A. K. CAPITAL FINANCE LIMITED

BUILDING BONDS

Policy on Appointment of

Statutory Auditors(SAs)

Adopted/Review of the Investment Policy	**Board Meeting Date**
Adoption of the Policy	October 25, 2021
Amendment of the Policy	November 03, 2025

Last reviewed on November 03, 2025

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1. Introduction

Reserve Bank of India had released the Guidelines for appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021. These guidelines will be applicable to the Regulated Entities namely Commercial Banks (excluding RRBs), UCBs and NBFCs including HFCs for Financial Year 2021-22 and onwards in respect of appointment/ re-appointment of SCAs/ SAs in the said entities.

The applicability on entities, eligibility of Audit firms, selection, appointment and removal procedures etc. are detailed in the aforesaid RBI Guidelines. Based on the same A. K. Capital Finance Limited had adopted Board approved policy for procedures mentioned in the RBI Guidelines.

2. Definitions

a. "**Act**" means the Companies Act, 2013 read with rules made thereunder [including any amendments or re-enactments thereof]
b. "**Asset Size**" means total assets of the Company
c. "**Board**" or "**Board of Directors**" shall mean Board of Directors of the Company, as constituted from time to time.
d. "**Company**" or "**AKCFL**" shall mean **A. K. Capital Finance Limited**
e. "**Group entities**" shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS-21), Joint venture (defined in terms of AS-27), Associate (defined in terms of AS-23), Promoter [has same meaning as in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009] for listed companies, a related party (defined in terms of AS-18), Common brand name, and investment in equity shares of 20% and above.
f. "**Policy**" shall mean Investment Policy as may be amended from time to time
g. "**RBI**" means Reserve Bank of India
h. "**RBI Guidelines**" shall mean Guidelines for appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021

Any term(s) and, or expression(s) not defined in this Policy shall have the same meaning as defined in the Act, Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, RBI Act, 1934, Framework and other applicable laws and/ or regulation.

Wherever appropriate in this Policy, a singular term shall be construed to mean the plural where necessary and a plural term the singular. Similarly, any masculine term shall also be construed to mean the feminine or any other gender and vice versa.

3. Scope

This Policy shall form the basis for the appointment of SCAs/ SAs. The Company shall comply with the relevant provisions of the Act, RBI Guidelines and other applicable regulations/ guidelines/ circulars/ notifications as issued by any other regulators in this regard.

4. Applicability

As per RBI Guidelines, for the entities with the asset size of INR 1000 crore and above shall appoint SCAs/ SA on rotational basis and for entities with asset size of INR 15,000 crore and above as at the end of previous year, the statutory audit should be conducted under joint audit of a minimum of two audit firms [Partnership firms/ Limited Liability Partnerships (LLPs)]. The RBI Guidelines is applicable for NBFCs from Financial Year 2022 onwards and since it is implemented for the first time, NBFCs have flexibility to adopt these guidelines from H2 FY 2022 in order to avoid disruptions. New joint SAs will commence audit/ limited review from 1st Half of FY2022 once their appointment is approved by the Board and the members at the AGM. No Prior approval from RBI is required for the appointment of SAs in NBFCs.

5. Procedure for Appointing SCAs/ SAs

Appointment of auditors to be informed to RBI in the prescribed Form A (Annexure 1.) Before appointing SCAs/ SAs, AKCFL shall consider/ ensure the following procedures.

5.1. Number of SCAs/ SAs to be appointed

As per the RBI Guidelines, based on the Asset Size as at the end of previous year, AKCFL should appoint a minimum of one audit firm (Partnership firm/ LLPs) for conducting statutory audit. While reaching the Asset Size of INR 15000 crore, AKCFL has to appoint a minimum of two audit firm for conducting statutory audit.

The Board shall decide on the number of SAs after considering the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc. subject to the minimum number prescribed by RBI.

Accordingly, the Company shall appoint one audit firm [Partnership firms/ Limited Liability Partnerships (LLPs)] as SA. If the Asset Size exceed the aforesaid limit, the auditors will be appointed according to the conditions mentioned below.

Sl. No	Asset Size of the Entity	Maximum number of SAs
1	Upto ₹5,00,000 crore	4
2	Above ₹ 5,00,000 crore and Upto ₹ 10,00,000 crore	6
3	Above ₹ 10,00,000 crore and Upto ₹ 20,00,000 crore	8
4	Above ₹ 20,00,000 crore	12

On triggering the requirement of appointing Joint Auditors, the Company shall ensure they do not have any common partners and they are not under the same network of audit firms. Further, Company may finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with the auditors.

5.2. Eligibility Criteria for SCAs/ SAs

After considering the minimum number of auditors to be appointed for conducting the audit, AKCFL shall identify the eligible audit firms based on the criteria marked below.

A. Basic Eligibility

Asset Size of Company as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years (Note 1)	Out of total FTPs, Minimum No. of Fellow Chartered Account ant (FCA) Partners associated with the firm for a period of at least three (3) years	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification (Note 2)	Minimum No. of years of Audit Experience of the firm (Note 3)	Minimum No. of Professional staff (Note 4)
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12

Notes:-

a. There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as full time partners. Further, at least two partners of the firm shall have continuous association with the firm for at least 10 years.
   (i) The full-time partner should not be a partner in other-firm/s.
   (ii) She/ he should not be employed full time/ part time elsewhere.
   (iii) 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.
   (iv) The Board/ Audit Committee shall examine and ensure that the income of the partner from the firm/ LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

b. There should be at least one-year continuous association of paid CAs with CISA/ ISA qualification with the firm as on the date of shortlisting for considering them as Paid CAs with CISA/ ISA qualification for the purpose.

c. Audit experience shall mean experience of the audit firm as Statutory Central/ Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/ NBFCs/ AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.

d. Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists/ stenos/ computer operators/ secretaries/ subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

e. The Company shall ensure that the firm proposed to be appointed as SA meets the following income criteria of full time partner:
   (i) A Partner whose compensation from the firm/ LLP during previous financial year is not below the following limit:
      a. ACA partner Rs. 1.00 Lakh per month
      b. FCA partner Rs. 1.25 Lakh per month

   $ Compensation will be sum total of share of profit, remuneration and interest on capital received by the partner from the firm/ LLP. Compensation received by the partners who join during the financial year, will be extrapolated to arrive at the deemed compensation for the complete financial year. Compensation criteria of FCA partner will apply on partners who become FCA during the financial year.

f. CISA/ ISA Qualification: There should be at least one-year continuous association of paid CAs with CISA/ ISA qualification with the firm as on the date of shortlisting (for other Entities) for considering them as paid CAs with CISA/ ISA qualification for the purpose.

B. <u>Additional Consideration</u>

a. The audit firm, proposed to be appointed as SCAs/ SAs for Company, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.

b. The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.

c. The Company shall ensure that appointment of SCAs/ SAs is in line with the ICAI's Code of Ethics/ any other such standards adopted and does not give rise to any conflict of interest.

d. If any partner of a Chartered Accountant firm is a director in any Regulated Entity in group, the said firm shall not be appointed as SCAs/ SAs of the Company. The Company shall, as part of the process for selection of firms for appointment as SCAs/ SAs, obtain appropriate disclosures in this regard, including details of directorships in Group Entities that are not regulated by RBI.

e. However, if an audit firm is being considered for appointment as SCAs/ SAs, whose partner is a director in any of the Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the Audit Committee as well as Board.

f. The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the entities where the accounting and business data reside in order to achieve audit objectives.

C. Continued Compliance with basic eligibility criteria

In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it may promptly approach the Company with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.

In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

5.3. Procedure for Appointment of SCAs/ SAs

a. The Company shall invite applications from eligible Audit firms including the Company's past auditors of the Company, other firms subject to fulfilling the eligibility criteria as per this Policy and applicable RBI stipulations for expression of interest (EOI) for appointment of Statutory Auditors. Expression of interest/ applications received will be considered if they are found to be meeting all eligibility conditions.

b. Interests/ Applications received will be evaluated by the CFO in consultation with the MD. Based on the evaluation result CFO in consultation with the MD will shortlist 2 firms for every vacancy identified. The shortlisted names will be presented to the Audit Committee/ Board. Audit Committee/ Board will select firms from the list as required. In case Audit Committee/ Board require shortlisted firms may be requested to give a presentation on their capability in brief.

c. Company shall shortlist minimum of 2 audit firms for every vacancy of SCAs/ SAs so that even if firm at first preference is found to be ineligible/ refuses appointment, the firm at second preference can be appointed and the process of appointment of SCAs/ SAs does not get delayed.

However, in case of reappointment of SCAs/ SAs by the Company till completion of tenure of continuous term of 3 years, in normal scenario there would not be any requirement of shortlisting.

d. Company shall obtain a certificate, along with relevant information as per Form B (format provided as Annexure 2), from the audit firm(s) proposed to be appointed as SAs to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment as SCAs/ SAs of the entities, under the seal of the said audit firm.

e. Company need to inform Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located about the appointment of SAs for each year by way of a certificate in Form A (format provided as 'Annexure 1') within one month of such appointment.

6. Independence of Auditors

a. The Audit Committee of the Board shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard may be flagged by the Audit Committee to the Board of Directors and concerned Senior Supervisory Manager (SSM)/ Regional Office (RO) of RBI.

b. In case of any concern with the management of the Company such as non-availability of information/ non-cooperation by the management, which may hamper the audit process, the SCAs/ SAs shall approach the Audit Committee, under intimation to the concerned SSM/ RO of RBI.

c. The audit of the Company and any entity with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.

d. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditor for the Company or any audit/ non-audit works for other RBI regulated entities in the group should be at least one year, before or after its appointment as SCAs/ SAs. However, during the tenure as Statutory Auditor, an audit firm may provide such services to the concerned Entities which may not normally result in a conflict of interest. Such activities may include but not limited to activities such as tax audit, tax representation and advice on taxation maters, audit of interim financial statements, certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements, reporting on financial information or segments thereof etc. The Company shall take appropriate decision in this regard in consultation with the Audit Committee of the Board.

e. If an audit firm engaged with audit/ non-audit works for the Group Entities (which are not regulated by RBI) is being considered by the Company, would be the responsibility of the Audit Committee to ensure that there is no conflict of interest and independence of auditors is ensured, and this should be suitably recorded in the minutes of the meetings of Audit Committee. However, if an audit firm is involved in some non-audit work in the Company and/or any audit/non-audit work in other RBI Regulated Entities in the Group and completes or relinquishes the said assignment prior to the date of appointment as SA of the Company for FY 2021-22, the said audit

firm would be eligible for appointment as SA of the Entity for FY 2021-22. And this exemption will be applicable only for the F.Y. 2021-2022.

f. The restrictions as detailed in para c and d of point no 6 above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

7. Other points

A. Tenure and Rotation

In order to protect the independence of the auditors/ audit firms, Company will have to appoint the SCAs/ SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. For removing the SCAs/ SAs before completion of three years tenure, Company shall inform concerned SSM/ RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

An audit firm would not be eligible for reappointment in the same Company for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other company.

One audit firm can concurrently take up statutory audit of a maximum eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Company and within overall ceiling prescribed by any other statutes or rules. A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of Statutory Audit accordingly, shared/ sub-contracted audit by any other/ associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

B. Audit Fees and Expenses

The audit fees for SCAs/ SAs shall be decided in terms of the relevant statutory/ regulatory provisions. The audit fees for SAs shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting etc.

The Board/ Audit Committee shall make recommendation to the competent authority (Shareholders in AGM) as per the relevant statutory/ regulatory instructions for fixing audit fees of SCAs/ SAs. The competent authority may also delegate the authority to fix the remuneration of SCAs/ SAs.

C. Professional Standards of Auditors

The SCAs/ SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence. The Audit Committee shall review the performance of SCAs/ SAs on an annual basis. Any serious lapses/ negligence in audit responsibilities or conduct issues on part of the SAs 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.

In the event of lapses in carrying out audit assignments resulting in misstatement of a Company's financial statements, and any violations/ lapses *vis-à-vis* the RBI's directions/ guidelines regarding the role and responsibilities of the SCAs/ SAs in relation to Company, the SCAs/ SAs would be liable to be dealt with suitably under the relevant statutory/ regulatory framework.

8. Review of the Policy

The Audit Committee / Board of the Company may review the Policy as and when required/ need based. The Company shall reserve the right to review and make amendment to this Policy from time to time as it deems fit in accordance with the applicable laws, rules and regulations for the time being in force. In the event of any conflicts between the provisions of this Policy and the Act or RBI Guidelines or Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 or any other statutory enactments, the provisions of such Act or Master Direction or RBI Guidelines or statutory enactments shall prevail over this Policy.

An interim review and amendment can also be carried out to accommodate minor changes, if any, on regulatory and operating front by the Compliance Officer of the Company. This Policy shall also be published on the website of the Company.

Annexure 1

FORM A

Information to be submitted by the NBFCs regarding appointment of SCA/SA

1. The company has appointed M/s. _____ , Chartered Accountants (Firm Registration Number) as Statutory Central Auditor (SCA)/Statutory Auditor (SA) for the financial year _____ for their 1st/2nd/3rd term.
2. The company has obtained eligibility certificate from (name and Firm Registration Number of the audit firm) appointed as SCA/SA of the company for FY _____ along with relevant information in the format as prescribed by RBI.
3. The firm has no past association/association for _____ years with the company as SCA/SA/SBA.
4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of NBFCs.

Signature
(Name and Designation)
Date:

Annexure 2

FORM B

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31st March of Previous Year	Number of Full Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff

***Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore**

#Details may be furnished separately for experience as SCAs/SAs and SBAs

B. Additional Information:

- Copy of Constitution Certificate.
- Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.
- Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

C. Declaration from the firm:

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm/company in which I am / they are partners / directors have been declared as willful defaulter by any bank/financial institution. It is confirmed that the information provided above is true and correct.

Signature of the Partner
(Name of the Partner)
Date:

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