



STCI PRIMARY DEALER LIMITED

STATUTORY AUDITORS' POLICY

2024

Document Control Sheet

Document authorization

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Review distribution list

#	Department	Name	Signature
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3	Treasury		
4	Compliance		
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Changes during the year

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1. Preamble

STCI Primary Dealer Limited (STCIPD/Company) is incorporated under the Companies Act, 1956 and is registered with RBI as a Standalone Primary Dealer and governed under the RBI Master Directions - the Standalone Primary Dealers (Reserve Bank) Directions, 2016 ('RBI SAPD Directions'). The Company is required to be registered with RBI under Section 45 IA of the Reserve Bank of India Act, 1934 as a non-deposit taking systemically important NBFC (NBFC-ND-SI) for undertaking the business of a Standalone Primary Dealer and is categorized as a Middle layer – NBFC within the governing legislation 'Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023' ('RBI SBR Direction').

This '**Statutory Auditors' Policy**' has been framed in compliance with the guidelines issued by Reserve Bank of India through Circular bearing ref. No. DoS.CO. ARG /SEC.01/08.91.001/2021-22 dated April 27, 2021, (RBI Circular') on Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors(SAs) of Commercial Banks (excluding RRBs), UCBs, and NBFCs (including HFCs) which are applicable in respect of appointment of Statutory Auditors for the financial year FY2021-22 and onwards.

In accordance with the Section 139 (5), and other applicable sections, if any, of the Companies Act, 2013, STCI Primary Dealer Limited ('the Company') is subject to Comptroller & Auditor General of India ('C&AG') Audit from FY2015-16 onwards and hence, the Statutory Auditors of the Company have been appointed by the C&AG, as and when required by C&AG. The Company shall adhere to the directions/ guidelines of C&AG, from time to time, on appointment/reappointment of Statutory Auditors.

This Policy has been prepared in accordance with the provisions of the Companies Act, 2013 ('the Act') and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and the relevant directions/ guidelines/circulars of Reserve Bank of India ('RBI') and C&AG, as may be applicable, in respect of appointment/reappointment of the Statutory Auditors of the Company and review of their performance during a financial year.

2. Objective of the Policy

This Policy lays down the criteria and parameters to be considered while appointment/reappointment of Statutory Auditors (SA), from time to time. The purpose of the Policy is to assist the Board of Directors ('Board') and the Audit Committee of the Board ('ACB') of the Company on:

- Process to be adopted for appointment of Statutory Auditors in a Financial Year and compliance in respect of the regulatory approval(s) or reporting, as and when applicable, from time to time.
- Reviewing the performance of Statutory Auditors on an annual basis.
- Adhering to such other directions/guidelines/circulars as specified in the referred RBI Circular, as amended from time to time.

3. Reference

Terms or reference to any words or expressions used herein shall have the same meanings respectively as defined/assigned under the Companies Act, 2013 or any Rules framed thereunder or to the applicable directions of RBI, as the case may be.

4. Applicability

This Policy shall be considered for appointment/reappointment of the Statutory Auditor of the Company from Financial Year 2021-22 and onwards.

5. Eligibility Criteria for appointment/reappointment of a Statutory Auditor

In accordance with the Section 139 (5), and other applicable sections, if any, of the Companies Act, 2013, the C&AG shall appoint the Statutory Auditor of the Company in accordance with the C&AG guidelines thereunder.

The criteria on selection and eligibility of a Statutory Auditor shall be ascertained by the C&AG through their process of empanelment of audit firms eligible for appointment as Statutory Auditors. The same shall continue to be done by the Office of C&AG, as on January 1 of the relevant year. Further, such Statutory Auditor shall be subject to other appointment conditions/directions/guidelines, as stipulated by C&AG, from time to time.

In addition to the C&AG Guidelines, the Statutory Auditor shall provide a consent letter and furnish an eligibility certificate to the Company, as laid down in the applicable regulatory law:

- a) As per Companies Act, 2013 and Rules thereunder:** In pursuance to Section 139 of the Companies Act, 2013 and the Companies (Audit & Auditors) Rules, 2014, the Statutory Auditor shall confirm and certify that

- The auditor or audit firm, as the case may be, is eligible for appointment and is not disqualified for appointment under the Act, the Chartered Accountants Act, 1949 and the rules or regulations made thereunder;
 - The proposed appointment is as per the terms provided under the Act;
 - The proposed appointment is within the limits laid down by or under the authority of the Act;
 - The list of proceedings (if any) against the auditor or audit firm or any partner of the audit firm pending with respect to professional matters of conduct, as disclosed in the certificate, is true and correct.
 - The auditor or audit firm satisfies the criteria and eligibility conditions, as prescribed in Section 141 of the Act.
- b) As per the guidelines of RBI:** In pursuance to the guidelines issued by RBI on appointment of Statutory Auditors, the Statutory Auditor shall provide an eligibility certificate and necessary disclosures/ declaration along with relevant information in the format as prescribed by RBI.

6. Tenure & Rotation of Statutory Auditor

Tenure and rotation of the Statutory Auditor shall also be governed as per C&AG guidelines. The Statutory Auditor shall comply with the conditions of term/period as specified in the Companies Act, 2013 together with the C&AG Guidelines and provide a confirmation on the same.

7. Appointment Procedure of Statutory Auditor

In accordance with Section 139(5) of the Companies Act, 2013, the C&AG shall convey to the Company on the details of the Statutory Auditor appointed for each financial year.

On receipt of the appointment letter from the Office of C&AG, the Company shall intimate the same to the concerned Statutory Auditor and request for furnishing a Consent Letter and Eligibility Certificate as required under the Companies Act, 2013 and the RBI guidelines. The Company shall obtain a certificate, along with relevant information as per Form B of the RBI Circular, from concerned Statutory Auditor to the effect that the audit firm complies with all the eligibility norms prescribed by RBI for the purpose.

The letter as received from C&AG along with the certification received from the appointed Statutory Auditor shall be placed before the Audit Committee of the Board (ACB) and the Board of Directors for approval on the appointment and the remuneration payable to the Statutory Auditor for the said financial year.

8. Audit Fees

The audit fees payable to Statutory Auditor for a financial year shall be decided in terms of the relevant statutory/regulatory provisions and as approved by the Board/Members.

The audit fees payable shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, the complexity of transactions, level of computerization, identified risks in financial reporting, etc.

The audit fees payable to the Statutory Auditor for a financial year, as approved by the Board/Members, shall be communicated to the office of C&AG for their records and noting purposes.

9. Review of performance of Statutory Auditor

The Audit Committee of the Board (ACB) and/or the Board of Directors shall review the performance of Statutory Auditor on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct and any other matter considered, as relevant, shall be reported to RBI and C&AG within two months from completion of the Annual Audit.

The Audit Committee of the Board and the Board of Directors shall monitor and assess the independence of the Statutory Auditor. Any concerns in this regard may be flagged by the Board to the concerned department of RBI.

10. Independence of Statutory Auditor

The Audit Committee of the Board (ACB) 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 will be flagged by the Audit Committee of the Board (ACB) to the Board of Directors and concerned Senior Supervisory Manager (SSM) of RBI.

The time gap between any non-audit works (services mentioned under Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditor of the Company or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as Statutory Auditor. However, during the tenure as Statutory Auditor, the Audit Committee of the Board (ACB) and the Board of Directors may allow the audit firm to provide such services to the company which may not normally result in a conflict of interest.

11. Reporting to Regulatory Authorities

The Company shall report on the appointment of Statutory Auditor to RBI in the prescribed format (Form A of the RBI Circular) within one month of the date of appointment/confirmation of the appointment by the Board, whichever is earlier.

In accordance with the Act, the Company shall also report to the Registrar of Companies in the prescribed form.

12. Amendments/Review of the Policy

In the event of any regulatory modification(s)/amendment(s)/change(s) to any provisions contained in the Companies Act, 2013 or any Rules framed thereunder or to the applicable directions of RBI, SEBI Regulations etc., the provisions contained in the Regulatory Acts (as amended) will prevail to ensure consistency with the prevalent regulatory requirements.

The Board on its own and/ or due to any regulatory requirement/amendment can amend this Policy, as and when deemed fit. The Board reserves the right to alter, modify, add, delete, or amend any of the provisions of the Policy.

This Statutory Auditor's Policy will be reviewed annually, or in the interim, should there be a change/amendment in regulations.