

ADMACH SYSTEMS LIMITED

CIN: U29299PN2008PLC131530

**Registered Office: SURVEY NO 122 SANAS NAGAR- NANDOSHI, OFF PUNE SINHAGAD ROAD,
TALUKA HAVELI, PUNE, MAHARASHTRA, INDIA, 411024 (MH)**

AUDIT COMMITTEE POLICY

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1. NATURE OF THE AUDIT COMMITTEE

The Audit Committee ("Committee") of the Company is a Committee constituted by the Board of Directors of the Company ("Board") out of its members in view of Section 177 of the Companies Act, 2013 ("Act") and Regulation 18 of the Securities and Exchange Board of India (Listing Obligations & Listing Requirements), 2015 (as amended from time to time) .

2. OBJECTIVES

The objectives of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Admach Systems Limited (Formerly Admach Systems Private Limited) (the "Company") is 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;
- (iv) the performance of the Company's independent auditors and internal auditors; and
- (v) acquisitions and investments made by the Company.

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

3. PROCESS

The Committee fulfills its objective through the following process:

- i. Ensuring an effective and independent internal audit function which works to provide assurance regarding the adequacy and operation of internal controls and processes intended to safeguard the Company's assets, effective and efficient use of the Company's resources and, timely and accurate recording of all transactions.
- ii. Meeting the independent auditor at each quarter and financial year to discuss key observations relating to the financial statement for the relevant period.
- iii. Providing an independent channel of communication for the Chief Compliance Officer (CCO), internal auditor and the independent auditor.
- iv. Inviting members of the management, and at its discretion, external experts in legal, financial and technical matters, to provide advice and guidance.
- v. Providing periodic feedback and reports to the Board.
- vi. Meeting at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.
- vii. Reviewing its own policy, structure, processes and membership periodically and recommending proposed changes to the Board for approval.

4. POWERS

The Committee shall have, inter alia, the following powers:

- i. To investigate any activity within its terms of reference.
- ii. To seek information from any employee.
- iii. To retain external legal, accounting or other professional advisors as the Committee deems necessary or appropriate to carry out its duties.
- iv. To institute special investigations into any matter provided in this Policy or referred to it by the Board, with full access to the internal auditors, chairperson of the Board, management and the independent auditor, as well as all books, records, facilities and personnel of the Company.

- v. To secure attendance of the auditors, internal auditor, and the head of finance and of outsiders with relevant expertise.

5. COMPOSITION

- 1.1 The Committee shall have minimum three (3) directors as members, out of which at least two-thirds ($2/3^{\text{rd}}$) of the members of Committee shall be independent forming a majority.
- 1.2 All members of the Committee shall have the ability to read and understand basic financial statements i.e., balance sheet, profit and loss account and statement of cash flows, All members shall be financially literate and at least one member, preferably the Chairperson, shall have expertise in accounting or financial management. Other participants shall be invited to the meeting with the permission of the Chairperson.
- 1.3 Atleast one (1) member shall have accounting or related financial management expertise.
- 1.4 The Chairperson of the Committee shall be an Independent Director.
- 1.5 The Chief Financial Officer, head of internal audit, representative/s of the statutory auditor/s or such other person as may be decided by the Committee may be present as invitees for the meetings of the Committee.
- 1.6 The Company Secretary shall act as the Secretary to the Audit Committee.

6. MEETINGS OF COMMITTEE

- 1.1 The Committee shall meet shall meet at least four (4) times in a year and not more than one hundred and twenty (120) days shall elapse between two (2) Committee meetings.
- 1.2 The quorum shall be either two (2) members or one third ($1/3^{\text{rd}}$) of the members of the Committee, whichever is greater, with at least two (2) independent directors.
- 1.3 All matters will be determined by a majority vote of the members present.
- 1.4 The Committee may adopt procedural rules for its meetings and the conduct of its business, not inconsistent with this Policy, the Company's articles of association and other applicable laws.
- 1.5 The Committee shall be governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. Adequate provision shall be made for notice to members of all meetings.
- 1.6 The Committee shall meet periodically as and when the Chairperson of the Committee deems fit and proper in accordance with the provisions of the Act.
- 1.7 The Committee agenda and individual meeting agendas are developed by the Chairperson of the Committee and the Company Secretary with input from appropriate members of management and staff.
- 1.8 When present, the Chairperson of the Committee shall preside over the Committee meetings. In his absence, Committee members present may appoint a chairperson from amongst themselves.
- 1.9 The chairperson of the Committee shall report to the Board on Committee meetings and actions, and the Company Secretary shall keep minutes of all Committee meetings, which are distributed to Committee members for review and approval.

- 1.10 The Chairperson of the Audit Committee shall be present at the annual general meeting of the Company to answer shareholder queries.

7. ROLE OF THE COMMITTEE

The role of the Committee shall inter-alia include the following:

- (1) oversight of the financial reporting process and the disclosure of financial information relating to Admach Systems Limited (the "**Company**") to ensure that the financial statements are correct, sufficient and credible;
- (2) recommendation to the board of directors of the Company (the "**Board**" or "**Board of Directors**") for appointment, re-appointment, replacement, remuneration and terms of appointment of statutory auditors of the Company and the fixation of the audit fee;
- (3) Monitoring the end use of funds raised through public offers and related matters;
- (4) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- (5) examining and 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; and
 - g. Modified opinion(s) in the draft audit report.
- (6) reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
- (7) 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. This also includes monitoring the use/application of the funds raised through the proposed initial public offering by the Company;
- (8) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- (9) approval of any subsequent modification of transactions of the Company with related parties and omnibus approval for related party transactions proposed to be entered into by the Company, subject to the conditions as may be prescribed, by the independent directors who are members of the Audit Committee;

Explanation: The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act, 2013.
- (10) scrutiny of inter-corporate loans and investments;

- (11) valuation of undertakings or assets of the Company, wherever it is necessary;
- (12) evaluation of internal financial controls and risk management systems;
- (13) reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;
- (14) 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;
- (15) discussion with internal auditors of any significant findings and follow-up thereon;
- (16) 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;
- (17) 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;
- (18) looking into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- (19) reviewing the functioning of the whistle blower mechanism;
- (20) overseeing the vigil mechanism established by the Company, with the chairman of the Audit Committee directly hearing grievances of victimization of employees and directors, who used vigil mechanism to report genuine concerns in appropriate and exceptional cases;
- (21) approval of appointment of chief financial officer (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;
- (22) reviewing the utilization of loans and/or advances from/investment by the holding company in the subsidiary exceeding ₹1,000,000,000 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;
- (23) considering and commenting on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders; and
- (24) carrying out any other functions required to be carried out by the Audit Committee as may be decided by the Board and/or as provided under the Companies Act, 2013, the SEBI Listing Regulations or any other applicable law, as and when amended from time to time.

In addition to the aforesaid, the Committee shall mandatorily review the following information:

- 1) management discussion and analysis of 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:
 - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).

- b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

Explanation (i): The term "related party transactions" shall have the same meaning as contained in regulation 2(1)(zc) of the SEBI LODR.

Review of Internal Controls under the SEBI (Prohibition of Insider Trading) Regulations, 2015 ('SEBI PIT Regulations')

The Committee shall review compliance with the provisions of SEBI PIT Regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively.

To take note of the **disclosures** received pursuant to Regulations 31(4) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Chief Executive Officer ("CEO") / Chief Financial Officer ("CFO") Certification

The Audit Committee shall review the disclosures, if any, made by CEO /CFO on:

Significant changes in internal control over financial reporting during the year.

Significant changes in accounting policies during the year and that the same have been disclosed in the notes 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 significant role in the company's internal control system.

8. CHANGES IN THE GOVERNING LAWS:

Any changes in the governing laws such as the Act, SEBI (LODR), the Accounting Standards and the other laws and the rules, notifications, and guidelines, if any, issued/framed thereunder, and applicable to the Company and its operations which has an effect of enlarging the scope of the role of the Committee shall automatically be deemed to enlarge the role of the Committee provided herein above.

9. APPLICABLE LAW TO PREVAIL OVER THE POLICY:

In case any discrepancy occurs between the Audit Committee Policy and the laws applicable to the Company, the applicable law shall prevail.
