

CADILA PHARMACEUTICALS LIMITED

TERMS OF REFERENCE OF AUDIT AND FINANCE COMMITTEE OF THE BOARD OF DIRECTORS

The Audit and Finance Committee's mandate is to help the Board:

- to decide short term (1 to 2 years) financial strategies and recommend necessary steps for improvement and strengthening financial health of the company;
- to review and strengthen internal control systems and processes for effective utilization of resources;
- to identify and evaluate all relevant risks and formulate risk management and mitigation policy, to be reviewed periodically to cope with new risks, if any;
- to review financial statements of the company with regular periodicity and ensure that they are in accordance with prevalent laws and standards and
- to ensure compliance of all laws applicable to the company.

ROLE OF AUDIT AND FINANCE COMMITTEE

1. The Audit and Finance Committee is to discuss, review and decide the following:
2. to design optimal capital structure in tune with growth aspirations of the Company;
3. to review existing capital structure and recommend steps to fine tune the same including restructuring capital and identifying sources of long term capital;
4. to evaluate yearly / half yearly basis the return on capital, current and projected, from existing allocation of capital and recommend measures including divestment plan for improving return of capital;
5. to identify ways for improving efficiency of resource allocation and utilization;
6. to review Annual Operating Budget & Annual Capital Budget consistent with the long-range financial plan and policies;
7. to review and approve company's long term borrowing arrangements and all major capital expenditures proposals;
8. to carry out conventional audit functions such as :
 - a) interaction with statutory and internal auditors;
 - b) evaluating and recommending appointment / reappointment of statutory auditors, cost auditors;
 - c) review and monitor the auditor's independence and performance, and effectiveness of audit process;

- d) deciding scope of internal audit and reviewing internal audit observations with management;
 - e) reviewing and recommending quarterly and annual audited financial statements to the board;
 - f) ensuring statutory and other compliances applicable to the company;
 - g) examination of the financial statement and the auditors' report thereon;
 - h) approval or any subsequent modification of transactions of the company with related parties;
 - i) scrutiny of inter-corporate loans and investments;
 - j) valuation of undertakings or assets of the company, wherever it is necessary;
 - k) evaluation of internal financial controls and risk management systems;
 - l) monitoring the end use of funds raised through public offers and related matters.
9. to identify risks including financial risks exposures and ensure that proper guidelines and policies are in place for risk mitigation.
10. the Committee shall review the Company's arrangements for its directors and employees to raise concerns, in confidence, about possible wrong doing in financial reporting, accounting, auditing or any other genuine concerns. The mechanism shall provide adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. The Committee shall ensure that these arrangements allow independent investigation of such matters and appropriate follow up action. In case of any conflict of interest, the Committee Members would disassociate from such investigation.

MEMBERS OF THE COMMITTEE

1. Mr. Amitava Mukherjee, Chairman
2. Maj. Gen. D.N. Khurana
3. Prof. Pradip Khandwalla
4. Mr. Girdhar Balwani
5. Mrs. Pratima Ram
6. Dr. Rajiv I. Modi

FREQUENCY OF THE MEETING

The Finance and Audit Committee should meet once in every three months. Further, the Committee may meet as frequently as decided by the members of the Committee from time to time.

REPORTING

1. The Audit Committee will report and update the Board, periodically, on various matters that it has considered as well as on the independence of the Auditors.

2. The Annual / Board Report of the Company shall disclose the composition of the Audit Committee, names of members, chairperson, meetings and attendance.
3. The recommendations of the Audit Committee on any matter relating to financial management including the audit report, shall be binding on the Board. If the Board does not accept the recommendations of the Audit Committee, it shall record the reasons thereof and communicate such reasons to the shareholders.
4. Reporting regularly to the Board with respect to:
 - a) The quality or integrity of the Company's financial statements
 - b) The Company's compliance with legal or regulatory requirements;
 - c) The performance of the Statutory auditor as well as the Internal Audit Function; and
 - d) 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.

OTHER FUNCTIONS

1. Perform other activities related to this Charter as requested by the Board.
2. Carry out additional functions as is contained in the regulatory and statutory requirements and amendments thereof and as applicable to the Company or in the terms of reference of the Audit Committee.

REVIEW OF AUDIT COMMITTEE CHARTER

The adequacy of this charter shall be reviewed and reassessed by the Audit Committee as may be deemed fit by the Committee and appropriate recommendations shall be made to the Board to update the same based on the changes that may be brought about to the regulatory framework, from time to time.