

MOHIT PAPER MILLS LIMITED

Reg. Office: 15A/13, Upper Ground Floor, East Patel Nagar,
New Delhi- 110008

Works: 9km stone, Nagina Road, Bijnor, UP- 246701

E-mail: investorsmohitpaper@gmail.com

website: www.mohitpaper.in

Ph: 011-25886798

Policy:

AUDIT COMMITTEE CHARTER

AUDIT COMMITTEE CHARTER

PREFACE:

The Board of Directors (“Board”) of the Mohit Paper Mills Limited (“the Company or MPML”) adopted and granted this charter to the Audit Committee (“the Committee”) of the Company. It governs the operations of the Committee. It specified the limits and responsibilities of the Committee but it is subject to the Companies Act, 2013 (“Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI listing regulation”), as amended from time to time. Any provision of the Charter that reduces the effectiveness of such Act or SEBI listing regulations shall not prevail i.e. this charter shall be subject to the provisions of the Act and SEBI listing regulation.

The Committee has been set up by the Board of Directors to assist it in the discharge of its oversight role in the areas specified hereafter. The Board has the right, subject to applicable laws and regulations, to modify this Charter, to dissolve the Committee or to supersede its actions. In all cases, the Board shall take such decisions in a full meeting and shall minute such a decision, with reasons. In such cases the fact with reasons shall be disclosed in the annual report to shareholders.

As per section 177 of the Act read with Rule of Companies (Meetings of Board and its Powers) Rules, 2018 (“Rules”) and regulation 18 read with part C of schedule II of SEBI listing regulation, the primarily role and responsibility of the committee towards the Company mentioned herein. The Committee shall have at least three members of whom at least two-thirds shall be independent directors, all shall be financially literate and at least one shall be an accounting or related financial management expert. The members of the Committee shall receive such fees as may be determined by the Board. The Company Secretary shall also be secretary to the Committee. The Chief Financial Officer (CFO) will assist the Committee in its work. The directors shall be on the Committee as per the terms and conditions of their appointment as approved by the Board and the provisions of the Act, as amended from time to time. The Chairperson of the Committee shall be an Independent Director.

Objectives

The objectives of the audit committee of the Board of the Company is primarily to assist the Board with an oversight of -

- i. The accuracy, integrity and transparency of the company’s financial statement with adequate and timely disclosures;
- ii. Compliance with legal and regulatory requirements;
- iii. Internal control over financial reporting and on policies and procedures adopted for orderly and efficient conduct of business;
- iv. Monitoring the independence of the statutory auditors;
- v. External and internal audit processes including performance of the statutory auditors and internal auditors of the company;
- vi. Impact of schemes involving merger, demerger, amalgamation, etc. on the company and its shareholders; and
- vii. Scrutiny of loans given, investments made, guarantees and securities provided in connection with any loan taken by any person or entity.

The audit committee should also assist the Board with regard to-

- i. Laying down the criteria for granting omnibus approvals in line with policy on related party transactions which shall be applicable in respect of transactions which are repetitive in nature.
- ii. Evaluation of process of identification of related parties and related party transactions, involving cash or otherwise to ascertain that such transactions are not prejudicial to the interest of all stakeholders including minority shareholders.

This charter is subject to laws as applicable to the company.

2. Process

➤ The audit committee should –

- i. Annually review this charter and recommend any changes it considers necessary to the Board;
- ii. Ensure the independence of its members from any management or promoter's influence;
- iii. Ensure an effective and independent internal audit function which provides assurance regarding the adequacy and operation of internal controls and processes intended to safeguard the company's assets and other resources, effective and efficient use of the company's resources and, timely and accurate recording of all financial transactions. The head of the internal audit function should report functionally to the chairman of the audit committee to ensure independence of internal audit function;
- iv. Meet the statutory auditors at the end of each quarter and financial year to discuss key observations relating to the financial statement for the relevant period;
- v. Provide an independent channel of communication for the Chief Financial Officer, internal auditors, statutory auditors, cost auditors and secretarial auditors;
- vi. At its discretion, invite members of the management and external experts in legal, financial and technical matters, to provide advice and guidance;
- vii. In case internal audit function is carried out internally, identify an employee as the person in-charge of internal audit who shall have a direct functional reporting line to either:
 - (a) the Non-Executive Chairperson, if any; or
 - (b) the Chairman of the audit committee, with a dotted reporting line to the Managing Director or Chairman for administrative matters only;
- viii. Meet the Person in-charge of internal audit, cost audit and secretarial audit on a half yearly basis, at which meetings nobody other than the members of the audit committee shall be present;
- ix. Provide periodic feedback to the Board about the financials and adequacy of internal control mechanism in the company, place the comments, if any, of the internal auditors, statutory auditors, cost auditors and secretarial auditors before the Board and review the feedback of the Board for any corrective measures to be taken;
- x. Review the accounting policies of the company periodically;
- xi. Review the compliances with the accounting policies and accounting standards and examine the deviations, if any, and its impact on the financial statements of the company;

- xii. Review the aspects of dissemination of financial information to the stakeholders.

In no circumstances shall the person in-charge of internal audit be dismissed or suspended or removed without the consent of the audit committee.

3. Composition

The audit committee shall have minimum three directors as members, with at least two-thirds of the members of audit committee being independent directors. All members of the audit committee shall be financially literate* and at least one member shall have accounting or related financial management expertise. The chairperson of the audit committee shall be an independent director and he shall be present at the annual general meeting to answer shareholder queries.

However, it is desirable that all members of the audit committee comprise of independent directors and non-executive directors, who are not in any way related to the promoters or executive directors. The chairperson of the Board should not chair the audit committee and no executive director should be member of the auditcommittee. They can be invited to the meetings as and when desired by the auditcommittee.

All related party transactions shall require prior approval of the audit committee and only those members of the audit committee, who are independent directors, shall approve the related party transactions.

4. Meetings and Reports

- i. The audit committee shall meet at least four times a year and not more than one hundred and twenty days shall elapse between two meetings. The audit committee shall also endeavor to have two meetings over and above the meetings held for quarterly financials. These two meetings should deal exclusively with matters related to internal audit reports, risk management and other matters in discharge of various governance responsibilities of the audit committee. Meetings may be in person or through video-conferencingas permitted by law.
- ii. Sufficient time shall be allocated during the meetings of audit committee to deal with issues other than financial statements, e.g., meeting to consider processes for ascertaining universe of related parties, determining arm's length basis for related party transactions etc.
- iii. It is desirable that the quorum for meetings of audit committee shall be at least half of the total strength of the audit committee with presence of at least two independent directors. In case of any fraction, the same shall be rounded to the nearest higher number. In case of a meeting to consider related party transactions, it is desirable that majority of independent directors who are members of the audit committee should be present at such meeting.
- iv. The audit committee shall report regularly to the Board with respect to the activities assigned and receive feedback/direction from the Board on such activities. Such reporting to Board shall include significant issues, if any, arises with respect to the quality or integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance of the internal audit function or the performance and independence of the statutory auditors.
- v. The audit committee shall facilitate open flow of information and co-operation with other committees of the Board, wherever necessary.
- vi. The audit committee shall invite such employees or advisors as it considers appropriate. The statutory auditors and the head of internal audit shall attend all meetings unless the committee considers

otherwise. In case internal audit is being conducted by an outside professional agency, the partner in-charge of the internal audit shall be invited.

5. Powers

In discharging its responsibilities, the audit committee shall have the following powers:

- i. To have unrestricted access to the company's books and records.
- ii. To seek information from the management of the company and its external advisors.
- iii. To investigate into any matter in relation to the tasks assigned by the Board and to summon any employee of the company.
- iv. To obtain the advice of lawyers, accountants or other professionals / consultants at the committee's sole discretion. The audit committee shall have authority to approve the related fees and retention terms. Fees to auditors shall be recommended for approval by the Board with adequate information as may be required under the requisite law.
- v. To obtain any information from any employee of the company to perform its duties effectively and have direct access to any employee of the company particularly in relation to the functioning of the vigil mechanism.
- vi. To have necessary resources and authority to discharge its duties and responsibilities.

6. Responsibilities and Duties

6.1 Primary Responsibilities of Audit Committee

The audit committee shall primarily be responsible for the following:

- a) Overseeing the processes that ensure the integrity of financial statement issued by management from time to time. Where specific disclosures are required to be made in financial statement, the audit committee shall ensure compliance thereof.

The expression "financial statement" shall include full form and summarised annual and interim financial statement for external users, special purpose financial reports such as for a prospectus, management discussion and analysis reports, the particulars of loans, guarantees & investments etc.

- b) Review the audit strategy risk involved in the audit and audit observations.
- c) Overseeing the adequacy and effectiveness of the internal controls and processes by which confidential or anonymous complaints or information regarding financial, operational or commercial matters are received and acted upon. This includes the protection of whistle-blowers from victimization and the provision of access to the chairman of the audit committee by whistle-blowers. The audit committee shall nominate/ designate one or more of its senior management personnel or a committee comprising of senior management personnel for the purpose of dealing with the whistle blower complaints and providing status of the said complaints to the audit committee at least once in a half-year. The audit committee shall review the status of whistle blower complaints which are received by the listed entity (relating to the listed entity as well as its subsidiaries) and ensure that the whistle blower mechanism including the framework for offering protection against victimization is functioning effectively.
- d) Ensuring that the process of identification of related parties is exhaustive. For example, the audit

committee may check whether the company seeks the updated details of all related parties from its promoters, promoters group, directors, key managerial personnel, holding company / parent, subsidiaries, associates and joint ventures of the company at least once in a financial year. Approving transactions with related parties, for cash or otherwise, any subsequent modifications and half yearly disclosures to the stock exchanges.

While according approval to related party transactions, the audit committee should consider the business needs for those transactions and the fairness of the terms at which they are proposed to be contracted.

For this purpose, the audit committee shall be entitled to rely on the information and explanations submitted by the management if it has no reason to doubt its completeness or accuracy and may also ask the management for additional information, wherever necessary.

If required, outside experts may be engaged to assist the audit committee in understanding the fairness of the transaction under consideration. The audit committee shall also satisfy itself as to the disclosure of related party transactions in the financial statement with the help of reports submitted by internal auditors.

- e) Evaluate that the payment of royalty / brand usage value by the company to related party is not disproportionately high and the same is consistent with the benchmarks, if any, prescribed by the regulators such as SEBI/RBI etc.
- f) Evaluate the transaction on financial assistance given to promoter entities which have to be written off or are deemed unlikely to be recovered and ensure monitoring of the same.
- g) To seek confirmation from Managing Director and CFO that all loans (or other form of debt), guarantees, comfort letters (by whatever name called) or securities in connection with any loan(s) (or other form of debt) given directly or indirectly by the listed entity to promoter(s), promoter group, director(s) (including their relatives), key managerial personnel (including their relatives) or any entity controlled by them are in the economic interest of the company. The audit committee shall scrutinize loans or advances in the nature of loan given, investments made, guarantees given and securities provided in connection with any loan taken by any person or entity.

This scrutiny shall not be applicable in the following cases:-

- i. loan given by the listed entity to its employees as per its policy on loan applicable generally to its employees
- ii. banks, NBFCs and HFCs in case of loans given, investments made, guarantees and securities provided in normal course of business.
- h) Enquiring into reasons for default by the company in honouring its obligations to its depositors, debenture holders, creditors, shareholders (in case of non- payment of declared dividend) and recommending appropriate action to the Board.
- i) Appointing expert valuers for any valuation by the company either of its own assets or liabilities or those of any other party and adopt the valuer's report on conclusion of the valuation.

Expert Valuers here generally means an independent valuation professional with appropriate qualifications and experience in the valuation industry as would reasonably be required to make a financial valuation and who:

- a. has had no business relationship of any nature (whether directly or through any of its Affiliates) with the company or its subsidiaries in the twelve months prior to its selection;
 - b. is not, directly or through any of its Affiliates, in current discussions with either company or any of its subsidiaries regarding a proposed future engagement; and
 - c. has no other conflict of interest or financial interest in the proposed transaction (other than receipt of its fee).
- j) Approve and recommend to the Board the appointment of the company's Chief Financial Officer including extension of service tenure.
 - k) Enquire into the end-use of funds raised from the public and to draw the attention of the Board to significant deviations from the use of funds as stated in the offer document.

6.2 Secondary Responsibilities of Audit Committee

In order to discharge the above primary responsibilities, the audit committee shall ensure the following:

- a) Overseeing the quality of internal controls and other controls relevant to its primary responsibilities. The audit committee shall also make enquiries about the management's control consciousness and the quality of the control environment prevailing in the company. For this purpose, the audit committee shall consider the management letters issued by the statutory auditors and the reports of the internal auditors.
- b) Overseeing the system for storage (including back-up), modification, retrieval, display, print-out and disposal of electronic accounting records.
- c) Overseeing the quality of the financial reporting process, including the selection of the most appropriate method of permitted accounting policies, significant adjustments and the disclosure of aggregate effect of material adjustments pertaining to last quarter, the appropriateness of use of the going concern assumption, the exercise of reasonable judgment where required and the use of the most appropriate estimates.
- d) oversee appropriate disclosure and presentation of information in financial reports.
- e) The audit committee shall also review the financial statements of subsidiary companies (including statutory audit reports) and other entities that are consolidated into the group financial statements to satisfy itself that the:
 - (i) management is managing group financial risks;
 - (ii) intra group transactions are commensurate with business needs; and
 - (iii) material investments and other assets of the subsidiaries are real.

The internal auditors of holding company may be assigned with the task to review internal audit issues of subsidiary companies, filter the relevant ones and place it before the audit committee of holding company.

- f) The audit committee shall annually appraise the quality of the statutory audit. Based on such appraisal it shall recommend to the Board, the remuneration of the statutory auditors, including any other terms, for the following year.
- g) Permitted non-audit assignments under the Act, with the statutory auditors shall be pre-approved by the audit committee.

- h) The audit committee shall scrutinize inter-corporate loans and investments with the object of ascertaining if management has taken appropriate steps to protect their value and that they are appropriately reflected in the financial statements. The audit committee shall also review these, especially their utilization, in respect of its subsidiary and joint venture companies.
- i) The audit committee shall look into the matters pertaining to valuation of any undertaking or asset of the company where an independent valuation is required by law or regulation or where such a valuation is necessary for incorporation in the financial statement. For this purpose, it shall decide the agency that will undertake the valuation as also the terms of appointment and the remuneration payable. In a scheme of arrangement, the audit committee shall review the draft scheme, considering the valuation conducted by the independent valuer appointed for the purpose, and recommend it to the Board.
- j) Reviewing the findings of 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 same to the Board.
- k) Reviewing the findings of the statutory auditors with respect to the actual, suspected or alleged fraud affecting the entity or deficiency in the internal control or misstatements identified in disclosures during the audit.

6.3 Responsibilities of Audit Committee in relation to review of compliance

- (a) Overseeing the adequacy and effectiveness of the processes for compliance with applicable laws.
- (b) Review of statutory compliance reports with applicable laws, every quarter to assess non-compliance and seek clarifications and explanations together with steps taken to ensure compliance, including those reported by statutory auditors during the audit of the financial statements, looking for early warning signals to ensure objective of the audit committee is not defeated.
- (c) Review of financial/non-financial regulatory matters and violations under Code of Business Conduct to assess non-compliance, seek clarifications and explanations together with steps taken to ensure compliance.
- (d) Review the required policies of the company and recommend improvements, wherever necessary.
- (e) Updating of policies and processes in light of significant events pertaining to financial malpractices.
- (f) In addition to feeds from the management, also endeavour to look for third party sources of information while discharging its duties.

6.4 Other Responsibilities of Audit Committee

- (a) Ascertain that the company has periodically rotated its auditors (firm and partner) as mandated under the law.
- (b) Conducting a “post-audit review” of the financial statements and audit findings including any suggestions for improvements provided to management by the statutory auditors.
- (c) Coordination with other committees to the extent that its work has a bearing on their scope of work.
- (d) Review the impact of accounting and legal changes on company’s financial statement.
- (e) Review adherence to the guidelines issued by professional bodies such as Institute of Company

Secretaries of India, Institute of Chartered Accountants of India, Institute of Cost Accountants of India in respect of internal control, secretarial standards, secretarial audit etc.

6.5 Principles which may be relied by the Audit Committee while discharging its “Roles and Responsibilities”

Audit committee should ensure:

- i. Optimum utilization of company’s financial resources in the best economic interests of the company.
- ii. Arm’s length relationship and fairness of the terms in all related party transactions.
- iii. Integrity of financial reporting process and financial statements of the company from time to time.
- iv. Timely, adequate and accurate disclosure of all the financial information to the stakeholders.
- v. Effective assessment, appraisal and mitigation of all types of risks– internal, external, audit, financial, operational, reputational, informational, cyber security, etc. in case of companies which are not required to have risk management committee.
- vi. Adequacy and effectiveness of internal controls and processes with respect to fraud detection mechanism, complaint redressal mechanism and whistle blower mechanism.
- vii. Independent channel of communication with internal auditors, statutory auditors and secretarial auditors.

Any other conditions as the Audit Committee may deem fit.

Acknowledgement:

The Directors and Senior Management personnel shall read and fully understand this model charter comply with the policies procedures and principles contained therein.
