

AUDIT COMMITTEE CHARTER

(As amended by the Board of Directors at their meeting held on 27th March 2024)



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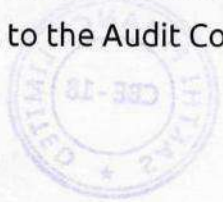
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DOCUMENT CONTROL

Document Information	
Company	Sakthi Finance Limited ("SFL"), Coimbatore
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Name	Title
Sri Srinivasan Anand	Chief Financial Officer

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1	9th August 2014	Base Document	Audit Committee Charter was initially adopted by the Board of Directors of the Company
2	29th May 2019	Amendment	Certain clauses were inserted as per SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 dated 9th May, 2018 effective from 1 April 2019.
3	29th March 2022	Amendment	Amendments were made as per the notification dated January 24, 2022 by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2022.
4	27th March 2024	Amendment	Amendments have been made as per RBI Master Direction on "Information Technology Governance, Risk, Controls and Assurance Practices" dated 7th November 2023.



ABBREVIATIONS USED

AC Charter	Audit Committee Charter
ACB	Audit Committee of the Board
CEO	Chief Executive Officer
CFO	Chief Financial Officer
KMP	Key Managerial Personnel
NBFC	Non-Banking Financial Companies
RBI	Reserve Bank of India
RPT	Related Party Transactions
SEBI	Securities and Exchange Board of India
SFL	Sakthi Finance Limited
the Act	The Companies Act 2013



1.0 INTRODUCTION

- 1.1. Sakthi Finance Limited or the Company ("**SFL**" 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 Companies Act 2013 ("**the Act**"), dealing with Audit Committee, has become operational from 1st April 2014. The Section 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 Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations ("**Listing Regulations**") 2015.
- 1.4. In view of the issue of RBI Master Direction on "Information Technology Governance, Risk, Controls and Assurance Practices" dated 7th November 2023 the Audit Committee Charter amended is in line with above Direction and is documented.
- 1.5. The AC Charter will be hosted on the Company's website at www.sakthifinance.com.

2.0 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

3.0 COMPOSITION

- 3.1. The Audit Committee shall consist minimum of three Directors as members of the Committee, out of which at least two thirds of the members will be independent. The criteria of independence would be decided upon by the Board of Directors and in accordance with the Act, rules and regulations of the Securities and Exchange Board of India ("**SEBI**") and such other legal and regulatory requirement that may be applicable to the Company.



- 3.2. All the members of Audit Committee shall be financially literate and at least one member to have accounting or related financial management expertise.

For this purpose, the term "financially literate" means the ability to read and understand the basic financial statement, as prescribed under the Act and Listing Regulations. A member will be considered to have accounting or related financial management expertise if he or she has 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 ("**CEO**"), Chief Financial Officer ("**CFO**") or other senior officer with financial oversight responsibilities.

- 3.3. The Board's Report shall disclose the composition of Audit Committee.

4.0 CHAIR PERSON

- 4.1. The members of the Audit Committee shall elect a Chairperson from among themselves.
- 4.2. The Chair Person of the Audit Committee shall be an Independent Director.
- 4.3. The Chair Person of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries.

5.0 SECRETARY

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

6.0 MEETINGS

- 6.1. The Audit Committee shall meet at least four (4) times in a year and not more than One Hundred and Twenty (120) days shall elapse between two successive meetings.
- 6.2. The Audit Committee shall meet periodically with management, the internal auditor and the external auditor as deemed fit by it.
- 6.3. The Audit Committee may invite the Chairman, Vice Chairman and Managing Director and /or Directors of the Company to attend the Meeting of the Committee.
- 6.4. The Statutory Auditors, the Internal Auditor and the Chief Financial Officer shall attend and participate at meetings of the Committee as permanent invitees. The Committee may invite such of the executives, as it considers appropriate, or any other advisor/ consultant/ person to be present at the meetings. The right to vote shall vest only with the members of the Committee.



6.5. The Statutory Auditors of the Company and Key Managerial Personnel ("**KMP**") shall have a right to be heard in the meetings of the Audit Committee when it considers the independent auditor's report but shall not have a right to vote.

7.0 QUORUM

7.1. The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the members of the Audit Committee, whichever is higher, but there should be a minimum of two Independent Directors present at the meeting. 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.

8.0 ANNUAL GENERAL MEETING

8.1. The Chairman of the Committee shall attend the Annual General Meetings to answer shareholder queries and provide any clarifications on matters relating to audited financial statements.

9.0 POWERS OF AUDIT COMMITTEE

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

9.1.1 To investigate any matter 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 records of the company and the Company's personnel.

9.1.2 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.

9.1.3 To secure assistance and attendance of outsiders with relevant knowledge/expertise in accounting, legal or other matters, if it considers necessary.

9.1.4 To engage independent counsel and other advisors as it deems appropriate to perform its duties and responsibilities.

9.1.5 To approve 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.

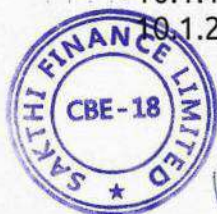
10.0 ROLE OF AUDIT COMMITTEE

The role of the Audit Committee shall include the following:

10.1. FINANCIAL STATEMENTS

10.1.1 Examination of the financial statement and draft auditors' report

10.1.2 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.



- 10.1.3 Recommendation for appointment, re-appointment, removal, remuneration and terms of appointment of statutory auditors of the Company
- 10.1.4 Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- 10.1.5 Discuss and review, with the management and auditors, the annual / quarterly financial statements before submission to the Board, with particular reference to:
- 10.1.5.1 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 Act
 - 10.1.5.2 Disclosures under 'Management Discussion and Analysis of Financial Condition and Results of Operations'.
 - 10.1.5.3 Any changes in accounting policies and practices and reasons for them
 - 10.1.5.4 Major accounting entries involving estimates based on exercise of judgment by management
 - 10.1.5.5 Significant adjustments made in the financial statements arising out of audit findings
 - 10.1.5.6 Modified Opinions in the draft audit report
 - 10.1.5.7 Disclosure of any related party transactions
 - 10.1.5.8 Compliance with listing and other legal requirements relating to financial statements
 - 10.1.5.9 Review the statement for uses/applications of funds raised through an issue (public issue, rights issue, preferential issue etc.) and the Statement of Deviation/Variations before submitting to stock exchanges on a quarterly basis, and annual statement of funds utilized for purposes other than as mentioned in the offer document / prospectus / notice. Such review shall be conducted till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been fully received.
- 10.1.6 Review the financial statements, in particular, the investments made by the unlisted subsidiary company, if any.
- 10.1.7 Review the utilisation of the Loans from/Investments by the holding company exceeding ₹ 100 crores or 10% of the Asset size of the Company, whichever is lower, including existing loans/advances/investments.
- 10.1.8 Review the report submitted by the Compliance Officer in respect of the compliance with the requirements of SEBI (Prohibition of Insider Trading) Regulations 2015, at least once in a financial year and also verify whether the systems of internal controls for prevention of insider trading are adequate and are operating effectively.
- 10.1.9 To consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation, etc. on the listed entity and its shareholders.



10.2. EXTERNAL AUDIT

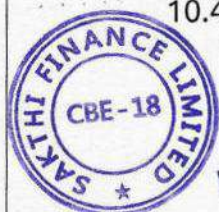
- 10.2.1 Discuss with External Auditors, before the audit commences, the nature and scope of audit as well as post-audit discussion / review to ascertain any area of concern.
- 10.2.2 Recommend to the Board, the appointment / re-appointment and the terms of appointment of auditors of the Company, removal of the external auditors, fixation of audit fee and also approval for payment for any other services rendered by the Statutory Auditors.
- 10.2.3 Review and monitor the auditors' independence and performance and effectiveness of audit process.
- 10.2.4 Call for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and 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.

10.3. INTERNAL AUDIT

- 10.3.1 Review on a regular basis the adequacy of internal audit function, including the internal audit department, 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.
- 10.3.2 Review the appointment, removal, performance and terms of remuneration of the Chief Internal Auditor or any person heading the Internal Audit function.
- 10.3.3 Review the regular internal reports to management prepared by the internal audit department, as well as management's response to it
- 10.3.4 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.
- 10.3.5 Discuss with internal auditors any significant findings and follow-up thereon.
- 10.3.6 Review Internal Audit Reports relating to the internal control weaknesses.

10.4. INTERNAL CONTROL

- 10.4.1 Review with the management, Performance of external and internal auditors, the adequacy of internal control systems and ensure adherence to it.



10.4.2 Review management letters / letters of internal control weaknesses issued by statutory / internal auditors.

10.4.3 Evaluation of internal financial controls and risk management systems

10.5. OTHERS

10.5.1 Scrutiny of inter corporate loans and investments

10.5.2 Valuation of undertakings or assets of the company, wherever it is necessary

10.5.3 Monitoring the end use of funds raised through public offers and related matters

10.5.4 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

10.6. WHISTLE BLOWER MECHANISM

10.6.1 Being a listed company, the Company has to formulate a policy for establishment of Vigil Mechanism (Whistle Blower Mechanism) for Directors and employees to report genuine concerns.

10.6.2 Review and oversee the functioning of vigil mechanism. If any of the members of the committee has a conflict of interest in a given case, the member shall recuse themselves and the others will deal with the matter.

10.6.3 The vigil mechanism shall provide adequate safeguards against victimisation of directors and employees who avail of the vigil mechanism and also provide direct access to the Chair Person of the Audit Committee or Director nominated to play the role of Chair Person or member of the Audit Committee in appropriate or exceptional cases.

10.6.4 In case of repeated frivolous complaints being filed by a Director or employee, the Committee or the Director nominated to play the role of Chairman of the Audit Committee, may take suitable action against the Director or employee concerned.

10.6.5 The details of establishment of vigil mechanism will be disclosed by the Company on its website and in the Board's Report.

10.7. COMPLIANCE WITH REGULATORY REQUIREMENTS AND POLICIES

10.7.1 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.



10.7.2 Review the findings of any examinations by regulatory agencies and any audit observations.

10.7.3 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.

10.8. INFORMATION SYSTEM ("IS") AUDIT

10.8.1 ACB will be responsible for exercising oversight of the IS Audit of the Company.

10.8.2 ACB will approve IS Audit Policy and review it at least annually.

10.8.3 ACB will review critical issues highlighted relating to IT/Information Security / Cyber Security and provide appropriate direction and guidance to the Company management.

10.8.4 ACB will ensure that the IS Audit adopts Risk Based Audit approach.

10.8.5 ACB will also ensure that IS Audit reviews critical systems performing control and risk assessments on a continuous basis, wherever possible.

11.0 RISK MANAGEMENT

11.1. 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.

12.0 RELATED PARTY TRANSACTIONS ("RPT")

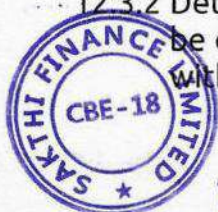
12.1. All Related Party Transactions and any subsequent modification of such transactions should be approved by the Audit Committee. Such approval shall be only by the members of the committee who are Independent Directors.

12.2. The Audit Committee may grant omnibus approval for RPTs conducted in the ordinary course of business at comparable terms.

12.3. The following details shall be placed periodically before the Audit Committee to oversee the potential conflict of interest situation:

12.3.1 A statement in summary form of transactions with related parties in the ordinary course of business made pursuant to the omnibus approval given by the Audit Committee.

12.3.2 Details of material individual transactions ('materiality' threshold to be defined by the management and reviewed by the Audit Committee) with related parties which are not in the normal course of business.



12.3.3 Details of material individual transactions ('materiality' threshold to be defined by the Audit Committee) with related parties or others, which are not on arm's length basis, together with Management's justification for the same.

13.0 SUBSIDIARY COMPANY OVERSIGHT

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

14.0 REPORTING

14.1. 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 Statutory Auditors.

14.2. 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.

14.3. 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.

14.4. Reporting regularly to the Board with respect to:

14.4.1 The quality or integrity of the Company's financial statements

14.4.2 The Company's compliance with legal or regulatory requirements;

14.4.3 The performance of the external auditor as well as the Internal Audit Function; and

14.4.4 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.

15.0 OTHER FUNCTIONS

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

15.2. Carry out additional functions as is contained in the Act and the Listing Regulations or other regulatory requirements applicable to the Company or in the terms of reference of the Audit Committee.

15.3. Institute and oversee special investigations as needed.



16.0 REPORTS

16.1. The Audit Committee will record its summaries of recommendations to the Board which will be incorporated as a part of the minutes of the Board of Directors meeting. Where the Board has not accepted any recommendation of the Audit Committee, it shall disclose in the Board's Report along with the reasons for it.

17.0 EVALUATION

17.1. 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.

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

18.0 REVIEW AND AMENDMENTS TO THE AUDIT COMMITTEE CHARTER

18.1. The adequacy of this charter shall be reviewed and reassessed by the Audit Committee, at least, annually and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought by the regulatory framework, from time to time.

Place: Coimbatore - 18

Date: 27th March 2024

(As amended by the Board of Directors at their meeting held on 27th March 2024)

