

PAHARIMATA COMMODITIES PRIVATE LIMITED

STATUTORY AUDIT POLICY

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S. No.	Particulars	Page No.
1.	Introduction And Regulatory Requirement	3
2.	Purpose	3
3.	Definitions	3
4.	Applicability	4
5.	Intimation To RBI	4
6.	Number Of Statutory Auditors and Branch Coverage	4
7.	Procedure For Appointment of SCAs/SAs	5
8.	Audit Coverage	5
9.	Minimum Eligibility Criteria of Auditors	6
10.	Independence Of Auditors	8
11.	Professional Standards of Auditors and Annual Review by Board/Audit Committee	9
12.	Tenure and Rotation	10
13.	Audit Fees and Expenses	10
14.	Disclosure	11
15.	Annexure-I: FORM A (Information to be submitted by the NBFCs regarding appointment of SCA/SA)	12
16.	Annexure-II: FORM B (Eligibility Certificate from SCA/SA)	13

1. INTRODUCTION AND REGULATORY REQUIREMENT

This Statutory Audit policy is outlined based on the Guidelines issued by the Reserve Bank of India (RBI) vide Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, with regard to the appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) and the corresponding FAQs dated June 11, 2021, circulated by RBI.

2. PURPOSE

This policy is framed to allow necessary transparency and objectivity for most key aspects with regard to the appointment of Statutory Auditors and process of statutory audit, apart from conforming to the extant norms of RBI, SEBI, Companies Act, 2013 and other applicable relevant statutory/regulatory requirements.

3. DEFINITIONS

- i. "Asset size" means total assets.
- ii. "Audit Committee" means the Audit Committee of the Company duly constituted by the Board of Directors.
- iii. "Board" means Board of Directors of the Company.
- iv. "Company" means Paharimata Commodities Private Limited having its registered office at Office No. 3A, 7th Floor, Gate No. 2 Poddar Court 18 Rabindra Kolkata Kolkata WB 700001 IN
- v. "Group entities" shall mean two or more entities related to each other through any of the following relationships, viz.
 - Subsidiary – parent (defined in terms of AS 21),
 - Joint venture (defined in terms of AS 27),
 - Associate (defined in terms of AS 23),
 - Promoter-promote [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies,
 - a related party (defined in terms of AS 18),
 - Common brand name, and
 - investment in equity shares of 20% and above.
- vi. "Same network of audit firms" shall be as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014.

- vii. “RBI circular” means RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/ SEC.01/ 08.91.001/ 2021-22. dated April 27, 2021, and shall include the corresponding FAQs dated June 11, 2021, circulated by RBI.

4. APPLICABILITY

This Policy is applicable to the Company from financial year 2021-22 and onwards including any amendments, if any made from time to time.

5. INTIMATION TO RBI

As NBFCs do not have to take prior approval of RBI for appointment of SCAs/SAs, the Company shall inform RBI about the appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) for each year by way of a certificate in **Form A (Annexure-I)** within one month of such appointment. For this purpose, the Company shall intimate at the concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located.

Applicability: The Company having its registered office at Chennai, Tamil Nadu, shall accordingly intimate at the Regional Office of RBI (Department of Supervision) located in Chennai, Tamil Nadu for all purposes, wherever applicable.

6. NUMBER OF STATUTORY AUDITORS AND BRANCH COVERAGE

- (i) The Company shall fix the number of statutory auditors subject to this policy and, *inter alia*, after consideration of various relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc.
- (ii) The following are the fundamental requirements with regard to the appointment of statutory auditors:

S. No.	Asset Size of the Entity as at end of previous year	Requirements
1.	₹15,000 crore and above	Joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)].
2.	Below ₹15,000 crore	Minimum of one audit firm (Partnership firm/LLPs)

Applicability: Considering the Company’s present asset size is below ₹15,000 crore, the statutory audit shall be conducted by one audit firm from FY 2021-22 onwards till such change in the thresholds as mentioned in the above slab.

It shall be ensured that joint auditors do not have any common partners and they are not under the same network of audit firms. Further, the Company shall finalise the work allocation among the SCAs/SAs, before the commencement of the statutory audit, in consultation with the SCAs/SAs.

(iii) The actual number of SCAs/SAs to be appointed shall be decided by Board based on the recommendations from the Audit Committee, subject to the following limits prescribed by RBI:

S. No.	Asset Size of the Entity	Maximum number of SCAs/SAs
1.	Upto ₹5,00,000 crore	4
2.	Above ₹ 5,00,000 crore and Upto ₹ 10,00,000 crore	6
3.	Above ₹ 10,00,000 crore and Upto ₹ 20,00,000 crore	8
4.	Above ₹ 20,00,000 crore	12

Applicability: Considering the Company's present asset size is below ₹5,00,000 crore, the maximum number of statutory auditors to be appointed shall not exceed four.

Accordingly, subject to clause 6(ii) of this policy, the audit shall be conducted by one audit firm from FY 2021-22 onwards till such change in the thresholds as mentioned in the above slab.

7. PROCEDURE FOR APPOINTMENT OF SCAs/SAs

- (i) The Company shall shortlist minimum of 2 audit firms for every vacancy of SCAs/SAs so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SCAs/SAs does not get delayed.
- (ii) The Company shall obtain the following documents from the audit firm(s) proposed to be appointed as SCAs/SAs by the Company:
 - Complete profile of the firm
 - Certificate of Membership and Practice of Individual partners issued by ICAI.
 - Written Consent / willingness to act as SCAs / SAs of the Company pursuant to Section 139 of the Companies Act, 2013.
 - Certificate pursuant to Section 141 of the Companies Act, 2013.
 - Certificate under Rule 4 of Companies (Audit and Auditors) Rules, 2014 as amended from time to time
 - **Form B** to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. The format prescribed by RBI is enclosed at the end of this policy as **Annexure II**.

The above certificates should be signed by the main partner/s of the audit firm proposed for appointment of SCAs/SAs of the Company, under the seal of the said audit firm.

8. AUDIT COVERAGE

S. No.	Number of branches of the Company	Number of branches to be audited	Selection criteria
1.	More than 100	Top 20 branches	To be selected in order of the level of outstanding advances, in such a manner so as to cover a minimum of 15% of total gross advances of the Company
2.	Less than 100	Top 20% of branches	

Applicability: Presently, as the number of branches is more than 100 for the Company, the SCAs/SAs shall visit and audit at least the top 20 branches to be selected as mentioned above. Further, the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches shall also be mandatorily adhered to by the Company.

9. MINIMUM ELIGIBILITY CRITERIA OF AUDITORS

The Company shall ensure adherence to the following minimum standards and eligibility norms for audit firms to be appointed SCAs/SAs of the Company:

A. Basic Eligibility

S. No.	Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Minimum No. of years of Audit Experience of the firm	Minimum No. of Professional staff
		Note 1		Note 2	Note 3	Note 4
I	Above ₹15,000 crore	5	4	2	15	18
II	Above ₹ 1,000 crore and up to ₹15,000 crore	3	2	1	8	12
III	Upto ₹1,000 crore	2	1	1*	6	8

* Not mandatory for when asset size is upto ₹ 1,000 crore.

Applicability: Considering the Company's present asset size is above ₹ 1,000 crore and up to ₹15,000 crore, the Company shall comply with 'S. No. II' in the above slab for appointment of SCAs/SAs from FY 2021-22 onwards till such change in the thresholds as mentioned in the above slab.

Note 1: Full Time partners:

There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as full time partners. As the Company's asset size is above ₹ 1,000 crore, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

Further, as the Company's asset size is above ₹ 1,000 crore, the full-time partner's association with the firm would mean exclusive association. 'Exclusive association' will be based on the following criteria:

- (a) The full-time partner should not be a partner in other firm/s.
- (b) She/He should not be employed full time / part time elsewhere.
- (c) She/He should not be practicing in her/his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.

The Board or the Audit Committee shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

Note 2: CISA/ISA Qualification:

As the Company's asset size is above ₹ 1,000 crore, there should be at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of shortlisting for considering them as Paid CAs with CISA/ISA qualification for this purpose.

Note 3: Audit Experience:

Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.

Note 4: Professional Staff:

Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists/stenos/computer operators/ secretaries/subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

B- The Company shall adhere to following additional criteria:

- (i) The audit firm, proposed to be appointed as SCAs/SAs should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- (ii) The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- (iii) The appointment of SCAs/SAs shall be in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
- (iv) If any partner of a Chartered Accountant firm is a director in any Entity, the said firm shall not be appointed as SCAs/SAs of any of the group entities of the Company.
- (v) As the Company's asset size is above ₹ 1,000 crore, the auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), where the accounting and business data reside in order to achieve audit objectives.

C. Continued Compliance with basic eligibility criteria:

- (i) After appointment in case any audit firm does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it shall promptly approach the Company with full details.
- (ii) Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm shall comply with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.
- (iii) In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

10. INDEPENDENCE OF AUDITORS

- (i) The Audit Committee shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards, and best practices. Any concerns in this regard may be flagged by the Audit Committee to the Board of Directors of the Company and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- (ii) In case of any concern with the Management of the Company such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the auditors shall approach the Board or Audit Committee of the Entity, under intimation to the concerned SSM/RO of RBI.

- (iii) Concurrent auditors of the Company should not be considered for appointment as SCAs/SAs of the same Entity. The audit of the Company and also of any entity with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- (iv) The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013 explained hereunder) by the auditors of the Company or any audit/non-audit works for its group entities should be at least one year before or after its tenure and also during the entire period of appointment as SCAs/SAs.

For the purpose of this clause, the following are the non-audit works which cannot be taken up by the auditors of the Company for a period of at least one year before or after its tenure as SCAs/SAs and also during the entire period of appointment:

- Accounting and book-keeping services
- Internal audit
- Design and implementation of any financial information system
- Actuarial services
- Investment advisory services
- Investment banking services
- Rendering of outsourced financial services
- Management services
- Any other services as may be prescribed by regulators / statutory authorities
- Internal or special assignments

However, during the tenure as SCAs/SAs, an audit firm may provide the following services to the Company which may not normally result in a conflict of interest, in consultation with the Board and Audit Committee.

Conflict would not normally be created in the case of the following special assignments (indicative list):

- Tax audit, tax representation and advice on taxation matters
 - Audit of interim financial statements
 - Certificates required to be issued by the statutory auditor in compliance with statutory and other specific requirements
 - Reporting on financial information or segments thereof
- (v) The restrictions as detailed in para (iii) and (iv) above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

- (vi) Further, the Audit Committee and the Board as a matter of prudence discourages Engagement Partners of SCAs/SAs from holding directorship positions in NBFCs or other entities that are in direct competition to the Company during the tenure as SCAs/SAs.

11. PROFESSIONAL STANDARDS OF AUDITORS AND ANNUAL REVIEW BY BOARD/AUDIT COMMITTEE

- (i) The auditors shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- (ii) The Board and the Audit Committee shall review the performance of SCAs/SAs on an annual basis. Any serious lapses / negligence in audit responsibilities or conduct issues on part of the SCAs/SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval and recommendation of the Board and the Audit Committee respectively, with the full details of the audit firm.
- (iii) In the event of lapses in carrying out audit assignments resulting in misstatement of the Company's financial statements, and any violations / lapses vis-à-vis the RBI's directions / guidelines regarding the role and responsibilities of the SCAs/SAs, the SCAs/SAs would be liable to be dealt with suitably under the relevant statutory / regulatory framework.

12. TENURE AND ROTATION

- (i) In order to protect the independence of the audit firms, the Company will have to appoint the SCAs/SAs for a continuous period of three years, subject to the audit firm satisfying the eligibility norms each year.
- (ii) An audit firm would not be eligible for reappointment in the Company for six years (two tenures) after completion of full or part of one term of the audit tenure. In case an audit firm has conducted audit of the Company for part tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the Company for six years from completion of part-tenure.

- (iii) One audit firm can concurrently take up statutory audit of a maximum of eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules. A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of statutory auditors accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

Removal Of Auditors: The auditors can be removed before completion of three years tenure and the Company shall inform concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

13. AUDIT FEES AND EXPENSES

- (i) The audit fees shall be decided in terms of the relevant statutory/regulatory provisions.
- (ii) The audit fees shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc.
- (iii) The Board based on the recommendation of the Audit Committee shall make recommendation to the competent authority (By Shareholders in AGM) as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

14. DISCLOSURE:

This policy shall be hosted on the website of the Company and that the appointment(s) made shall be disclosed to concerned authorities as per relevant regulatory / statutory provisions.

(Annexure-I)**FORM A****Information to be submitted by the NBFCs regarding appointment of SCA/SA**

1. The company has appointed M/s_____, Chartered Accountants (Firm Registration Number_____) as Statutory Central Auditor (SCA)/Statutory Auditor (SA) for the financial year_ for their 1st/2nd/3rd term.
2. The company has obtained eligibility certificate from (name and Firm Registration Number of the audit firm) appointed as SCA/SA of the company for FY_ along with relevant information in the format as prescribed by RBI.
3. The firm has no past association/association for _____ years with the company as SCA/SA/SBA.
4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of NBFCs.

Signature:

(Name and Designation)

Date:

FORM B
(Annexure-II)

Eligibility Certificate from _____ (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31st March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff

*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore.

#Details may be furnished separately for experience as SCAs/SAs and SBAs

B. Additional Information:

- Copy of Constitution Certificate.
- Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.
- Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors have been declared as willful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner

(Name of the Partner)

Date: