



IFFCO Kisan Finance Limited

Policy for Appointment of the Statutory Auditor

(Version 1.0)



Document owner and Version Control

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1. Introduction

IFFCO Kisan Finance Limited (**“the Company/IKFL”**) is operating as a Non-Banking Financial Company - Investment and Credit Company (NBFC - ICC) classified under the Middle Layer as per the RBI (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023 (as amended) (**“Scale Based Regulations”**). The Reserve Bank of India (**“RBI”**) vide its Notification No. RBI/2021-22/25 Ref. No. DoS. CO. ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, notified **Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) (“Directions”)**. In compliance with the Directions, the Board is required to adopt a policy on appointment/ re-appointment of the Statutory Auditors of the Company. Accordingly, the Board has adopted this Policy on the Appointment of the Statutory Auditors (**“Policy”**).

This Policy shall take effect upon approval by the Board.

2. Objectives

The objective of the Policy is to define a framework for appointment/ re-appointment of the Statutory Auditor in compliance with the applicable statutory/ regulatory requirements. This Policy shall be applicable for engaging the Statutory Auditor and also for disclosures relating to the same.

3. Eligibility Criteria for the Statutory Auditor

The Company shall be appointing its Statutory Auditor as per the eligibility norms prescribed in the Directions, as amended from time to time.

A. Basic Eligibility

In accordance with the Directions, the Company will appoint one audit firm as its Statutory Auditor and adopt the following criteria till it crosses asset size of INR 15,000 crore:

Parameter	Minimum Eligibility
Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least 3 years <i>(please refer Note 1*)</i>	3
Out of total FTPs, Minimum No Chartered Accountant (FCA) Partners associated with the firm for a period of at least 3 years	2
Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification <i>(please refer Note 2*)</i>	1
Minimum No. of years of Audit Experience of the firm <i>(please refer Note 3*)</i>	8
Minimum No. of Professional Staff <i>(please refer Note 4*)</i>	12

*** Notes for reference:**

(a) Note 1: Minimum Number of Full-Time Partners (FTPs)- There should be at least 1 year of continuous association of partners with the firm as on the date of shortlisting for considering them as full-time partners. Further, for appointment as the Statutory Auditor of the Company, at least 2 partners of the firm shall have continuous association with the firm for at least 10 years. The 'full-time partner's association with the firm' would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:

- 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 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) **Note 2: CISA/ ISA Qualification**- There should be at least 1 year of 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) **Note 3: Audit Experience**- Audit experience shall mean experience of the audit firm as Statutory Central/ Branch Auditor of Commercial Banks/ 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) **Note 4: Professional Staff**- 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/ stenographers/ computer operators/ secretaries/ subordinate staff, etc. There should be at least 1 year of continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

B. Additional Criteria/ Considerations

- (a) The audit firm, proposed to be appointed as the Statutory Auditor in the 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 appointment of the Statutory Auditor shall be 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 of the Company or any other entity which can be termed as a group entity vis a vis the Company, the said firm shall not be appointed as the Statutory Auditor of the Company or any of the group entities of the Company. For this purpose, 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-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.

- (e) It shall be preferred that the Statutory Auditor have capability and experience in deploying Computer Assisted Audit Tools/ Techniques and Generalized Audit Software, commensurate with the Company's size and complexity of its technological infrastructure.

C. Continued Compliance with Basic Eligibility Criteria

If the relevant audit firm, after appointment as the Statutory Auditor of the Company, 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 shall promptly approach the Company with full details and 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 March 31, 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, the Company would approach RBI to consider allowing the concerned audit firm to complete the audit, as a special case.

4. Procedure for Appointment of the Statutory Auditor

The Company shall shortlist minimum of 2 audit firms for vacancy of the Statutory Auditor 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 the Statutory Auditor does not get delayed. The names of the shortlisted audit firms proposed to be

appointed as the Statutory Auditor shall be placed before the Audit Committee and Board along with the order of preference. The Board will then recommend to the Shareholders of the Company for their approval for appointment of the Statutory Auditor of the Company.

The Company shall obtain a certificate, from the audit firm(s) proposed to be appointed as the Statutory Auditor, along with relevant information in a format as prescribed under the Directions to the effect that the audit firm(s) complies with all the eligibility norms prescribed by the RBI. Current format prescribed by the RBI is enclosed as *Annexure I* of the Policy. Such certificate should be signed by the main partner(s) of the audit firm (s) proposed to be appointed as the Statutory Auditor, under the seal of the said audit firm (s).

5. Independence of the Statutory Auditor

- (a) The Audit Committee of the Board shall monitor and assess the independence of the Statutory Auditor and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard shall be flagged by the Audit Committee to the Board of Directors of the Company and the Department of Supervision, Regional Office, 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 Statutory Auditor shall have discretion to approach the Audit Committee of the Company under intimation to the Department of Supervision, Regional Office, RBI.
- (c) Concurrent auditors of the Company, if any, should not be considered for appointment as the Statutory Auditor of the Company or its subsidiaries. The audit of the Company and any other entity with large exposure to the Company (*as defined in RBI instructions on "Large Exposures Framework"*) for the same reference year shall be factored in while assessing independence of the Statutory 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 its group companies should be at least 1 year, before or after its appointment as the Statutory Auditor. However, during the tenure as the Statutory Auditor, an audit firm may provide such services to the Companies or its group Companies which may not normally result in a conflict of interest and the Company may take its own decision in this regard, in consultation with its Audit Committee.

- (e) The restrictions as detailed in sub-paras (c) and (d) above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

6. Professional Standards of the Statutory Auditor

- (a) The Statutory Auditor shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- (b) The Audit Committee of the Company shall review the performance of the 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 2 months from completion of the annual audit. Such reports should be sent with the approval/ recommendation of the Audit Committee/ Board of Directors of the Company, with the full details of the audit firm.
- (c) In the event of lapses in carrying out audit assignments resulting in misstatement of the Company's financial statements, and any violations/ lapses vis-à-vis the RBI's directions/ guidelines regarding the role and responsibilities of the Statutory Auditor in relation to the Company, the Statutory Auditor shall be liable to be dealt with suitably under the relevant statutory/regulatory framework.

7. Tenure and Rotation

- (a) In order to protect the independence of the auditors/audit firms, the Company shall appoint the Statutory Auditor for a continuous period of 3 years, subject to the firms satisfying the eligibility norms each year.
- (b) An audit firm would not be eligible for reappointment in the Company for 6 years after completion of full or part of one term of the audit tenure. In case an audit firm has conducted audit of the Company for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also shall not be eligible for reappointment for 6 years from completion of part-tenure.
- (c) The Statutory Auditor of the Company can concurrently take up statutory audit of a maximum of 4 Commercial Banks [including not more than 1 PSB or 1 All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], 8 UCBs and 8 NBFCs during a particular year. For this purpose, 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 the Statutory Auditor 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.

8. Audit Fee and Expenses

The Audit Fee for the Statutory Audit and limited review audit shall be finalized by the Board of Directors on recommendation of the Audit Committee, as per applicable statutory provisions.

The Audit Fee and Expenses 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. Further fees for other certification work can be finalized by the Management on case-to-case basis.

9. Removal of the Statutory Auditor before the tenure of appointment

Any removal of the Statutory Auditor before completion of three years will be done with the approval of the Audit Committee and the Board, for reasons to be explained. In such a case, the Company shall inform the Department of Supervision, Regional Office, RBI, along with reasons/justification for the same, within a month of such a decision being taken.

10. Intimation of Appointment of the Statutory Auditor to the RBI

The Company shall inform the Department of Supervision, Regional Office, RBI about the appointment of the Statutory Auditor each year by way of a certificate in the format as prescribed by the RBI within 1 month of such appointment. Current format prescribed by the RBI is enclosed as Annexure II of this Policy.

11. Implementation, Review and Amendment (s)

- a) The Audit Committee of the Board will monitor and supervise implementation of the Policy. The Policy shall be reviewed as and when required by the applicable rules and regulations or in case of any changes deemed necessary.
- b) **Regulatory changes:** The Managing Director will have the authority to approve changes in this Policy on account of regulatory developments, based on recommendation from Chief Executive Officer, Chief Financial Officer and Chief Compliance Officer. Such changes to the Policy shall be subsequently placed before the Board of Directors for information in the next meeting, or earlier by circulation if deemed appropriate.
- c) **Other changes:** Any changes other than Regulatory changes shall be carried out with the approval of the Board of Directors of the Company.

Note:

This document remains the property of the Company. This policy is intended to guide the Board, Audit Committee, Management and other Stakeholders relating to Appointment of the Statutory Auditors of the Company. It is not to be used for any other purposes, copied, distributed, or transmitted in any form or means without the prior written consent of the Company.

Annexure – I - Eligibility Certificate from (Name and Firm Registration No. of the firm)

A. Particulars of the firm proposed to be appointed as the Statutory Auditor:

Asset Size of the Company as on March 31, of Previous Year	Number of Full-Time Partners exclusively associated with the firm for a period of 3 yrs	Out of total FTPs, Number of FCA Partners associated with the firm for a period of 3 yrs	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience #	Number of Professional staff

Details may be furnished separately for experience as Statutory Central Auditors/ Statutory Auditors/ Statutory Branch Auditors.

B. Additional Information:

- (i) Copy of Constitution Certificate.
- (ii) 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.
- (iii) Whether the firm has been appointed as Statutory Central Auditor/ Statutory Auditor by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution/ Reserve Bank of India/ Primary (Urban) Co-operative Banks/ Non-Banking Financial Company in the present financial year? If yes, details thereof.
- (iv) Whether the firm has been debarred from taking up audit assignments by any regulator/ Government agency? If yes, details thereof.
- (v) Details of disciplinary proceedings etc. against firm by any Financial Regulator/ Government agency during last 3 years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by the Reserve Bank of India ("RBI") regarding appointment of the Statutory Auditor of **IFFCO Kisan Finance Ltd.**, a Non-Banking Finance Company registered with the RBI. 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

Designation

Date

Annexure – II - Information regarding appointment of the Statutory Auditor

IFFCO Kisan Finance Ltd. ("the Company") has appointed M/s _____, Chartered Accountants (Firm Registration Number _____) as the Statutory Auditor for the financial year ____ for their _____ term. (*1st/ 2nd/ 3rd term, as applicable*)

The Company has obtained eligibility certificate from _____ (name and Firm Registration Number of the audit firm) appointed as the Statutory Auditor of the Company for FY ____ along with relevant information in the format as prescribed by RBI.

The firm has no past association/ association for _____ years with the company as the Statutory Auditor.

The Company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of Statutory Central Auditor/ Statutory Auditor of NBFCs.

Signature

Name-

Designation-

Date-