

B. DURGAPRASAD RAI

Company Secretary

# ANNUAL INTERNAL AUDIT REPORT

(Pursuant to SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated 20/04/2018)

For the period

From 01/04/2022 to 31/03/2023

Of

## ADROIT CORPORATE SERVICES PRIVATE LIMITED

18-20, Jafferbhoy Industrial Estate, Makwana Road , Marol Naka, Andheri (E), Mumbai – 400059

AUDITOR

***B Durgaprasad Rai***  
***Company Secretary***  
***D-211, Ghatkopar Industrial Estate,***  
***Off: LBS Marg, Ghatkopar West***  
***Mumbai – 400086***

UDIN: A010060E000435331

B. DURGAPRASAD RAI

Company Secretary

To

Adroit Corporate Services Private Limited  
18-20, Jafferbhoy Industrial Estate,  
Makwana Road, Marol Naka,  
Andheri (E), Mumbai- 400059

I, B. Durgaprasad Rai, Practising Company Secretary, have been engaged by M/s Adroit Corporate Services Private Limited ("Adroit"), (Registrar and Transfer Agents), to conduct the Internal Audit of RTA operations pursuant to SEBI Circular SEBI /HO /MIRSD /DOP /1CIR /P/2018/873 dated 20<sup>th</sup> April, 2018. The Audit Report is covering Investor Grievance redressal mechanisms, and compliance with the requirements stipulated in the SEBI Act, Rules and Regulations made thereunder, audit methodology, deficiencies observed and response of the management on the deficiencies.

I have examined the records and documents made available to me and explanations provided by M/s Adroit Corporate Services Private Limited and such other documents / filings as may be relevant which have been relied upon to make this Internal Audit Report for the year ended 31<sup>st</sup> March, 2023, in respect of the compliances with the provisions of

- i) SEBI RTA Regulations, circulars, guidelines issued thereunder, and
- ii) SEBI Circular SEBI/HO/MIRSD/DOP1/CIR/P/2018/873 dated 20<sup>th</sup> April, 2018.

## 1. Background

### 1.1. About Adroit

1.2. Adroit Corporate Services Private Limited (CIN:U67190MH1994PTC079160), is a Private Limited Company incorporated under the Companies Act 1956, having its Registered office at 18-20, Jaferbhoy Industrial Estate , Makwana Road , Marol , Andheri (East), Mumbai – 400059

### Statutory and Regulatory Registrations

Adroit is registered with Securities and Exchange Board of India (SEBI) as Registrars to Issues and Share Transfer Agent in Category I RTA) bearing Registration No. INR000002227 with effect from 1<sup>st</sup> February, 2016. Certificate of Registration granted to Adroit is permanently valid, unless suspended or cancelled by SEBI. Adroit is connected with both depositories i.e. National Securities Depository Limited



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(Depository participant Module – issuer / Registrars ID: IN 200607) and Central Depository services (India) limited (RTA: 171)

### **1.3 RTA Operations**

At present, Adroit provides RTA services through its registered office at Mumbai and a branch at Baroda

Adroit is adequately staffed and all associated persons are certified in accordance with provisions of SEBI (Certification of Associated Persons in Securities Markets) Regulations, 2007, National Institute of Securities Markets ('NISM') Series II-A (Registrars to an Issue and Share Transfer Agent – Corporate Certificate Examination) to carry out RTA operations.

Adroit also has adequately trained personnel who have attended two-day training programme conducted by CDSL as required under Chapter 8 of Operating Instructions for Issuers and Registrar and Transfer Agents issued by CDSL.

Mr.Sadashiva Shetty is the Compliance Officer of Adroit's RTA operations.

## **2. Scope of Audit**

Audit of RTA operations of Adroit covering the following activities:

- a. Infrastructure, Management, employees, compliance officer, etc and their working
- b. Inward/ Data Entry
- c. Mechanism for handling Transfer/ Transmission/ Transposition
- d. Dematerialisation/ Rematerialisation/related functions
- e. Consolidation of Folios/ Share Certificates
- f. Issue of Duplicate Share Certificates
- g. Change in Name/ Deletion of Name
- h. Change in Address
- i. Updation of Specimen Signature
- j. Corporate Actions
- k. General Meetings/ Postal Ballot
- l. Investor Relations/ Grievance
- m. Printing/ Stationery Control



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- n. Outward/ Dispatch/ Returned Undelivered
- o. Record Maintenance/ Destruction
- p. Reconciliation of ISIN Balances
- q. System Areas
- r. Compliance with the requirements of regulations and guidelines pertaining to RTA operations issued by SEBI

### 3. Methodology

To start with the activities performed by Adroit as an RTA, the type of clients being handled and services being provided to the clients, systems, processes, internal control systems followed were understood. Test Checks were performed to check the effectiveness of the controls to prevent errors. Critical activities i.e., Transfer, transmission, Demat, Re-mat, Duplicate issue etc., were identified. The RTA has entered into agreements with all the clients, which are valid till the date of this report

Role of software applications used for processing of transactions were identified. Data request was shared with Adroit.

Documentary evidences supporting the activities carried out as RTA were also verified.

CA Gopal Dave, holding DISA Certificate, issued by the Institute Of Chartered Accountants Of India, has carried out Information System Audit and provided his report to us, based on which we have commented hereinafter on the adequacy of systems adopted by Adroit.

### 4. Sampling

Approximately 25% of the transactions handled during the period were selected for checking to conduct tests that are necessary on the items contained in the sample to arrive at conclusions on the characteristics (attributes) of the whole population.

Samples were reviewed for supporting documents. It has been observed that maker checker concept was properly followed. Due attention was given to ensure that the discrepancies pointed out have been duly rectified / communicated to stakeholders well in time.



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**5. Management's Responsibility**

Management is responsible for establishing and maintaining systems, processes and internal controls commensurate with the size and operations of the organization, to monitor and ensure compliance with applicable laws and ensuring that the systems, processes and internal controls are adequate and operate effectively.

**6. Our Responsibility**

Our responsibility is to audit *inter-alia* these systems, processes and internal controls and express an opinion on their adequacy.

**7. Limitations and Risk**

Although the audit is designed to provide a reasonable assurance on the adequacy of systems and processes adopted, it is not designed and cannot be relied upon to identify all weaknesses in the Company's systems and processes. Considering inherent limitations of an audit, there is an unavoidable risk that even some major deviation may remain undiscovered.

**8. Independence**

We confirm that we have not undertaken any activity which could have even remotely compromised our independence and further confirm that we are not a related party to Adroit.

**9. Summary of Operations**

Adroit has its in-house back-office software which is being used extensively for all RTA related activities.

RTA Operations at Adroit covering investor-initiated activities can be broadly classified into the following three stages:

- A. Inward Stage
- B. Processing Stage
- C. Outward, Dispatch and Storage Stage



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### 9.1. Inward Department

All requests received for processing the transactions are acknowledged and entered in the inward register by the Inward Department before delivering them to the concerned sections. Section 1 of the Inward department, at the reception of office premises which receives and acknowledges all documents lodged personally, by post or courier/hand delivery, and affixes the date stamp on them. Documents received on a day, are sorted and relevant details are captured in an excel file as well as physical register. This excel file is sent through e-mail by Section 1 to Section 2. On the next day, Section 2 collects documents with due authentication and verifies the details on the document with details entered in excel file. Thereafter, the electronic registration of documents takes place. Relevant data of requests received are entered into Adroit's system and an inward number generated through the system is noted on the documents. All documents are then segregated and handed over to concerned sections of the Operations Team for processing.

### 9.2. Signature Verification and Processing

- a. Members of the Operations team are *inter-alia* responsible for verification of signature of investors as appearing on the documents with the specimen signature as available with Adroit. In case, signature does not match or is not available with Adroit, the request is rejected and sent to outward section.
- b. If signature of investor as appearing on the document matches with the signature as available with Adroit, the request is processed further.
- c. Necessary pre-defined verification(s) of documents are carried out in accordance with applicable law based on type of request received i.e. Dematerialisation, Rematerialisation, and Transfer etc.
- d. In case value of transaction exceeds Rs. 2 Lakh, KYC documents are called for verification before processing the request.
- e. Post processing as aforesaid, documents are handed over to Outward Department for dispatch.



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### 9.3. Outward and Dispatch

- a. Outward Department is responsible for dispatch of documents to investors, Depository Participants etc., as may be required. Documents for dispatch are delivered by Adroit to Local post office at MIDC, which provides Bar Coded stickers, on a daily basis, and proof of deliveries of documents given for dispatch the previous day are collected by Adroit.
- b. Outward Department maintains a physical register containing details of documents dispatched.

### 9.4. Stores

Stores Department is responsible for safekeeping of documents as per the regulatory guidelines as well as based on client specific instructions. Documents in the store are categorised as per the name of the company and the type of the document. Further soft copy of the details of the document/information stored, are maintained facilitating timely retrieval documents whenever required.

### 9.5. Corporate Actions

- a. Corporate Actions can either be a non-cash corporate action or a cash corporate action. A non-cash corporate action would be the issue of additional securities in the form of Bonus Issue, Rights issue etc. A cash corporate action would take the form of cash dividend (for equity securities) and interest on debt securities.
- b. Operations Team of Adroit is responsible for handling and processing all Corporate Actions.
- c. Dividend/Interest/Redemption Master file with relevant mandatory details are maintained by the RTA. Relevant SEBI guidelines in respect of payment of dividend/interest, redemption are duly complied with.

#### 9.5.1. Non-Cash Corporate Actions

- a. On receipt of Corporate Action Information Form ('CAF') along with relevant documents from issuers, it carries out verification(s) as may be required and sets up



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Auto Corporate Action ('ACA') or Files Corporate Action on the system of depositories, as may be applicable.

- b. Post processing of Corporate Action as aforesaid, NSDL's and CDSL's system generates a report giving details of success/ failure of the Corporate Action executed. In case of failure, necessary rectifications are made and re-submitted on the system of depositories.
- c. Physical allotments may also be made in cases where electronic credits have failed. Fractional allotments, if any, which are settled in cash are handled outside the system of depositories.

#### **9.5.2. Cash Corporate Actions**

- a. On receipt of intimation regarding a cash corporate action from issuers, it sets up the action in the system of depositories.
- b. Beneficiary positions ('Benpos') as on the record date are downloaded from the system of depositories by Adroit, based on which Operations Team prepares the Dividend/ Interest Register.
- c. The said Register is then shared with the clients as per the procedure prescribed by the banks, for their approval and subsequently with their bankers for effecting necessary payments.
- d. Dividend/ Interest warrants, as may be applicable are also printed by Adroit.
- e. Necessary steps as per applicable law in cases of rejection of remittance of dividend/ interest in electronic mode, dividend/ interest warrants returned undelivered are taken by Adroit.

#### **9.6. Re-validation/ Re-issue of warrants**

- a. On receipt of a request for re-validation of dividend/ interest warrant, operations team carries out necessary pre-defined verification(s) and forwards the same to Client Company for re-validation or, if authorized, revalidates the same.





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- b. On receipt of a request for re-issue of demand draft for dividend/ interest, operations team after pre-defined verification(s), informs the dividend/ interest bankers to mark stop payment of the lost DD, on their register, and forwards the request to the client company, which in turn advises the banker to make ECS payment.

**9.7. General Meetings/ Postal Ballot**

- a. On receipt of intimation regarding a General Meeting/ Postal Ballot from issuers, RTA sets up the action in the system of depositories.
- b. Benpos as on the record date is downloaded from the system of depositories by Adroit, based on which, notices are dispatched to shareholders/ their eligibility to vote at the meeting/ postal ballot is determined.
- c. In case of remote e-voting being provided by the issuer, RTA sets up the e-voting schedule on the platform of the remote e-voting agency.
- d. In case of General Meetings, RTA verifies and records attendance of shareholders attending the meeting.
- e. In case of Postal Ballot, RTA receives the postal ballot forms from shareholders on behalf of the scrutinizer and processes it by carrying out pre-defined verifications.
- f. On completion of the meeting/ Postal Ballot, RTA provides the voting results to the issuer in the prescribed format.

**9.8. Investor Relations/ Grievance**

- a. Letters from investors are inwards and necessary verifications are carried out to ensure that the letter is genuine before responding to it.
- b. Grievances received are recorded in a separate register maintained for the purpose.
- c. Quarterly grievance report as required to be filed with depositories are filed by Operations Team.



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**9.9. Reconciliation of ISIN Balances**

- a. Operations Team of Adroit is responsible for carrying out reconciliation of ISIN balances which is done through its back-office software.
- b. Reconciliation register is maintained by Adroit in the prescribed format and reconciliation of ISIN balances is carried out on a daily basis as required under the applicable law.

**10. Summary of Systems**

- a. The database is hosted on Windows 2008 R2 with Oracle 11g.
- b. Application and AD server are running on Windows 2012 R2.
- c. User have desktop which runs windows operating system
- d. Kaspersky end point security is used for virus protection and blocking of removable media.
- e. Kaspersky Antivirus Console is installed on Windows 2012 R2 Server.
- f. System is maintained by in-house engineers

**11. Data Back-up and Storage system**

- a. DB backup is scheduled for daily, weekly and fortnightly, at remote location. For Applications back up is taken on version release.
- b. Back up, Procedures are documented
- c. Back up media is stored safely in line with the risk involved with tested recovery procedures in place.
- d. Back up net work link is available in case of failure of the primary link.

**Risk Management including Business Continuity**

- a. Business Continuity Planning and Disaster Recovery Procedures are in place and documented.
- b. As a safety measure backed up media is transferred to remote site at Fort Office.



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- c. Escalation matrix is documented in Policy with contact person name and numbers.
- d. Active Directory Domain Controller schemas are replicated on Additional domain controller within the premise.
- e. Server Room (DC) is equipped with Dual online UPS with 2 hours of power backup. Smoke Detectors with alarm systems are installed. One Fire Extinguisher is placed inside the server room and one outside the server room near the entrance for easy access.
- f. Provisions are made for backup, for infrastructure break down like electricity failure, air conditioning failure.
- g. Provisions are made for alternate physical location of employees in case of non-availability of the primary site.
- h. Mission –critical systems have been identified and provision for back up for such system has been made
- i. In case of systems/processes failure, provisions are made for replacement of system within two hours.
- j. Firewall is implemented and anti virus softwares are installed.
- k. Database is hosted on a secure platform and security is ensured by restricting access to only authorised users
- l. Tracking system in the software installed to identify the users making entries in the database. Further every user does not have rights to all the options to edit any records. It is given only to specific users.
- m. Physical security system is installed for hardware and software systems.

### 13. Summary of Audit

#### 13.1. Process and Transaction Audit

Standard Operating Procedures adopted by the RTA were verified to ascertain whether the said processes are in confirmation with regulatory requirements as prescribed in:



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- a. Bye-laws of the Depositories i.e. NSDL and CDSL;
- b. Relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- c. Relevant provisions of the Companies Act, 2013, as amended from time to time.
- d. Relevant circulars/ guidelines etc., issued there under.

RTA operations at ADROIT which can be broadly classified into three stages i.e. inward stage, processing stage, outward, dispatch and storage

A detailed understanding of the processes followed, control points as well as an opportunity to identify weaknesses. Samples for each type of activity were selected and reviewed as per the sampling methods stated in Para 05 hereinbefore.

#### **14. Size of Operations and Transactions Audited**

As on 31<sup>st</sup> March, 2023, Adroit was providing RTA services to 150 listed entities and 321 unlisted entities. Adroit does not provide services to Asset Management Companies of Mutual Funds.

Approximately 25% of transactions in each activity were examined for the purpose of validating the processes.

As informed by Adroit:

- a. All listed entities are compliant with the requirement of maintaining single point connectivity as required by SEBI.

#### **15. Findings and Recommendations**

##### **15.1. Schedule of Findings**

###### **01. Rematerialisation requests**

We did not observe any delay in processing rematerialisation requests.

###### **02. Dematerialisation requests**

We did not observe any delay in processing dematerialisation requests. However, no separate register of destroyed certificates is maintained. It was informed to us, If required can extract the required details from their system.



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**03. Rejection of Rematerialisation requests:**

Rejections were made for proper reasons. In the samples checked there was an instance wherein rejection letter was dispatched on the 8th day after of confirmation of rejection.

**04. Inward Date Stamping;**

All documents received are stamped with inward date stamps

**05. Policy and Control on Stationery**

The RTA has Policy and maintains control on Stationery including blank certificates, dividend/interest/redemption warrants as required under said SEBI Circular.

**06. Reconciliation of unpaid and paid instruments**

Adroit should ensure quarterly reconciliation of paid and unpaid instruments of dividend/interest/redemption after the expiry of the validity period till the transfer of funds to Investor Education and Protection Fund as instructed by SEBI vide its circular no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018.

**07. Data on Unpaid Instruments/Folios Without PAN/Bank Details etc**

Details of Dividend warrants/interest warrants remaining unpaid for more than 3 years, folios not updated with PAN and bank details, Unclaimed suspense account, IEPF suspense account should be shared with the issuer companies at the end of every quarter as instructed by SEBI vide its circular referred above.

**08 System Based Alerts for processing where enhanced due diligence is required.**

System based alert has not yet been implemented for transaction in folios in which PAN/ Bank details are not available.

**Opinion**

Based on the review of processes/ systems of Adroit and documents provided to us, to the best of our information and knowledge and according to the explanations provided by Adroit, its officers and authorized representatives, and the report provided to us by CA Gopal Dave, DISA, we are of the opinion that the overall processes followed and systems adopted by Adroit for



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- a. RTA operations including investor grievance redressal mechanism; and
- b. Compliance with requirements stipulated in SEBI Act, 1992, rules and regulations made thereunder and guidelines/ circulars issued by SEBI from time to time are adequate and commensurate with its size and operations.



**B Durgaprasad Rai**  
**Practising Company Secretary**  
**ACS 10060**  
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**Mumbai**

**Date 31<sup>st</sup> May, 2023.**