

SHIVA PHARMACHEM LIMITED
Audit Committee

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Audit Committee

The Audit Committee has been formed in compliance with Section 177 of the Companies Act 2013.

The Committee comprises of following four members:

Name of the Director	Nature of Directorship	Status in Committee
Mr. Sivaraman Narayanaswami	Independent Director	Chairman
Mr. Rakesh Agrawal	Director	Member
Mr. Premkumar Taneja	Independent Director	Member
Mr. Dukhabandhu Rath	Independent Director	Member
Ms. Rati Desai	Independent Director	Member

1. Tenure

The Audit Committee shall continue to be in function as a committee of the Board until otherwise resolved by the Board, to carry out the functions of the Audit Committee as approved by the Board.

2. Membership

Every listed entity shall constitute a qualified and independent Audit Committee in accordance with the terms of reference, subject to the following:

- (a) The audit committee shall have minimum three directors as members
- (b) At least two-thirds of the members of audit committee shall be Independent Directors and in case of a listed entity having outstanding SR equity shares, the Audit Committee shall only comprise of Independent Directors.
- (c) All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- (d) The Chairperson of the Audit Committee shall be an Independent Director and he /she shall be present at Annual general meeting to answer shareholder queries.
- (e) The Company Secretary shall act as the secretary to the Audit Committee.

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- (f) The Audit 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:
 - (g) Provided that occasionally the Audit Committee may meet without the presence of any executives of the listed entity.

3. Frequency of Meetings

- (a) The meetings of the Audit Committee shall be held as such regular intervals as provided in the law and rules and regulations as applicable to the Company.
- (b) The quorum for Audit Committee meeting shall either be two members or one third of the members of the Audit Committee, whichever is greater, with at least two Independent Directors.
- (c) The Audit Committee shall have powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

4. Role of Audit Committee

The Role of Audit Committee shall be as under:

- (a) Oversight of the Company's financial reporting process, examination of the financial statement and the auditors' report thereon and the disclosure of its financial information to ensure that the financial statement is correct, sufficient, and credible;
- (b) Recommendation for appointment, re-appointment and replacement, remuneration and terms of appointment of auditors of the Company and the fixation of audit fee;
- (c) Approval of payments to statutory auditors for any other services rendered by the statutory auditors of the Company;
- (d) Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

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- (i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of section 134 of the Companies Act;
 - (ii) Changes, if any, in accounting policies and practices and reasons for the same;
 - (iii) Major accounting entries involving estimates based on the exercise of judgment by the management of the Company;
 - (iv) Significant adjustments made in the financial statements arising out of audit findings;
 - (v) Compliance with listing and other legal requirements relating to financial statements;
 - (vi) Disclosure of any related party transactions; and
 - (vii) modified opinion(s) in the draft audit report.
- (e) Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
- (f) Monitoring the end use of funds raised through public offers and 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 utilised 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 offer by the Company;
- (g) Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- (h) Formulating a policy on related party transactions, which shall include materiality of related party transactions and the definition of material modifications of related party transactions;
- (i) Approval of any subsequent modifications of transactions of the Company with related parties and omnibus approval (in the manner specified under the SEBI Listing Regulations and Companies Act) for related party transactions proposed to be entered into by the Company. Provided that only those members of the committee, who are independent directors, shall approve related party transactions;

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Explanation: The term "related party transactions" shall have the same meaning as provided in Regulation 2(1)(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act.

- (j) Approval of related party transactions to which the subsidiary(ies) of the Company is party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover as per the last audited financial statements of the Company, subject to such other conditions prescribed under the SEBI Listing Regulations;
- (k) Review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given;
- (l) Scrutiny of inter-corporate loans and investments;
- (m) Valuation of undertakings or assets of the company, wherever it is necessary;
- (n) Evaluation of internal financial controls and risk management systems;
- (o) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- (p) 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;
- (q) Discussion with internal auditors of any significant findings and follow up there on;
- (r) 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;
- (s) 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;
- (t) Looking 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;

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- (u) Reviewing the functioning of the whistle blower mechanism;
- (v) Approval of the appointment of the Chief Financial Officer of the Company (“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;
- (w) To formulate, review and make recommendations to the Board to amend the Audit Committee’s terms of reference from time to time;
- (x) Overseeing a vigil mechanism established by the Company, providing for adequate safeguards against victimisation of employees and directors who avail of the vigil mechanism and also provide for direct access to the Chairperson of the Audit Committee for directors and employees to report their genuine concerns or grievances;
- (y) Reviewing the utilization of loans and/or advances from/investment by the 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;
- (z) Considering and commenting on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders;
- (aa) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee; and
- (bb) Carrying out any other functions and roles as provided under the Companies Act, the SEBI Listing Regulations, each as amended and other applicable laws or by any regulatory authority and performing such other functions as may be necessary or appropriate for the performance of its duties.
- (i) The Audit Committee shall mandatorily review the following information:
 - (a) Management discussion and analysis of financial condition and results of operations;
 - (b) Management letters/letters of internal control weaknesses issued by the statutory auditors of the Company;
 - (c) Internal audit reports relating to internal control weaknesses;

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- (d) The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee;
- (e) 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) of the SEBI Listing Regulations; and
 - (ii) annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) of the SEBI Listing Regulations.”
- (ii) To carry out such other functions as may be specifically referred to the Committee by the Board of Directors and/or other Committees of Directors of the Company; and
- (iii) To make available its terms of reference and review periodically those terms of reference and its own effectiveness and recommend any necessary changes to the Board.

5. Powers of Audit Committee

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

- (a) To investigate any activity within its terms of reference;
- (b) To seek information that it properly requires from any employee of the Company or any associate or subsidiary, joint venture Company in order to perform its duties and all employees are directed by the Board to co-operate with any request made by the Committee from such employees;
- (c) To obtain outside legal or other professional advice;
- (d) To secure attendance of outsiders with relevant expertise, if it considers necessary and to seek their advice, whenever required; and
- (e) Such powers as may be prescribed under the Companies Act and SEBI Listing Regulations.