

Audit Committee Charter

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Adopted by the Board of SIP Industries Limited

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Regd. Office : Module 28, 2nd Floor,
Block 1, SIDCO electronic Complex,
Thiru-Vi-Ka Industrial Estate, Guindy,
Chennai - 600 032

Website : www.sip-Industries.com

E-mail: sipindustries23@gmail.com

Audit Committee Charter

Contents

PREAMBLE

- 1.0 Purpose, Structure, Composition, Qualification and Operations
- 2.0 Powers of the audit committee
- 3.0 Meeting of Audit Committee
- 4.0 Responsibilities and Duties
- 5.0 Review of information by Audit Committee
- 6.0 Review of Audit Committee Charter and amendments

Audit Committee Charter

PREAMBLE

The SIP Industries Limited attaches considerable importance to ensuring that control systems are in place and operate as intended in all its business processes. With increasing accent on corporate governance, the responsibility for overseeing this has moved up to the Audit committee of the board of directors.

The Company operate in a TQM environment resulting in clearly drawn responsibilities and business processes. These are being continuously improved but the underlying philosophy and approach remain the same. These again are founded on various Human Resource policies and standards including codes of conduct on ethical standards, prevention of insider trading and such other policies and standards. This document seeks to spell out the role and responsibilities of the Audit Committee as approved by the board of directors. These draw heavily from various legal requirements as spelt out in the Companies Act and the regulations issued by Securities and Exchange Board of India (SEBI) from time to time. Given the statutorily defined status of the Audit Committee, this document must be seen as summarizing and supplementing the legal requirements, rather than substituting them.

1.0 Purpose, Structure, Composition, Qualification and Operations

Audit Committee shall be a committee of the Board of Directors of the Company constituted by the Board pursuant to the applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 (SEBI LODR), Companies Act, 2013, rules made thereunder, as amended or re-enacted from time to time.

The composition of Board shall be in line with the provisions under SEBI LODR and Companies Act, 2013, read with rules thereunder and as amended from time to time.

Presently, the requirements with regard to Composition of the Board of Directors are as under:

- i. The audit committee shall have minimum three directors as members. Two-thirds of the members of the Audit Committee shall be independent directors.
- ii. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Explanation (i): The term "financially literate" means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation (ii): A member will be considered to have accounting or related financial management expertise if he or she possesses 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, chief financial officer, or other senior officer with financial oversight responsibilities.

- iii. The Chairman of the Committee shall be an independent director;
- iv. The Chairman shall be present at Annual General Meeting to answer shareholder queries;
- v. The audit committee shall invite such of the executives, as it considers appropriate (and

Audit Committee Charter

particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and when required, a representative of the statutory auditor shall be present as invitees for the meetings of the audit committee;

- vi. The Company Secretary shall act as the secretary to the committee.

2.0 Powers of the audit committee

The Audit Committee is empowered to do all actions, deeds and matters mentioned in SEBI LODR Regulations, 2015 and Companies Act, 2013, read with rules thereunder and as amended from time to time. The audit committee shall have powers which should include the following in particular on the following matters:

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, if it considers necessary.

3.0 Meeting of Audit Committee

The meetings of the Audit Committee shall be governed by the provisions under SEBI LODR Regulations, 2015 and Companies Act, 2013, read with rules thereunder and as amended from time to time and presently the following are the requirements with respect to minimum frequency and quorum for a meeting to be construed valid :

1. The audit committee should meet at least four times in a year and not more than one hundred twenty days shall elapse between two meetings.
2. 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.

4.0 Role of the Audit Committee

The role of the audit committee and the information to be reviewed by the audit committee shall be governed by SEBI LODR Regulations, 2015, Companies Act, 2013, including rules made thereunder and such other statutory or regulatory provisions notified by competent authorities and as amended from time to time, viz. ,

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment, reappointment and if required, removal of Statutory Auditors including Cost Auditors and remuneration including fixation of audit fee and also approval for payment for any other services rendered by Statutory Auditors .
3. Reviewing with management the annual financial statements and report of the auditors before submission to the board for approval, focusing primarily on;

Audit Committee Charter

- a. Any changes in accounting policies and practices and reasons for the same.
 - b. Major accounting entries based on exercise of judgment by management.
 - c. Qualifications in draft audit report.
 - d. Significant adjustments arising out of audit.
 - e. The going concern assumption.
 - f. Compliance with accounting standards.
 - g. Compliance with listing and legal requirements relating to financial statements
 - h. All related party transactions including disclosure thereof
 - i. Matters required to be included in the Director's Responsibility Statement for inclusion in the Board's report in terms Section 134 and other applicable provisions of Companies Act, 2013, rules, notifications / circulars issued thereunder.
 - j. Modified opinion(s) in the draft audit report.
4. Approving, including any subsequent modifications and ratifications of transactions of the Company with related parties.
 5. Laying down the criteria for granting the omnibus approval in line with the policy on related party for transactions which are repetitive in nature and review at least on quarterly basis on all such transactions entered into pursuant to each of omnibus approvals granted.
 6. Reviewing with the management, statutory and internal auditors, the adequacy of internal control systems including the IT systems.
 7. Reviewing the adequacy of internal audit function, 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.
 8. Discussion with internal auditors any significant findings and follow up there on.
 9. 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 board.
 10. Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 11. Reviewing reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 12. Reviewing with the management the quarterly financial statements before submission to the Board for approval.
 13. 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 utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
 14. Reviewing statement of deviations in the use of proceeds from the objects stated in the offer

Audit Committee Charter

document or explanatory statement to the notice for the general meeting

15. Reviewing the functioning of the Whistle Blower mechanism.
16. Approval of 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 & background, etc. of the candidate.
17. Evaluate the Statutory auditors & Cost auditors performance, qualification and independence and effectiveness of audit process
18. Scrutiny of inter-corporate loans and investments.
19. Reviewing the financial statements, in particular, the investments made by any unlisted subsidiary of the Company.
20. Valuation of undertakings or assets of the Company, wherever it is necessary.
21. Evaluation of internal financial controls and risk management systems.
22. Reviewing utilization of loans and/ or advances from/investment by the company to its subsidiary exceeding Rs.100 crore or 10% of the asset size of the subsidiary, whichever is lower, including existing loans / advances / investments existing as on April 1, 2019.
23. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.
24. Such other areas as may be prescribed under the SEBI LODR Regulations, 2015 and Companies Act, 2013, read with rules thereunder and as amended from time to time, or applicable laws from time to time.

5.0 Review of information by Audit Committee

The Audit Committee shall mandatorily review all such matters mentioned under SEBI LODR Regulations 2015 and Companies Act, 2013, read with rules thereunder and as amended from time to time .

The Audit Committee shall mandatorily review the following information:

1. Financial statements and draft audit report, including quarterly / half-yearly financial results, both Standalone and Consolidated (as may be applicable);
2. Management discussion and analysis of financial condition and results of operations;
3. Internal audit reports relating to internal control weaknesses.
4. Management letters / letters of internal control weaknesses issued by statutory / internal auditors;
5. Statement of significant related party transactions (as defined by the Audit Committee); and
6. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.
7. Quarterly and Annual Statement of deviations including reporting of monitoring agency in terms applicable provisions under SEBI LODR Regulations 2015 as amended from time to time.

Audit Committee Charter

6.0 Review of Audit Committee Charter and amendments

The adequacy of this charter shall be reviewed and reassessed by the board of directors from time to time, including on account of any change in the statutory and regulatory provisions governing the Company. The board of directors are empowered to make amendments to this charter, from time to time.