

INTERNAL AUDIT REPORT

[Pursuant to Clause 3 of SEBI Circular IMD/PMS/CIR/1/21727/03 dated
November 18, 2003]

November 29, 2021

To,

Mr. Neil Bahal

Managing Director

Negen Capital Services Pvt. Ltd.

City Hall, Kamala Mills Compound,

Lower Parel (W), Mumbai, 400 013

I have conducted the Internal Audit as required under Clause 3 of the SEBI Circular IMD/PMS/CIR/1/21727/03 dated November 18, 2003 so as to judge the quality of internal procedures being followed by Negen Capital Services Pvt. Ltd. (hereinafter referred to as "**the Portfolio Manager**" or "**the Company**") registered under SEBI (Portfolio Managers) Regulations 2020 (hereinafter referred to as "**PMS Regulations**") for the financial year ended March 31, 2021 (hereinafter referred to as the "**audit period**"). The Company owns the website <https://negenpms.com/> (hereinafter referred to as the "**Website**").

Due to Covid-19 pandemic situation, the audit was conducted online and in a manner that provided a reasonable basis for evaluating the conducts of the Portfolio Manager and statutory compliances.

Based on my online verification of the necessary documents, records of clients on sample basis, internal policies, procedures and other records maintained by the Portfolio Manager and also the information and explanations provided by the personnel of the Portfolio Manager during the conduct of audit, in my opinion and to the best of the information received by me, the Portfolio Manager has, during the audit period complied with the statutory provisions of the PMS regulations and circulars issued by SEBI, as listed hereunder. The Portfolio Manager has compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

The observations along with the suggestions to improve the process for better compliance of the PMS Regulations, are mentioned in **Annexure A** of this report.

1. The Portfolio Manager is registered as an Portfolio Manager with Securities and Exchange Board of India (hereinafter referred to as "SEBI") having registration no.: INP000005414. The registration is valid till it is suspended or cancelled by SEBI.
2. Personnel:
 - a. Mr. Neil Bahal is the Principal Officer of the Company appointed under Regulation 7(2)(d) of the PMS Regulations. He does not fulfill the qualification and certification requirements as mentioned under the said regulation.
 - b. Mr. Jigar Shah is the employee appointed under Regulation 7(2)(e) of the PMS Regulations fulfills the qualification requirements as mentioned under the said regulation.
3. As per the records provided, the Company has complied with capital adequacy requirements as per Regulation 9 of the PMS Regulations.
4. No information or particulars previously submitted to SEBI are found to be false or misleading in any material particular and there is no material change in the information already submitted to SEBI.
5. There are no grievances of the investors reported to the Company and hence Regulation 11(d) of the PMS Regulations is not applicable.
6. The Portfolio Manager has abide by the Code of Conduct as specified in Schedule III of the PMS Regulations.
7. The Portfolio Manager has, before taking up an assignment of management of funds and portfolio on behalf of a client, entered into an agreement in writing as required under Regulation 22(1) of the PMS Regulations.

8. The Portfolio Manager has provided to the client, the Disclosure Document, along with a certificate in Form C as specified in Schedule I, prior to entering into an agreement with the clients as required under Regulation 22(3) of the PMS Regulations.
9. The Portfolio Manager has ensured that a copy of Disclosure Document is available on the Website at all times as required under Regulation 22(6) of the PMS Regulations.
10. There is no material change in the Disclosure Document as per Paragraph 15 of the SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020 and hence Regulation 22(7) of the PMS Regulations is not applicable.
11. The Portfolio Manager has reported its performance uniformly in the disclosures to the Board, marketing materials, reports to the clients and on its Website as required under Regulation 22(10) of the PMS Regulations.
12. The Portfolio Manager has charged a fee from the clients as mentioned in the client agreement, for rendering portfolio management services without guaranteeing or assuring, either directly or indirectly, any return. No up-front fees has been charged by the Portfolio Manager directly or in-directly to the clients as mentioned under Regulation 22(11) of the PMS Regulations.
13. The Portfolio Manager has complied with the requirements of Regulation 23(2) of the PMS Regulations relating to minimum investment amount from its clients.
14. The Portfolio Manager has segregated each client's holding in securities in separate accounts as required under Regulation 23(4) of the PMS Regulations.
15. The Portfolio Manager has kept the funds of all clients in a separate account maintained in a Scheduled Commercial Bank as required under Regulation 23(5) of the PMS Regulations.

16. The Portfolio Manager has not borrow funds or securities on behalf of the client as required under Regulation 23(8) of the PMS Regulations.
17. The Portfolio Manager has not lend securities held on behalf of the clients to a third person except as provided under the PMS Regulations and as required under Regulation 23(9).
18. The Portfolio Manager, being a discretionary portfolio manager, has invested funds of its clients in the securities listed or traded on a recognized stock exchange, money market instruments, units of Mutual Funds and other securities as specified by Board from time to time, on behalf of their clients as required under Regulation 24(3) of the PMS Regulations.
19. The Portfolio Manager has invested in units of Mutual Funds only through direct plan as required under Regulation 24(5) of the PMS Regulations.
20. The Portfolio Manager has not leverage the portfolio of its clients for investment in derivatives as required under Regulation 24(7) of the PMS Regulations.
21. The Portfolio Manager has not deployed the clients' funds in bill discounting, badla financing or for the purpose of lending or placement with corporate or non-corporate bodies as required under Regulation 24(8) of the PMS Regulations
22. The Portfolio Manager has purchased or sold securities separately for each client. In the event of aggregation of purchases or sales for economy of scale, allocation has been done on a pro rata basis and at weighted average price of the day's transactions as required under Regulation 24(12) of the PMS Regulations.
23. The portfolio manager has not held the securities belonging to the portfolio account, in its own name on behalf of its clients either by virtue of contract with clients or otherwise as required under Regulation 24(15) of the PMS Regulations.
24. The Portfolio Manager has appointed a custodian in respect of securities managed or administered by it as required under Regulation 26 of the PMS Regulations.

25. As required under Regulation 27 of the PMS Regulations, the Portfolio Manager has kept and maintained the following books of accounts, records and documents: -
- (a) a copy of balance sheet at the end of each accounting period;
 - (b) a copy of the profit and loss account for each accounting period;
 - (c) a copy of the auditor's report on the accounts for each accounting period;
 - (d) a statement of financial position;
- Except records in support of every investment transaction or recommendation which will indicate the data, facts and opinion leading to that investment decision.
26. The portfolio manager has maintained separate client-wise accounts as required under Regulation 30(1) of the PMS Regulations.
27. The Portfolio Manager has ensured that the books of account are audited yearly by a qualified auditor to ensure that proper accounting methods and procedures are followed and that the portfolio manager has performed his duties in accordance with the law as required under Regulation 30(2) of the PMS Regulations.
28. The portfolio accounts of the Portfolio Manager are audited annually by an independent chartered accountant and a copy of the certificate issued by the chartered accountant is given to the client as required under Regulation 30(3) of the PMS Regulations.
29. The Portfolio Manager has furnished periodically a report to the client as agreed in the contract and as mentioned in Regulation 31(1) of the PMS Regulations.
30. The Portfolio Manager has appointed Mr. Yogen Lavari as the compliance officer under Regulation 34(1) of the PMS Regulations.
31. The firm-level performance data of Portfolio Managers is not audited annually, which is a requirement under Paragraph 14 of the SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020.

32. The Company did not have any distributors as on March 31, 2021 and hence Paragraph G of the SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020 is not applicable.

CS Kruti Gogri
Practicing Company Secretary
Membership No. - A21498
C. P. No. - 13401

UDIN: A021498C001586952