CFO, Internal Auditor and representatives of the Auditors (Statutory Auditors as well as Cost Auditors) shall be invited to attend the meetings of the Committee. The Committee may invite such other executives as it considers appropriate, to be present at the meetings. It may also meet without the presence of any company executives.

3.5 The Committee may meet periodically with the management, the internal auditor and the external auditors, in separate executive sessions, as deemed fit by it.

3.6 The Committee may also meet with the representatives of the Company's subsidiaries / associate companies regarding their systems of internal control, results of audits and integrity of financial reporting.

4. Annual General Meeting

The Chairman of the Audit Committee shall attend the Annual General Meeting to answer shareholder queries and provide any clarifications on matters relating to audit. (Cl.49 (III)(A)(4).

5. Authority

The Audit Committee shall act and have powers in accordance with the terms of reference specified in writing by the Board, which shall include the following:

5.1 To investigate any activity within the scope of this Charter or referred to it by the Board and for this purpose, shall have full access to information contained in the books of accounts and the Company's facilities and personnel. [Clause 49(III)(C)(1)]

5.2 To seek information from any Employee or Director of the Company. [Clause 49(III)(C)(2)]

5.3 To secure assistance and attendance of outsiders with relevant knowledge/expertise in accounting, legal or other matters, if it considers necessary. [Clause 49(III)(C)(3)&(4)]

5.4 To engage independent counsel and other advisors as it deems appropriate to perform its duties and responsibilities and determine the compensation for the assignment. [Clause 49(III)(C)(3)&(4)]

6. Responsibilities

The responsibilities of the Audit Committee shall include the following:

6.1 Financial Statements

6.1.1 Oversight of the Company's financial reporting process and disclosure of its financial information with a view to ensure that the financial statements are correct, sufficient and credible which give a true and fair view of the state of affairs of the company, comply with the accounting standards notified under the Act and shall be in the prescribed form provided in Schedule III. [Clause 49(III)(D)(1)]

6.1.2 Review with the Management and Auditors, the Annual Financial Statements and Auditors' Report thereon before submission to the Board for approval, with particular reference to: [Clause 49(III)(D)(4)]

- Matters required being included in the Directors 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.
 - Changes in accounting policies and practices and reasons for the same.
 - Disclosure under Management Discussion and Analysis of Financial Condition and Results of Operations.
 - Major accounting entries involving estimates based on exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit finding.
 - Compliance with Listing Agreement and legal requirements concerning financial statements.
 - Disclosure of any related party transaction.
 - Qualifications in draft audit report.
 - Disclosure of contingent liabilities.
- 6.1.3 Review with the management and the auditors, quarterly financial statements before submission to the Board for approval. [Clause 49(III)(D)(5)]
- 6.1.4 Review, 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 utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter. [Clause 49(III)(D)(6)]
- 6.1.5 Review and monitor the Auditor's Independence and performance, and effectiveness of audit process. [Section 177(4)(ii)] [Clause 49(III)(D)(7)]
- 6.1.6 Approval of any subsequent modification of transactions of the Company with related parties. [Section 177(4)(iv)] [Clause 49(III)(D)(8)]
- 6.1.7 Scrutiny of inter-corporate loans and investments. [Section 177(4)(v)] [Clause 49(III)(D)(9)]
- 6.1.8 Valuation of undertakings or assets of the company, wherever it is necessary. [Section 177(4)(vi)] [Clause 49(III)(D)(10)]
- 6.1.9 Evaluation of internal financial controls and risk management systems. [Section 177(4)(vii)] [Clause 49(III)(D)(11)]
- 6.1.10 To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of dividends) and creditors. [Clause 49(III)(D)(17)]
- 6.1.11 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 & background, etc. of the candidate. [Clause 49(III)(D)(19)]

- 6.1.11 To appoint Registered Valuer and approve the terms and conditions of appointment. [Section 247(1)].
- 6.1.12 To recommend for appointment, re-appointment, and if required, the replacement or removal of Statutory Auditors and to fix their audit fees. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditor.

6.2 Information to be reviewed by the Committee Mandatorily

- 6.2.1 Management discussion and analysis of financial condition and result of operations. [Clause 49(III)(E)(1)]
- 6.2.2 Statement of significant related party transactions (as defined by the Audit Committee). The term “related party transactions” shall have same meaning as provided in clause 49(VII) of the Listing agreement. [Clause 49(III)(E)(2)]
- 6.2.3 Review Management letters/ letters of internal control weaknesses issued by Statutory Auditors. [Clause 49(III)(E)(3)]
- 6.2.4 Review Internal Audit Reports relating to the internal control weaknesses and other significant internal audit findings, the management’s response thereto and follow-up thereon. [Clause 49(III)(E)(4)]
- 6.2.5 The appointment, removal and terms remuneration of the Chief Auditor shall be subject to review of the Audit Committee. [Clause 49(III)(E)(5)]

6.3 Statutory Audit

- 6.3.1 Recommendation to the Board for the appointment including filling of the casual vacancy or removal of the statutory auditors and their remuneration and terms of appointment. [Clause 49(III)(D)(2) & Section 139 of the Act]
- 6.3.2 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. [Clause 49(III)(D)(16)]
- 6.3.3 Approval of other services that may be rendered by the statutory auditors and payment for rendering any such other services. [Clause 49(III)(D)(3)]
- 6.3.4 Reviewing, with the management, the performance of the Statutory Auditors and internal auditors, adequacy of the internal control systems. [Clause 49(III)(D)(12)]

6.4 Cost Auditors (Section 148 (3) read with rules Rule 14 of Chapter X)

- 6.4.1 Recommendation to the Board for the appointment of the Cost auditors and their remuneration and terms of appointment, if required in the future.

- 6.4.2 Review with Cost auditors about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 6.4.3 Approval of fees to Cost auditors for any other services rendered by them.
- 6.4.4 Review Cost Auditors Report and recommend to the Board for the approval.
- 6.4.5 Reviewing, with the management, the performance of the Cost Auditors.

6.5 Internal Audit

- 6.5.1 Review the adequacy of internal audit function, including the internal audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. [Clause 49(III)(D)(13)]
- 6.5.2 Review the appointment, removal and terms of remuneration of the Chief Internal Auditor. [Clause 49(III)(E)(5)]
- 6.5.3 Discussions with Internal auditors of any significant findings and follow-up thereon. [Clause 49(III)(D)(14)]
- 6.5.4 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. [Clause 49(III)(D)(15)]
- 6.5.5 Reviewing, with the management, the performance of the Internal Auditors. [Cl.49(D)(12)]

6.6 Internal Control

Review with the management, statutory auditors and internal auditors the adequacy of internal financial control systems, adherence thereto and that they have been operating effectively.

6.7 Whistle Blower Policy/ Vigil Mechanism (Section 177)

- 6.7.1 Review the functioning of the Whistle Blower mechanism of the Company. Periodical Reports will be placed before the Audit Committee. [Clause 49(III)(D)(18)]
- 6.7.2 Directors and employees to have direct access to the Chairperson of the Audit Committee to report genuine concerns and to provide for adequate safeguards against victimisation. [Section 177(10)]

- 6.7.3 If any member of the Audit Committee has a conflict of interest in a given case, he should recuse himself and the others on the Committee would deal with the matter on hand. [As per the Rules]
- 6.7.4 In case of repeated frivolous complaints being filed by an employee, the Audit Committee may take suitable action against the concerned employee including reprimand. [As per the Rules]

6.8 Compliance with regulatory requirements and policies

- 6.8.1 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.
- 6.8.2 Review the findings of any examinations by regulatory agencies, and any auditor observations.
- 6.8.3 Obtain regular updates from management and the Company's legal counsel regarding compliance matters.

6.9 Risk Management

Review periodically the Risk Management Policy and the process for risk assessment and risk mitigation laid down by the Policy to control risk through a properly defined Risk Management Framework.

6.10 Related party

- 6.10.1 To lay down guidelines for the Company in formulating a policy on materially related party transactions and also deal with the same.
- 6.10.2 To review and grant prior approval to all the 'Related Party Transactions'. [Cl.VII (D) of cl 49]

The term related party transaction and material transactions will have the same meaning as provided in clause 49(VII) of the Listing Agreement.

6.12 CEO / CFO Certification

- 6.12.1 Review of the CEO/CFO disclosure reports on the deficiencies in the design or operation of internal controls pertaining to financial reporting, if any, and steps the CEO / CFO have taken or propose to take to rectify these deficiencies.
- 6.12.2 The Audit Committee shall take note of disclosures on: [Cl. 49(IX)(D)]
- Significant changes in internal controls over financial reporting during the year.
 - Significant changes in accounting policies during the year and that the same have been disclosed in the note to the financial statements; and

- Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

6.13 Filing of Annual Audit Report with Stock Exchanges [Clause 31(a)]

6.13.1 Covering letter in Form A or Form B to be signed by the Audit Committee Chairman, as applicable for submission of six copies of the Statutory and Directors' Annual Reports, Balance Sheets and Profits & Loss Accounts and of all periodical and special reports as soon as they are issued and one copy each to all the recognized stock exchanges in India.

6.13.2 Audit Committee Chairman may also comment in Form B, on the nature of the qualification including materiality, agreement/ disagreement on the qualification, steps taken to resolve the qualification, etc.

6.14 The Audit Committee to implement Secretarial Standards as applicable to the Board Committees.

7. The Audit Committee will -

7.1 Report and update the Board, periodically, on significant matters that it has considered within its review function.

7.2 The Annual Report of the Company shall disclose the composition of the Audit Committee, names of members, Chairperson, meetings and attendance.

7.3 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 communicate such reasons to the shareholders.

7.4 Review and inform the Board, annually, about the status of compliance of responsibilities outlined in this Charter.

8. Other Functions

8.1 Perform other activities related to this Charter as requested by the Board of Directors.

8.2 Carry out additional functions as is contained in the listing agreement or the Companies Act, 2013 or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.

8.3 Institute and oversee special investigations as needed.

9. Evaluation

9.1 Conduct an annual performance evaluation relative to the Audit Committee's purpose, duties, responsibilities and effectiveness and recommend any changes it considers necessary for the approval of the Board of Directors.

9.2 The Audit Committee may conduct such evaluation and reviews in such manner as it deems appropriate.

10. Review of Audit Committee Charter

The adequacy of this charter shall be reviewed and reassessed by the Audit Committee, as and when required, and appropriate recommendations shall be made to the Board to update the same based on the changes that may be brought about to the regulatory framework or policy changes, from time to time.
