

AMBIT FINVEST PRIVATE LIMITED (AFPL)	 AMBIT Finvest Pragati ke partner
Policy on Appointment of Statutory Auditor	



Document Control

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1. Background

Ambit Finvest Private Limited (hereafter referred to as ‘the **AFPL**’/ ‘**the Company**’) is a private limited company incorporated under the provisions of the Companies Act, 1956 and is a Reserve Bank of India (RBI) registered Systemically Important Non-Deposit Accepting or Holding Non-Banking Financial Company (“NBFC-NDSI”). The Company has become a “Systemically Important” Non- Deposit Accepting or Holding Non-Banking Financial Company effective from September 01, 2018.

The Company is a subsidiary of Ambit Private Limited. It is engaged primarily into SME Financing business activities.

The Reserve Bank of India (RBI) vide its notification dated April 27, 2021, ref: RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22, has issued ‘Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)’ (“**Guidelines**”).

The Guidelines are applicable to all NBFCs.

This Policy on Appointment of Statutory Auditor (“Policy”) is formulated in accordance with the provisions of the Guidelines, to the extent applicable to AFPL.

2. Procedure for Appointment of Statutory Auditor (SA)

- 1) AFPL shall shortlist minimum 2 audit firms for every vacancy of SA;
- 2) AFPL shall obtain an eligibility certificate, along with relevant information in the form and manner as stipulated by the RBI in this regard, from the audit firm(s) proposed to be appointed as Statutory Auditor, confirming the eligibility norms prescribed by RBI in the Guidelines;
- 3) AFPL shall also obtain a written consent letter from the SA to act as the Statutory Auditor of the Company and certificate satisfying the criteria provided in section 141 of the Companies Act, 2013;
- 4) AFPL shall recommend the names of the shortlisted audit firm to the Audit Committee of the Board of Directors of the Company;
- 5) The Audit Committee, after review, of both the firms shall recommend the appointment of one firm as the Statutory Auditor of the Company, to the Board of Directors of the Company;

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- 6) The Audit Committee shall recommend the appointment to the Board and the Board shall recommend the same for the approval of the shareholders. Shareholders shall appoint the SA except the first SA and the appointment of SA in case of casual vacancy shall be ratified by the shareholders as per the provisions of the Companies Act, 2013.
- 7) AFPL shall inform the Central Office of RBI (Department of Supervision), Mumbai about the appointment of the Statutory Auditor for each year in the form and manner as stipulated by the RBI in this regard within one month of such appointment.

3. Eligibility Criteria

- A. AFPL shall appoint such audit firm that fulfills the eligibility norms as prescribed in the Guidelines with regard to minimum number of full time partners associated with firm, minimum number of years of Statutory Audit experience of the firm, minimum number of professional staff as per the Asset Size of the AFPL as on financial year ending March 31st. The SA shall ensure continued compliance with basic eligibility criteria as defined under relevant RBI guidelines throughout the tenure of the appointment.
- B. There should be atleast one year continuous association of partners with the firm as the Partner as on date of shortlisting for considering them as full time partners. At least two partners of the firm shall have continuous association with the firm for at least 10 years. Full time association shall mean exclusive association, which shall mean the following
 - 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. ;
- C. There should be atleast one year continuous association of Paid CAs with CISA/ISA qualification and professional staff with the firm as on the date of shortlisting for considering them for the purpose.
- D. If any partner of CA firm is a director in AFPL, the said firm shall not be appointed as Statutory Auditor of any of the group entities of AFPL.
- E. And/or any other eligible criteria applicable on partner/s/firm as defined by the RBI from time to time.

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4. Independence of Auditor

The Audit Committee of AFPL shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices.

The approval of the Audit Committee shall be sought for any non-audit assignments (other than certifications / any other assignment to be done by statutory auditor under various applicable laws) that shall be undertaken by the audit firm.

Concurrent auditors, if any, of AFPL should not be considered for appointment as Statutory Auditors of AFPL.

5. Professional Standards of Statutory Auditor

The Statutory Auditor shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

The Audit Committee of AFPL shall review the performance of Statutory Auditor on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Auditor 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/recommendation of the Audit Committee, with the full details of the audit firm.

6. Tenure and Rotation

In order to protect the independence of the auditors/audit firms, AFPL shall appoint the Statutory Auditor for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. AFPL shall inform the concerned SSM/RO at RBI in case of removal of Statutory Auditor before the completion of three years tenure, along with reasons/justification for the same, within a month of such a decision being taken.

The Company cannot reappoint an audit firm for six years after the completion of full or part of one term of the audit tenure.

RBI being the sectoral regulator and its guidelines being more stringent, the Company shall appoint the SA as per the RBI guideline.

7. Audit Fees and Expenses

The audit fees for Statutory Auditor of AFPL shall be decided in terms of the relevant statutory/regulatory provisions.

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The audit fees shall be commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, etc.

The Audit Committee shall make recommendation to the board of directors as per the scope and coverage of the audit subject to the relevant statutory/regulatory instructions for fixing audit fees of Statutory Auditor.

8. Number of SCAs / SAs and Branch Coverage

AFPL to appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit.

SAs shall visit and audit at least the Top 20 branches/Top 20% of the branches of the Entities (in case of Entities having less than 100 branches), to be selected in order of the level of outstanding advances, in such a manner as to cover a minimum of 15% of total gross advances of the Entities. In addition AFPL shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches.

9. Disclosures and Transparency

This Policy shall be hosted on the official website of AFPL.

10. Review & Amendments

This policy shall be reviewed and updated periodically for any changes by the Audit Committee and submitted to the Board of Directors of the Company for their approval.

"In case any amendments issued by Reserve Bank of India in form of clarifications, circulars or guidelines or by any other name, which may not be consistent with the current provisions laid down under this Policy, then the provisions of such amendments / clarifications, shall prevail upon the provisions contained in the RBI communication and the same shall stand amended accordingly effective from the date as laid down under such RBI communique."

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