



# GENPHARMASEC LIMITED

(Formerly Known as Generic Pharmasec Limited)

## AUDIT COMMITTEE POLICY





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## **I. INTRODUCTION**

This Audit Committee Policy is being formulated in compliance with Section 177 of the Companies Act, 2013 and read along with the applicable rules thereto i.e. rule 6 and 7 of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time. This policy has been formulated by the Audit Committee (AC or the Committees) and has been approved by the Board of Directors. The Board of the Directors of the Company have reviewed, modified and adopted this to align the same with the applicable laws, rules and regulations.

## **II. OBJECTIVE**

The Audit Committee's role shall flow directly from the Board of Directors' oversight function on corporate governance, which holds the management accountable to the Board and the Board accountable to shareholders. Acting as a catalyst, in helping the organization achieve its objectives, the Audit Committee's review function will include the financial reporting process, the system of internal control, the audit process and the Company's process for monitoring compliance with laws and regulations and the code of conduct.

## **III. APPLICABILITY**

The Board of directors of every listed companies and the following classes of companies, as prescribed under Rule 6 of Companies (Meetings of Board and its powers) Rules, 2014 shall constitute an Audit Committee. i.e.

- (i) all public companies with a paid up capital of Rs.10 Crores or more;
- (ii) all public companies having turnover of Rs.100 Crores or more;
- (iii) all public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs.50 Crores or more.

The paid up share capital or turnover or outstanding loans, or borrowings or debentures or deposits, as the case may be, as existing on the date of last audited Financial Statements shall be taken into account for the purpose of this rule.

## **IV. COMPOSITION**

1. The Audit Committee shall have minimum three and maximum of six members. Two thirds of the members of audit committee shall be independent directors.
2. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
3. The members of the Audit Committee shall elect a chairman from amongst themselves who shall necessarily be an independent director.
4. The Company Secretary shall act as the Secretary to the Committee Meetings.
5. The Audit Committee shall meet periodically, but at least four times a year and not more than one hundred and twenty days shall elapse between two meetings.
6. One meeting shall be held for finalization of Annual Accounts and one every six months.

7. The quorum shall be either two members or one third of the members of the Audit Committee; whichever is higher and minimum of two independent directors.
8. The CFO, internal auditor and a representative of external auditor if required shall be present as invitee for the meetings of the Audit Committee.
9. The Audit Committee may invite such of the executives as it considers appropriate to be present at the meeting of the committee, who shall not have the right to vote.

## V. AUTHORITY

The Audit Committee shall act and have powers, which shall include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise fit considers necessary.
5. Full access to information contained in the records of the Company.

### Constitution of Audit Committee and relevant Provisions under the Companies Act, 2013



## VI. TERMS OF REFERENCE

### (a) Financial Statements:

1. Oversight of the Company's financial reporting process and disclosure of its financial information, to ensure that the financial statements are materially correct, sufficient & credible.
2. Discuss and review with the management and auditors the annual/quarterly financial statements and auditor's report before submission to the Board for approval, with particular reference to:-

- Matters required to be included in the Directors' Responsibility Statement in the Board's report.
- Disclosure under Management Discussion and Analysis of financial condition and results of operations.
- Review of accounting policies, practices & standards and reasons for change, if any.
- Major accounting entries involving estimates based on exercise of judgment by management.
- Qualifications in the draft audit report.
- Significant adjustments made in the financial statements arising out of audit findings.
- Compliance with listing and other legal requirements relating to financial statements.
- Disclosure of any related party transactions.
- Modified opinions in the draft audit report.
- Scrutinize inter-corporate loans and investments.
- Review the statement of uses/applications of funds by major category and the statement of funds utilized for purposes other than as mentioned 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 make appropriate recommendations to the Board to take up steps in this matter. These reviews are to be conducted till the full money raised through the issue has been fully spent.
- Provide approval for appointment of the CFO (i.e. whole-time Finance Director or any other person leading the Finance function or discharging responsibilities related to that function) after assessing the qualifications, experience and background, etc. of the candidate.

**(b) External /Statutory Auditors:**

1. Provide recommendations to the Board related to the appointment, re-appointment, remuneration and terms of appointment of the auditors of the Company. This would involve recommending the name of an individual or a firm as an external/statutory auditor for consideration by the Board and further recommendation to the shareholders. While making recommendations, the Committee shall consider:
  - Whether the qualifications and experience of the auditors is commensurate with the size and requirements of the Company.
  - Any order or pending proceeding relating to professional matters of conduct against the proposed auditor before the Institute of Chartered Accountants of India or any competent authority or any Court.
2. To make the recommendations, the Committee may also call for other information from the proposed auditors as it may deem fit.
3. Review and monitor the auditor's independence and performance and effectiveness of the audit process.
4. Hold timely discussions with external/ statutory auditors regarding the nature and scope of Audit as well as post-Audit discussion/review for ascertaining any area of concern prior to commencement of audit.
5. Provide approval of all audit and non-audit services that may be rendered by the external auditor and the remuneration for the services.

6. Provide approval of payment to statutory auditors for any other services rendered by the statutory auditors.
7. Review, with the management, the auditor's report on the annual financial statements covering the:-
  - Assessment of the accounting principles used and the significant estimates made by management,
  - Compliance to accounting and auditing standards,
  - Evaluation of the overall financial statement presentation,
  - Observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the Company,
  - Elements related to disqualification of any Director as per legal and regulatory provisions,
  - Any qualification, reservation or adverse remark relating to them a in accounts and other connected matters,
  - Adequacy and operating effectiveness of internal financial control systems,
  - Other matters which are required to be included in the audit report as per regulatory and legal provisions.

## Internal Audit Team



Employed by the  
company to monitor  
internal controls.

Report to



## Audit Committee



### (c) Internal Audit:

1. Review 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, the reporting structure coverage and budget, scope, coverage and frequency of internal audit.
2. Review the performance of the internal audit department, including the objectivity and authority of its reporting obligation and results of internal audit.
3. Discuss with internal auditors any significant findings and follow-up thereon.
4. Review findings of the internal investigations by internal auditors into matters where the suspected fraud /irregularity/failure of internal control systems of a material nature, and reporting the matter to the Board.
5. Review the appointment, removal, performance and terms of remuneration of the Chief Internal Auditor.





6. Review internal audit reports relating to internal control weaknesses.
7. Approve any non-audit related work allotment, which may conflict with the role & independence of the Chief Internal Auditor and other internal audit team members and the outsourced internal audit firms.

**(d) Internal Control:**

1. Review management letters /letters of internal control weaknesses issued by statutory auditors.
2. Evaluation of Internal financial controls
3. 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.

**(e) Whistle blowing/Vigil mechanism:**

1. The Committee shall maintain an oversight of the Adequacy/functioning of the whistle blowing/vigil mechanism. It shall review the Company's arrangements for its employees, stakeholders and Directors to raise concerns, In confidence, about possible wrong doing in the Company on matters including those related to ethics, compliance, financial reporting, accounting and auditing.
2. The Committee shall ensure that these arrangements allow independent investigation of such matters and appropriate follow up action.
3. The whistle blower/vigil mechanism shall provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee on appropriate or exceptional cases.





### **(f) Compliance with Regulatory Requirements and Policies:**

1. Review the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
2. Review the valuation of undertakings or assets of the Company, wherever it is necessary.

### **(h) Related Party Transactions:**

1. Review the statement of significant related party transactions submitted by the management, including the significant' criteria/ thresholds decided by the Management.
2. Provide approval or any subsequent modification of transactions of the Company with related parties. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:
  - The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
  - The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
  - Such omnibus approval shall specify :
    - a. the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
    - b. the indicative base price /current contracted price and the formula for variation in the price if any and
    - c. such other conditions as the Audit Committee may deem fit; Where the need for Related Party Transaction can not be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1crore per transaction.
- iv. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

### **(i) Subsidiary Company**

1. Review the financial statements, in particular, the investments made by the unlisted subsidiary companies.
2. 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.



**(j) Other Functions**

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

**VII. ANNUAL GENERAL MEETING**

The Chairperson of the Audit Committee shall be present at the annual general meetings to answer the queries there at.

**VIII. REVIEW OF THIS POLICY**

The Board of the Company may carry out the changes to this policy from time to time so as to bring them in line with the amendments as may happen under the listing regulations and/or Companies Act, 2013.

**IX. PLACEMENT OF THE CODE ON THE WEBSITE OF THE COMPANY**

This policy as amended from time to time shall be posted on the website of the Company.

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