



CHARTER FOR AUDIT COMMITTEE

AZAD ENGINEERING LIMITED

(Formerly Azad Engineering Private Limited)

CIN: U74210TG1983PLC004132

Regd. Office: 90/C,90/D Phase 1 I.D.A, Jeedimetla Hyderabad-500055 Telangana, India

Email: cs@azad.in Phone: +91-40-2309 7007



1. Preamble

Committee means Audit Committee (“**Committee**”) of the Board of Directors (“**Board**”) of Azad Engineering Limited (formerly known as “Azad Engineering Private Limited”) (“**Company**”) as constituted or reconstituted and which is in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of Companies Act, 2013 and the Rules made there under, as amended from time to time.

2. Objectives

The objectives of the Committee are to assist the Board with oversight of (i) the accuracy, integrity and transparency of the Company's financial statements with adequate and timely disclosures; (ii) compliance with legal and regulatory requirements; (iii) the Company's Independent Auditors' qualifications and independence and (iv) the performance of the Company's Independent Auditors and Internal Audit function.

The role, responsibilities and powers of the Committee shall include matters set out in this Charter and such other items as may be prescribed by applicable laws as amended or by the Board in compliance with applicable laws from time to time.

3. Roles And Responsibilities Of The Committee

The Committee is central to the effective functioning of the Board. The roles and responsibilities of the Committee shall include the following:

- i. oversight of the listed entity'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 listed entity;
- iii. approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv. 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.
- v. reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- vi. 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 utilization of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- vii. reviewing and monitoring the auditor's independence and performance, and the effectiveness of audit process;

- viii. approval or any subsequent modification of transactions of the listed entity with related parties;
- ix. scrutiny of inter-corporate loans and investments;
- x. valuation of undertakings or assets of the listed entity, wherever it is necessary;
- xi. evaluation of internal financial controls and risk management systems;
- xii. reviewing, with the management, the performance of statutory and internal auditors, adequacy of the internal control systems;
- xiii. reviewing the adequacy of the 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;
- xiv. discussion with internal auditors of any significant findings and follow up there on;
- xv. 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;
- xvi. discussion with statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern;
- xvii. 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;
- xviii. to review the functioning of the whistle blower mechanism;
- xix. approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- xx. reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.
- xxi. consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.
- xxii. On an annual basis, review the financial statements of the Company's materially significant subsidiaries
- xxiii. carrying out additional functions as contained in any other regulatory requirements applicable to the Company or the terms of reference of the Audit Committee;
- xxiv. undertake other specific duties and responsibilities as the Board prescribes from time-to-time.

The Committee shall mandatorily review the following information:

- 1) management discussion and analysis of the financial condition and results of operations;
- 2) management letters/ letters of internal control weaknesses issued by the statutory auditors;
- 3) internal audit reports relating to internal control weaknesses; and
- 4) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the committee.
- 5) 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).

4. Composition

- i. The Committee will consist of a minimum of Three (3) Directors as members, of which at least two-thirds shall be Independent Directors.
- ii. Chairperson of the Committee shall be an Independent Director
- iii. All members of the committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- iv. The chairperson of the Committee shall be present at annual general meetings to answer shareholder queries;



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

Explanation (1) - For the purpose of above, - 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 above, 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.

5. Rights & Powers

In discharging its responsibilities, the Committee shall have the following powers:

- i. unrestricted access to the Company's books and records;
- ii. to seek information from any employee of the Company including the management of the Company and its external advisors to perform its duties effectively;
- iii. to investigate any activity within its terms of reference;
- iv. to obtain the advice of lawyers, accountants or other professionals/consultants at the Committee's sole discretion. The Committee shall have sole authority to approve related fees and retention terms. Any communication between the Committee and the external legal counsel in the course of obtaining legal advice will be considered as attorney-client (company) privileged communication and the Committee shall take all necessary steps to preserve the privileged nature of those communications;
- v. to have adequate resources and other authority necessary to discharge its duties and responsibilities;
- vi. the 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

The Committee shall act based on a simple majority.

6. Delegation Of Authority

The Committee may delegate to one or more designated members of the Committee the authority to pre-approve audit and permissible non-audit services, provided such pre-approval decision is presented to the full Audit Committee at its scheduled meetings.

7. Meetings & Reports

- i. The Committee will meet at least Four (4) times each year and not more than one hundred and twenty days shall elapse between two meetings and additional meetings may be conducted for specific review of Internal Controls/Review of Strategic and Operating Plan for Internal Audit, Enterprise Risk Management, etc.;
- ii. The Committee may establish its own schedule which it will provide to the Board of Directors in advance;
- iii. The Committee may meet in person or through other methods like video conferencing, audio conferencing etc. as may be permitted by law from time to time;
- iv. Under normal circumstances, meetings of the Committee shall be attended by the Chairman and Managing Director, the Executive Director, CFO, the Internal Auditor and the Company Secretary and the Independent auditors;
- v. The Committee may at its discretion require the attendance of such other persons from within the Company at Committee meetings;



- vi. The Committee would be free to meet without the presence of any or all of the above-mentioned persons if it desires;
- vii. The Committee shall facilitate the open flow of information and cooperation with other committees of the Board;
- viii. The Committee shall report regularly to the Board with respect to the Committee's activities and receive feedback and direction from the Board on such activities.

8. Quorum

The quorum for the Committee meeting shall either be Two (2) members or one-third of the members of the Committee, whichever is greater, with at least Two (2) Independent Directors.

9. Circular Resolution

The decisions to be taken by the Committee members may be taken by way of a circular resolution wherever it is not possible to have a meeting of the Committee members.

10. Minutes

The Company Secretary shall maintain minutes of the meetings of the Committee, which will be submitted to the Committee and the Board at its subsequent meeting for noting.

11. Power To Remove Difficulties

If any difficulties arise in giving effect to the provisions of this Charter, the Chairman of the Committee may in consultation with the Board by an order make such provisions as appear to it to be necessary or expedient for removing the difficulty by suitably amending/ modifying such provisions.

12. Amendment

The Board of Directors shall have the right to withdraw and/or amend any part of this Charter or the entire Charter, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed there under or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/or any other laws in this regard shall automatically apply to this Charter.
