

Annual Compliance Audit of activities related to Advisory Services as per  
SEBI (Investment Advisers) Regulations 2013  
For the Period ended March 31, 2021

**PROALPHA CAPITAL PRIVATE LIMITED**

To,  
Proalpha Capital Private Limited  
Mumbai  
Maharashtra.

September 30, 2021.

Dear Rajesh Bhatt,

Re: Report on the Annual Compliance Audit of activities related to Advisory Services as per SEBI (Investment Advisers) Regulations 2013 ('Regulations').

We refer to your e-mail and discussion in relation to the Investment Advisory ('IA') Audit for the period 01-04-2020 to 31-03-2021 ('FY21') for the compliance of Advisory service activities with the Regulation of Proalpha Capital Private Limited.

In the following pages, based on our discussions, various emails and information shared with us by the Management of the Fund, we present the report detailing our findings on the activities related to Advisory Services. We are happy to discuss the report with you and your team.

Sincerely,



**Kriyang Karia**  
**Designated Partner**  
**Kaytes Business Consultants LLP**



### **Background of the Company:**

Proalpha Capital Private Limited ('IA entity') was formed under Companies Act, 2013 on October 3, 2016, and started its operation as an Investment Advisor under the Regulations from November 16, 2017. The IA entity is an investment advisor registered with SEBI manages and advises HNIs, Family Offices and Corporates across various strategies with a 12+ member team based in Mumbai.

### **Our Scope:**

Our scope is restricted to below mentioned objectives and it pertains to:

1. Review application for grant of certificate & certificate of registration in line with the Regulation;
2. Review qualification & certification requirement of Investment Advisers as per the Regulation;
3. Verification of clients IA agreements with the terms of the Regulation;
4. Verification of advisory fees in line with the Regulation;
5. Review investor Grievance Register for redressal of issues, if any ;
6. Verification of Rationale for arriving at Investment advices.
7. Verification of clients registers in line with the Regulation.

**Our report is based on the review of the following data and time to time discussion with the management:**

1. IA Agreements
2. Extract of Debtors account
3. Client List
4. Certificate of Registration and attachments
5. Write up on strategies

**Basis of findings in the report and disclaimers:**

*This report is prepared based on various documents and information shared with us. Our observations are based on these documents and our discussions with the management from time to time which may not necessarily be recorded, documented or available to support our findings.*

*This report represents a true and fair view of the functioning of the Company in compliance with the terms of the Regulations, read with other supporting circulars. Any omission to comment on any aspect of the Investment Adviser activities required to be reviewed and as intended by the Regulators is purely unintentional or is considered as not material for the purposes of this report.*

*The report is prepared in relation to the accounts which were transacted during FY21. We have not verified accounts / agreements / documents which were opened prior to FY21. So, our report should be read with the prior reports.*

*The management of the Company takes full responsibility of the information shared with us on cloud and over the calls and accepts that these have been appropriately documented in this report. The management shall, within 10 working days of the date of the report, inform us of any discrepancies or incorrectness that is required to be amended or omitted, as the case may be and request to re-issue the report.*

Sr No	Particulars	Documents / Information reviewed / discussed	Our Observations	Management Response, if any
1	<b>Discrepancies in verification of client agreements:</b>	<ul style="list-style-type: none"> <li>IA Agreements</li> </ul>	We have been provided with 28 Investment Advisory Agreements for our verification and minor discrepancies were observed in some of the Investment Advisory Agreements; such as missing PAN, email id, contact details and signature.	
2	<b>Verification of Risk Profiling Questionnaire ('RPQ'):</b>  As per Regulation 16, Investment advisors are required to maintain Risk Profiling Questionnaire in regards with all the clients.	<ul style="list-style-type: none"> <li>IA Agreements</li> </ul>	Out of total live clients, we observed that in case of 16 accounts Risk Profiling Questionnaire were not maintained.  <b>Refer Annexure 1</b>	
3	<b>Pending Recovery of Advisory Fees:</b>	<ul style="list-style-type: none"> <li>Extract of Debtors account</li> </ul>	Advisory fees amounting to INR 74.3 lacs from 26 clients were pending to be recovered at the end of FY21. However we have been informed that substantial amount (~90%) have been recovered until the report date.	
4	<b>Account opening agreements:</b>	<ul style="list-style-type: none"> <li>Client List</li> <li>IA Agreements</li> </ul>	The entity has 28 live clients as on March 31, 2021. All Investment Advisory Agreements have been provided for our verification.	

Sr No	Particulars	Documents / Information reviewed / discussed	Our Observations	Management Response, if any
			Please note that, as per Circular SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020, Investment Advisor shall enter into Investment Advisory agreements with all the Clients including existing Clients latest by April 01, 2021 and submit a report, confirming the same to SEBI latest by June 30, 2021.	
5	<b>Certificate of registration ('COR') and renewal of certificate:</b>  As per Regulation 10 of the Regulations, a COR issued is valid for 5 years from the date of its issue. As per the Regulations 11 of an IA shall apply for renewal of the certificate, 3 months before the expiry of the period of the validity of the certificate.	<ul style="list-style-type: none"> <li>COR</li> </ul>	The IA entity has obtained its IA COR on November 16, 2017. Certificate of registration has been verified and same was found in order as per the Regulation.	
6	<b>Qualification &amp; Certification requirement:</b>  As per Regulation 7, a	<ul style="list-style-type: none"> <li>Qualification certificate</li> <li>Experience letter</li> </ul>	We understand Rishi Kohli is the principal officer of the Investment Entity and also the person associated with investment advice. He possess requisite qualification and	



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	<p>principal officer of a non-individual Investment Advisor shall have, at all times, a professional qualification, an experience of at least five years and a certification on financial planning or fund or asset or portfolio management or investment advisory services from NISM.</p> <p>Persons associated with investment advice shall have similar professional qualification and an experience of at least two years.</p>		<p>experience. The NISM certificate has been expired.</p> <p>In this regard, we are given to understand that due to COVID-19 pandemic and closure of exam centres, renewal of NISM certificate was not possible. The Director shall now undertake the certification programme and comply with the regulations.</p>	
7	<p><b>Verification of Client Register:</b></p> <p>An IA entity shall maintain a register of Clients containing the details as per SEBI Regulation 19(1)(g).</p>	<ul style="list-style-type: none"> <li>Client List</li> </ul>	<p>The entity maintains a client register in electronic form as per the Regulation. The same has been verified and was found in order.</p>	
8	<p><b>Verification of Investor</b></p>	<ul style="list-style-type: none"> <li>Grievance</li> </ul>	<p>Investor Grievance register has been verified</p>	



Sr No	Particulars	Documents / Information reviewed / discussed	Our Observations	Management Response, if any
	<b>Grievance register:</b>  An IA entity shall promptly redress the client grievances as per Regulation 21 of the Regulations.	Register	and the same was found in order as per the Regulation. There are no complaints registered during the period.	
9	<b>Verification of Suitability assessment and Rationales for arriving at investment advice:</b>  An IA entity shall maintain a record for Suitability assessment of the advice being provided as per SEBI Regulation 17 and rationale for arriving at investment advice, duly signed and dated as per SEBI Regulation 19(1) (f).	<ul style="list-style-type: none"> <li>IA Agreements</li> <li>Write-ups on strategies</li> <li>Discussion with the management</li> </ul>	The Management has represented that the suitability assessment is carried out for each of the client's basis the RPQ and suitable products are offered. A separate suitability assessment is not carried out. We suggest that the Management should maintain appropriate internal documents/minutes of discussion, basis of assessment and product offerings.	
10	<b>Verification of Account Closure:</b>	<ul style="list-style-type: none"> <li>Client List</li> <li>Sample closure e-mails</li> </ul>	11 accounts were closed during the year, out of which 1 client was on-boarded during FY21. We have verified the closure emails in case of 6 accounts.  <b>Refer Annexure 2</b>	





Sr No	Particulars	Documents / Information reviewed / discussed	Our Observations	Management Response, if any
11	<b>Networth:</b>  In accordance with Regulation 8, investment advisers who are non-individuals shall have a net worth of not less than 50 lakh rupees.	<ul style="list-style-type: none"> <li>Audited Financial Statements for FY21</li> </ul>	The Investment Advisor has complied with the Regulation.	
12	<b>Appointment of Compliance Officer:</b>  In accordance with Regulation 20, an investment adviser which is a body corporate shall appoint a compliance officer who shall be responsible for monitoring the compliance by the investment adviser in respect of the requirements of the Act, regulations, notifications, guidelines, instructions issued by the Board.		The Investment Advisor has complied with the Regulation.	

**Annexure 1****List of Clients for whom Risk Profiling Questionnaire ('RPQ') not maintained**

Sr.No.	Name of the Client	RPQ Not Available / Unfilled
1	Aishwarya Rai Bachchan	Not Available
2	Ajit Nagral	Not Available
3	Asha Goyal	Unfilled
4	C D Integrated	Not Available
5	Deepak Jain	Not Available
6	Gagan Khanna	Not Available
7	Mukul Nag	Not Available
8	Navin Juneja	Not Available
9	Navin Juneja	Not Available
10	Ram Joshi	Not Available
11	Satish Raisinghani	Not Available
12	Siddhesh Capital Market Services Pvt Ltd	Not Available
13	Sujeet Roopchand Jain	Unfilled
14	Uday Punj	Not Available
15	Varun Talwar	Not Available
16	Vidur Talwar	Not Available



**Annexure 2**

**List of Clients whose accounts have been closed during FY21**

<b>Sr.No.</b>	<b>Name of the Client</b>
1	Cactus Communications Private Limited
2	Commodities Traders
3	Cosmo Capital & Investments Private Limited
4	Nita Subhash Pandya
5	Prashant Punjani
6	Rajita Schade
7	Rohit Kumar Toshniwal
8	Shradha Goel
9	Shreya Sushant Naik
10	Sumit Goel
11	Vasishtha Prashant Achanta

