DSP FINANCE

DSP FINANCE PRIVATE LIMITED

APPOINTMENT OF STATUTORY AUDITOR'S POLICY

Version	Description	Prepared By	Approved By
1.0	Policy Creation	Priya Ranjit	Board of Directors on September 28, 2024
1.1	Annual Review	Sahib Pahwa	Board of Directors on August 19, 2025
1.2	Annual Review	Sahib Pahwa	Board of Directors on September 28, 2026

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1. Background

This Policy on the Appointment of Statutory Auditors **("Policy")** has been formulated pursuant to the Reserve Bank of India (Non-Banking Financial Companies – Statutory Audit) Directions, 2026 dated July 31, 2026.

The Policy is intended to ensure that the process for appointment and oversight of statutory auditors of DSP Finance Private Limited **("Company or DSP Finance")** is robust, transparent, and in strict compliance with all applicable regulatory requirements. It aims to ensure independence, objectivity, and high-quality audit processes in accordance with applicable provisions of the Companies Act, 2013, ICAI Guidelines, and the RBI regulatory framework.

2. Purpose

This Policy serves the following purposes:

- To implement a structured framework for the appointment, reappointment, and removal of Statutory Auditors
- To ensure conformity with the eligibility norms, independence criteria, and rotation guidelines laid down by the RBI
- To enable the Company to maintain high standards of financial reporting and audit quality
- To facilitate timely compliance with disclosure, reporting, and supervisory expectations from statutory audit processes

3. Intimation to RBI

NBFCs do not have to take prior approval of RBI for appointment of SCAs/SAs, hence the Company shall inform RBI about the appointment of its Statutory Auditors for each financial year by way of a certificate in **Form A (Annexure-A)** within one month of such an appointment. For this purpose, the Company shall intimate at the concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located.

Applicability: The Company having its registered office at Mumbai, Maharashtra, shall accordingly intimate at the Regional Office of RBI (Department of Supervision) located in Mumbai, Maharashtra for all purposes, wherever applicable.

4. Number of Statutory Auditors and Branch Coverage

- The Senior Management shall determine the eligibility of the Statutory Auditors ("SA") and the number of SAs subject to this policy and, inter alia, after consideration of various 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.

- Following are the fundamental requirements about the appointment of statutory auditors:

S. No.	Asset Size of the Entity as at end of previous year	Requirements
1.	₹15,000 crore and above	Joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)].
2.	Below ₹15,000 crore	Minimum of one audit firm (Partnership firm/LLPs)

Applicability: Considering the Company's present asset size is below ₹15,000 crore, the statutory audit shall be conducted by one audit firm from FY 2024-25 onwards till such change in the thresholds as mentioned in the above slab.

- In case of the requirement of appointments of joint audit firms, it shall be ensured that joint auditors do not have any common partners, and they are not under the same network of audit firms. Further, the Company shall finalize the work allocation among the SCAs/SAs, before the commencement of the statutory audit, in consultation with the SCAs/SAs.
- The actual number of SCAs/SAs to be appointed shall be decided by Board based on the recommendations from the Audit Committee, subject to the following limits prescribed by RBI:

S. No.	Asset Size of the Entity	Maximum number of SCAs/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

Applicability: Considering the Company's present asset size is below ₹5,00,000 crore, the maximum number of statutory auditors to be appointed shall not exceed four.

- Accordingly, subject to clause 6(ii) of this policy, the audit shall be conducted by one audit firm from FY2024-25 onwards till such change in the thresholds as mentioned in the above slab.

5. Procedure for appointment of SCAs/SAs

The 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.

The Company shall obtain the following documents from the audit firm(s) proposed to be appointed as SCAs/SAs by the Company:

- Complete profile of the firm
- Certificate of Membership and Practice of Individual partners issued by ICAI.
- Written Consent / willingness to act as SCAs / SAs of the Company pursuant to Section 139 of the Companies Act, 2013.
- Certificate pursuant to Section 141 of the Companies Act, 2013.
- Certificate under Rule 4 of Companies (Audit and Auditors) Rules, 2014 as amended from time to time
- Confirmation that firm is not under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators
- Form B to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. The format prescribed by RBI is enclosed at the end of this policy as Annexure-B.

The above certificates should be signed by the main partner/s of the audit firm proposed for appointment of SCAs/SAs of the Company, under the seal of the said audit firm.

6. Audit Coverage

S. No.	Number of branches of the Company	Number of branches to be audited	Selection criteria
1.	More than 100	Top 20 branches	To be selected in order of the level of outstanding advances, in such a manner soas to cover a minimum of 15% of total gross advances of the Company
2.	Less than 100	Top 20% of branches	

Applicability: Presently, as the number of branches is less than 100 for the Company, the SCAs/SAs shall visit and audit at least the top 20% branches to be selected as mentioned above. Further, the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches shall also be mandatorily adhered to by the Company.

7. Minimum Eligibility for Statutory Auditors Appointment

The Company shall ensure adherence to the following minimum standards and eligibility norms for audit firms to be appointed SCAs/SAs of the Company:

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7.1 Basic Eligibility

S. No.	Asset Size of Entity 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 Accountant (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 Professionalstaff Note 4
I	Above ₹15,000 Crore	5	4	2	15	18
II	Above ₹ 1,000 crore and up to ₹15,000 crore	3	2	1	8	12
III	Upto₹1,000 crore	2	1	1*	6	8

* Not mandatory for NBFCs with asset size upto ₹ 1,000 crore.

Note 1: There should be at least one-year continuous association of partners with the firm as on the date of empanelment for considering them as full-time partners. For NBFCs with asset size above ₹ 1,000 crore, 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:

(a) The full-time partner should not be a partner in other firm/s.
(b) She/He should not be employed full time / part time elsewhere.
(c) 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, 194

Note 2: **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 empanelment for considering them as Paid CAs with CISA/ISA qualification for the purpose

Note 3: Audit Experience: For NBFCs 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 affected immediately for this purpose.

Note 4: Professional Staff: Professional staff include audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but exclude 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 empanelment for considering them as professional staff for the purpose

7.2 Continued Compliance with basic eligibility criteria:

- If, after being appointed, any audit firm fails to meet any of the eligibility requirements (due to the resignation, death, etc. of any of the partners or staff, action by Government Agencies, NFRA, ICAI, RBI, or other Financial Regulators, etc.), it must promptly notify the Company with full details.
- In addition, the audit firm shall take all reasonable steps to become eligible within a reasonable time, and in any case, the audit firm shall comply with the above norms prior to the start of the Annual Statutory Audit for the Financial Year ending March 31st and until the annual audit is completed.
- If an extraordinary scenario arises after the audit begins, such as the death of one or more partners or employees, which makes the firm ineligible under any of the eligibility criteria, RBI will have the authority to enable the audit firm to complete the audit as a special case.

8. Independence of Auditors

- In accordance with applicable regulatory rules, standards, and best practices, the ACB shall monitor and assess the auditors' independence and conflict of interest if any. The ACB may raise any issues with the Board of Directors of the Company and the concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- If the auditors have any concerns about the Company's management, such as a lack of information or non-cooperation by the management, which could obstruct the audit process, they should approach the Board (Board to be approached only if the ACB is not constituted or auditors have matters concerning ACB member/(s)) or ACB of the Company, and keep the concerned SSM/RO of RBI informed about the same.
- The Concurrent Auditors of the Company should not be considered for appointment as SCAs/SAs of the same Company. The audit of the Company and any other Entity having large exposure (As defined in RBI instructions on 'Large Exposures Framework) to the Company for the same reference year, should be explicitly considered when evaluating the auditor's independence.
- The time gap between any non-audit work (as defined in Section 144 of the Companies Act, 2013, refer the note following) by the SACs/SAs for the Company and any audit/non-audit work for its Group Entities should be at least one year prior to or after its tenure, as well as throughout the entire period of appointment as SCAs/SAs. However, during the tenure as SCA/SA, an audit firm may provide services to the Group Entities which may not normally result in a conflict of interest (refer the note following), and the Company may take its own decision in this regard, in consultation with its Board/ACB
  Note: For the purpose of this clause, the following are the non-audit works which cannot be taken upby the auditors of the Company for a period of at least one year before or after its tenure as SCAs/SAs and during the entire period of appointment:
  - Accounting and bookkeeping services
  - Internal audit
  - Design and implementation of any financial information system
  - Actuarial services
  - Investment advisory services
  - Investment banking services
  - Rendering of outsourced financial services
  - Management services
  - Any other services as may be prescribed by regulators / statutory authorities
  - Internal or special assignments

- However, during the tenure as SCAs/SAs, an audit firm may provide the following services to the Company which may not normally result in a conflict of interest, in consultation with the Board and ACB.

- Conflict would not normally be created in the case of the following special assignments (indicative list):

a) Tax audit, tax representation and advice on taxation matters
b) Audit of interim financial statements
c) Certificates required to be issued by the statutory auditor in compliance with statutory and other specific requirements
d) Reporting on financial information or segments thereof
   i. The restrictions detailed in the paras mentioned above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.
   ii. Further, the ACB and the Board as a matter of prudence discourages Engagement Partners of SCA/SAs from holding directorship positions in NBFCs or other entities that are in direct competition to the Company during the tenure as SCAs/SAs.

9. Professional Standards of Auditors and Annual review by Board/Audit Committee

The SCAs/SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

- The Board and the ACB 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 SCAs/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 and recommendation of the Board and the ACB respectively, with the full details of the audit firm.

- 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 SCAs/SAs, the SCAs/SAs would be liable to be dealt with suitably under the relevant statutory / regulatory framework.

10. Tenure and Rotation

- To protect the independence of the audit firms, the Company will have to appoint the SCAs/SAs for a continuous period of three years, subject to the audit firm satisfying the eligibility norms each year.
- Removal of Auditors: The SCAs/SAs if being removed by the Company before completion of three years tenure, then the 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 Company for six years (two tenures) 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 would not be eligible for reappointment in the Company for six years from completion of part-tenure.
- One audit firm can concurrently take up statutory audit of a maximum of eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity 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 auditors 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.

11. Audit Fees and Expenses

- The audit fees shall be decided in terms of the relevant statutory/regulatory provisions.
- The audit fees 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 based on the recommendation of the ACB shall make recommendations to the competent authority (By Shareholders in AGM) as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

12. Disclosure

This policy shall be hosted on the website of the Company and that the appointment(s) made shall bedisclosed to concerned authorities as per relevant regulatory / statutory provisions.

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Annexure-A

FORM A

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

1. The company has appointed M/s_____, Chartered Accountants (Firm RegistrationNumber_____) 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 theaudit firm) appointed as SCA/SA of the company for FY_along with relevant information in theformat 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:

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Annexure-B

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 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:

(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 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.
(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 three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointments of SCAs/SAs of 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 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:

(For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.)