



**POPULAR ESTATE MANAGEMENT LIMITED**  
**CIN: L65910GJ1994PLC023287**  
**81, 8th Floor, "A" wing, New York Tower, Opp. Muktidham Derasar, Thaltej,**  
**S. G. Highway Ahmedabad - 380054 Gujarat**

## **TERMS OF REFERENCE FOR AUDIT COMMITTEE**

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## **1. DEFINITIONS**

1.1 Unless the context otherwise requires, capitalized terms have the following meaning:

**Board:** means the Board of Directors of the Company.

**Chief Financial Officer:** means the chief financial officer of the Company.

**Committee:** means the Audit Committee.

**Company:** means *Popular Estate Management Limited (PEML)*.

**Company Secretary:** means the Company Secretary of the Company.

**Director(s):** mean the Director(s) of the Company.

**Group:** means the Company and its subsidiaries from time to time.

**Listing Rules:** means the Rules Governing the Listing of Securities on The Stock Exchange of BSE.

**Management:** means heads of divisions, departments or other operating units within the Group, and directors of subsidiaries.

## **2. CONSTITUTION**

2.1 The Committee was formed pursuant to the resolution passed in the meeting of Board of Directors of the Company held on *November 5, 2015* and was named as "**Audit Committee**".

## **3. PURPOSE**

3.1. The Committee shall assist the Board in the effective discharge of its responsibilities for corporate governance, financial reporting and corporate control. In the discharge of its functions, the Committee shall exercise the powers and responsibilities vested on it under the Companies Act, 2013 and Rules made thereunder or any re-enactment thereof and the relevant clauses of the Listing Agreement with Stock Exchanges. The Board will continue to have the overall responsibility in respect of all such matters.

## **4. MEMBERSHIP**

4.1. The audit committee shall have a minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors;

4.2. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise;

4.3. The Chairman of the Audit Committee shall be an independent director;

4.4. The Chairman of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries;

4.5. The audit committee may invite such of the executives, as it considers appropriate (and 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 a representative of the statutory auditor may be present as invitees for the meetings of the audit committee;

4.6. The Company Secretary shall act as the secretary to the committee.

## **5. MEETINGS OF COMMITTEE**

5.1. Frequency of the Meeting: Meetings of the Committee must be held at least four times a year at appropriate times in the reporting and audit cycle. Not more than four months shall elapse between two meetings. The Committee may have additional meetings at such additional times as may be required or at the request of any member of the Committee or the external or internal auditor if they consider it necessary.

5.2 Notice and Agenda of Meetings: The Notice of a meeting of the Committee shall be given to each member of the Committee and to any other person required to attend no later than five working days before the date of the meeting. The notice shall state the venue, time and date of the meeting and details of any arrangements for participating in the meeting and shall include or be accompanied by an agenda of items to be discussed at the meeting. Supporting papers shall be sent to members of the Committee and to other attendees as appropriate at the same time as the notice of meeting. The Chairman of the Committee shall plan the agenda of the meeting in co-ordination with the secretary of the committee.

5.3 Quorum of the Meeting: A quorum for meetings of the Committee shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present. A duly convened meeting of the Committee at which the quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5.4 Resolution of Meetings and Voting rights: Resolutions of the Committee shall be passed by a majority of votes which can also be passed by way of unanimous written resolutions. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee. If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote with regards to that matter. Save where he has a personal interest, the chairman of the Committee will have a casting vote.

5.5 Minutes of Meetings: The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance and any interests of members as disclosed by them. The Committee Secretary shall circulate draft minutes of each meeting of the Committee to all members of the Committee promptly following the meeting. After receiving the comments, if any on the draft minutes, with the consultation of the Chairman of the Committee, the final version of the minutes shall be circulated to all members of the Board unless it would be inappropriate to do so.

5.6 Mode of Holding the Meeting: Meetings can be held in person, or through other electronic means of communication, e.g. by telephone or by video conference, etc.

## **6. ANNUAL GENERAL MEETING**

6.1 The chairman of the Audit Committee shall attend the annual general meetings of the company to provide any clarification on matters relating to audit.

## **7. REMUNERATION OF THE COMMITTEE MEMBERS**

7.1. The members of the Audit Committee receive a suitable remuneration as may be decided by the Board time to time.

## **8. POWERS OF AUDIT COMMITTEE**

The audit committee shall have powers, which should include the following:

- 8.1. To investigate any activity within its terms of reference.
- 8.2. To seek information from any employee.
- 8.3. To obtain outside legal or other professional advice.
- 8.4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

## **9. ROLE OF AUDIT COMMITTEE**

The role of the audit committee shall include the following:

- 9.1. 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.
- 9.2. Recommending to the Board , the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- 9.3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- 9.4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Subsection (5) of section 134 of the Companies Act, 2013.
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
- 9.5 Reviewing, with the management, the half yearly financial statements before submission to the board for approval
- 9.6. 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 utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- 9.7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- 9.8. 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.
- 9.9. Discussion with internal auditors any significant findings and follow up there on.

9.10. 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.

9.11. 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.

9.12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.

9.13. To review the functioning of the Whistle Blower mechanism, in case the same is existing.

9.14. 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.

9.15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

Explanation (ii): If the Issuer has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.

#### **10. REVIEW OF INFORMATION BY AUDIT COMMITTEE**

The Audit Committee shall mandatorily review the following information:

10.1. Management discussion and analysis of financial condition and results of operations;

10.2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;

10.3. Management letters / letters of internal control weaknesses issued by the statutory auditors;

10.4. Internal audit reports relating to internal control weaknesses; and

10.5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

**Date:** November 5, 2015

**Place:** Ahmedabad