

**Report on Internal Audit of  
RTA Operations  
of  
Bigshare Services Private  
Limited**

**April, 2018 to March, 2019**

**S. N. ANANTHASUBRAMANIAN & CO.**

*COMPANY SECRETARIES*

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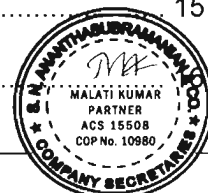
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24<sup>th</sup> June, 2019

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**TABLE OF CONTENTS**

|  |    |
|--|----|
| 1. Executive Summary.....                        | 3  |
| 1.1. Summary and Opinion.....                    | 3  |
| 1.1.1. Scope of Audit.....                       | 3  |
| 1.1.2. Objective of Audit.....                   | 3  |
| 1.1.3. Opinion.....                              | 3  |
| 1.2. Schedule of Findings.....                   | 4  |
| 1.3. Schedule of Recommendations.....            | 5  |
| 2. Background.....                               | 9  |
| 2.1. About BSPL.....                             | 9  |
| 2.2. Statutory and Regulatory Registrations..... | 9  |
| 2.3. RTA Operations.....                         | 9  |
| 2.4. Requirement of Audit.....                   | 10 |
| 3. Scope of Audit.....                           | 10 |
| 4. Nature and Extent of Work.....                | 11 |
| 5. Methodology.....                              | 11 |
| 6. Sampling.....                                 | 11 |
| 7. Management's Responsibility.....              | 12 |
| 8. Our Responsibility.....                       | 12 |
| 9. Limitations and Risk.....                     | 12 |
| 10. Independence.....                            | 12 |
| 11. Summary of Operations.....                   | 12 |
| 11.1. Inward Department.....                     | 14 |
| 11.2. Signature Verification and Processing..... | 15 |
| 11.3. Outward and Dispatch.....                  |    |



**S. N. ANANTHASUBRAMANIAN & CO.**  
**COMPANY SECRETARIES**

|         |  |    |
|---------|--|----|
| 11.4.   | Stores/ Godown .....   | 16 |
| 11.5.   | Corporate Actions .....  | 16 |
| 11.5.1. | Non-Cash Corporate Actions .....   | 16 |
| 11.5.2. | Cash Corporate Actions.....  | 17 |
| 11.6.   | Re-validation/ Re-issue of warrants.....   | 17 |
| 11.7.   | General Meetings/ Postal Ballot .....  | 18 |
| 11.8.   | Investor Relations/ Grievance .....  | 18 |
| 11.9.   | Reconciliation of ISIN Balances .....  | 19 |
| 12.     | Data Back-up and Storage.....  | 19 |
| 13.     | Risk Management including Business Continuity .....                                | 19 |
| 14.     | Summary of Systems.....  | 20 |
| 15.     | Summary of Audit .....   | 20 |
| 15.1.   | Process and Transaction Audit.....   | 20 |
| 15.2.   | System Audit.....  | 21 |
| 16.     | Size of Operations and Transactions Audited .....                                  | 21 |
| 17.     | Findings and Recommendations.....  | 23 |
| 17.1.   | Detailed Schedule of Findings along with Management's Response .....               | 23 |
| 17.2.   | Detailed Schedule of Recommendations along with Management's Response .            | 26 |
| 18.     | Opinion .....  | 32 |
|         | Annexure – A: Process Flow of Activities .....                                     | 33 |
|         | Annexure – B: Single Point Connectivity and DN Database Non-Compliant Clients..... | 34 |



**S. N. ANANTHASUBRAMANIAN & CO.  
COMPANY SECRETARIES**

**1. Executive Summary**

**1.1. Summary and Opinion**

We have been appointed by Bigshare Services Private Limited ('BSPL') on 05<sup>th</sup> April, 2019, to conduct an Internal Audit of RTA Operations for the Financial Year 2018-19 in terms of Circular No. SEBI/ HO/ MIRSD/ DOP1/CIR/ P/2018/73 issued by Securities and Exchange Board of India ('SEBI') on 20<sup>th</sup> April, 2018.

Audit was conducted in terms of our proposal-cum-engagement letter dated 23<sup>rd</sup> March, 2019 and comprised of a review of records maintained, processes followed by BSPL and verification of its systems having regard to the requirements of the said SEBI Circular.

**1.1.1. Scope of Audit**

Scope of our audit was to review of all aspects of RTA operations including investor grievance redressal mechanism and compliance with requirements stipulated in the Securities and Exchange Board of India Act, 1992, rules and regulations made thereunder and guidelines/ circulars issued by SEBI from time to time.

Audit was carried out in two parts viz. Process and Transaction Audit and Information System Audit. System Audit was carried by Mr. Dhiren Mehta, a Certified Information Systems Auditor (CISA Registration No. 12100843) who has provided his report to us, based on which we have commented hereinafter on the adequacy of systems adopted by BSPL.

**1.1.2. Objective of Audit**

Objective of our audit is to express an opinion on the adequacy of processes followed and systems adopted by BSPL for compliance with the requirements of regulations and guidelines pertaining to RTA operations issued by SEBI.

**1.1.3. Opinion**

Based on the review of processes/ systems of BSPL and documents provided to us, subject to the detailed analysis as set out in our report, to the best of our information and knowledge and according to the explanations provided



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BSPL, its officers and authorized representatives, and the report provided to us by Mr. Dhiren Mehta, CISA, we are of the opinion that the overall processes followed and systems adopted by BSPL for

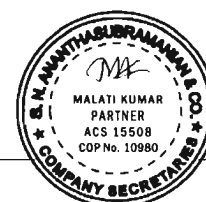
- a. RTA operations including investor grievance redressal mechanism; and
- b. compliance with requirements stipulated in SEBI Act, 1992, rules and regulations made thereunder and guidelines/ circulars issued by SEBI from time to time

are adequate and commensurate with its size and operations.

**1.2. Schedule of Findings**

| <b>Sr. No.</b> | <b>Findings</b>  | <b>Category</b>       | <b>Risk Rating</b> |
|----------------|--|-----------------------|--------------------|
| 01             | Delay in processing Rematerialisation requests.  | Operational           | Low                |
| 02             | Transaction based 'Maker-Checker' concept/ process is not fully in place.  | Policy/<br>Procedural | High               |
| 03             | History of all transactions are not linked to the respective folio.  | Policy/<br>System     | Low                |
| 04             | Reconciliation of paid/ unpaid details of Dividend/ Interest/ Redemption is carried out on a monthly basis as compared to the requirement of inter-alia carrying it out on fortnightly basis during the initial validity period of the instrument. | Policy/<br>Procedural | Medium             |
| 05             | RTA updates/ corrects folio records through back-end entry for one particular client Company only, whose master data as received from previous RTA was not updated.  | Compliance            | Medium             |

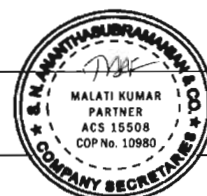
Refer Para 17.1 hereinafter for detailed schedule of findings and Management's response.



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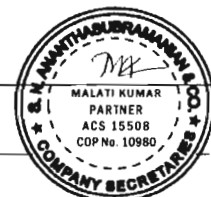
**1.3. Schedule of Recommendations**

| <b>Sr. No.</b>                                   | <b>Procedure Followed</b>   | <b>Recommendations</b>   | <b>Category</b>       |
|--|---|--|-----------------------|
| <b>A Dividend/ Interest/ Redemption</b>          |   |  |                       |
| 01   | Master file for Dividend/ Interest/ Redemption payment is shared with clients through unsecured method.   | BSPL should adopt a secured file sharing method with clients or as directed by clients.  | Policy/<br>Procedural |
| <b>B Movement of Physical Documents Received</b> |   |  |                       |
| 02   | Handing over of documents by one department/ team to another while processing is generally done by creating a memo and obtaining acknowledgement of the team receiving documents except in case of movement of documents from section one of inward department to section two of the said department. | Memo to be created for movement of document from section one of Inward Department to section two of the said department to enable tracking of documents received by section one and that forwarded to section two. | Policy/<br>Procedural |
| <b>C Stationery Control</b>                      |   |  |                       |
| 03   | BSPL maintains a physical register for recording use of blank stationery (certificates, warrants etc) received from clients. However, details of receipt of stationery are not captured in the said register, only details of usage are captured.   | Details of receipt of blank stationery from clients should also be recorded in the register to enable reconciliation with physical stock.  | Policy/<br>Procedural |



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| Sr. No.  | Procedure Followed   | Recommendations   | Category              |
|----------|--|---|-----------------------|
| <b>D</b> | <b>Standard Operating Procedure Manual</b>   |   |                       |
| 04       | -  | Standard Operating Procedure Manual to be updated in the light of recent changes in law.  | Policy/<br>Procedural |
| <b>E</b> | <b>IT Security Incident Policy</b>   |   |                       |
| 05       | IT Security Incident Policy is not defined.  | It is advisable to define the policy in detail with escalation matrix and has to be circulated in all departments.  | Policy                |
| <b>F</b> | <b>Storage Media</b>   |   |                       |
| 06       | Storage media is scrapped along with the hardware.   | It is advisable to always break the hard disk/ storage media before scrapping the machine so that there are no chances left for data to be recovered/ stolen.   | Policy/<br>Procedural |
| <b>G</b> | <b>UPS</b>   |   |                       |
| 07       | One dedicated UPS for server room is installed with 30 minutes of power backup.  | It is advisable to implement dual online UPS in case of failure and consistent backup.  | Policy                |
| <b>H</b> | <b>Wireless Network</b>  |   |                       |
| 08       | Decentralised Wireless network is used and appropriate security measures are not taken to prohibit an unknown person to connect to wireless network. | WiFi network should be restricted to authenticated devices/users based on MAC authentication. Wireless management controller device should be deployed to monitor, Allow and Block the wireless clients/ devices. | Policy                |



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| Sr. No.  | Procedure Followed  | Recommendations   | Category |
|----------|---|---|----------|
| <b>I</b> | <b>Backup of Active Directory Server</b>  |   |          |
| 09       | Backup of Active Directory Server are not taken.  | The company needs to formulate regular backup strategy for the AD server.   | Policy   |
| <b>J</b> | <b>Operating System</b>   |   |          |
| 10       | Windows XP OS is installed on few PCs where printouts are taken.  | As Microsoft has stopped supporting patches and updates for Windows XP OS, these systems are more vulnerable to attacks and hence the OS should be upgraded to supported version. | System   |
| <b>K</b> | <b>Antivirus Software</b>   |   |          |
| 11       | Antivirus software is not deployed on systems on which print jobs are done. It is also observed that the antivirus software is not protected and can be disabled without any password authentication thereby allowing use of removable media through USB. | It is advised to install antivirus on such systems as well and passwords to be put in place.  | Policy   |
| <b>L</b> | <b>Admin Rights</b>   |   |          |
| 12       | All HoD's and software developers are assigned admin rights on system. Admin users can change system settings, install non-compliance softwares and have privilege access to domain computers. There is nothing to prevent                                | It is advised to devise a mechanism to prevent them from intentionally or unintentionally using unlicensed software.  | System   |

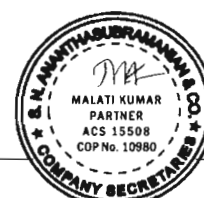




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**COMPANY SECRETARIES**

| Sr. No.  | Procedure Followed  | Recommendations   | Category |
|----------|---|---|----------|
|          | them from intentionally or unintentionally using unlicensed software.   |   |          |
| <b>M</b> | <b>Storage Device</b>   |   |          |
| 13       | Storage device is place in IT room on a desk, thereby having physical access. Any user can intentionally / unintentionally power off the device or remove the cables. | It is advised to place the device at certain height in proper enclosure where it should not be easily accessible.                                   | Policy   |
| <b>N</b> | <b>Security</b>   |   |          |
| 14       | -   | Smoke Detectors with alarm system to be implemented. Fire Extinguishers should be placed outside the server room near the entrance for easy access. | Security |

Refer Para 17.2 hereinafter for detailed schedule of recommendations and Management's response.



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COMPANY SECRETARIES**

**2. Background**

**2.1. About BSPL**

Bigshare Services Private Limited ('BSPL') is a Private Limited Company incorporated under the provisions of the Companies Act, 1956 bearing CIN: U99999MH1994PTC076534 and having its Registered Office at E-3 Ansa Industrial Estate, Saki Vihar Road, Sakinaka, Mumbai – 400072 and Corporate Office at 1<sup>st</sup> Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri East, Mumbai – 400 059.

**2.2. Statutory and Regulatory Registrations**

BSPL is registered with Securities and Exchange Board of India ('SEBI') as Registrars to an Issue and Share Transfer Agent in Category I ('RTA') bearing Registration No. INR000001385 with effect from 09<sup>th</sup> April, 2013.

Certificate of Registration granted to BSPL is permanently valid, unless suspended or cancelled by SEBI.

BSPL is connected with both depositories i.e. National Securities Depository Limited (Depository Participant Module – Issuers/ Registrars ID: IN200117) and Central Depository Services (India) Limited (RTA ID: 110).

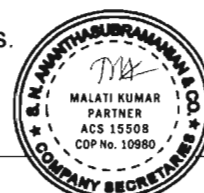
**2.3. RTA Operations**

At present, BSPL provides RTA services through its registered office at Mumbai and branches at Ahmedabad, Hyderabad and New Delhi.

BSPL 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.

BSPL 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. Ashok Shetty is the Compliance Officer of BSPL's RTA operations.



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COMPANY SECRETARIES**

**2.4. Requirement of Audit**

In terms of Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 issued by Securities and Exchange Board of India ('SEBI') on 20<sup>th</sup> April, 2018, BSPL has appointed us on 05<sup>th</sup> April, 2019 to conduct an internal audit of all aspects of its RTA operations including investor grievance redressal mechanism and compliance with requirements stipulated in the Securities and Exchange Board of India Act, 1992, rules and regulations made thereunder and guidelines/ circulars issued by SEBI from time to time for the period 01<sup>st</sup> April, 2018 to 31<sup>st</sup> March, 2019 ('review period').

**3. Scope of Audit**

Audit of RTA operations of BSPL covering the following activities:

- a. Inward/ Data Entry
- b. Transfer/ Transmission/ Transposition
- c. Dematerialisation/ Rematerialisation
- d. Consolidation of Folios/ Share Certificates
- e. Issue of Duplicate Share Certificates
- f. Change in Name/ Deletion of Name
- g. Change in Address
- h. Updation of Signature
- i. Corporate Actions
- j. General Meetings/ Postal Ballot
- k. Investor Relations/ Grievance
- l. Printing/ Stationery Control
- m. Outward/ Dispatch/ Returned Undelivered
- n. Record Maintenance/ Destruction
- o. Reconciliation of ISIN Balances
- p. System Areas
- q. Compliance with the requirements of regulations and guidelines pertaining to RTA operations issued by SEBI



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**4. Nature and Extent of Work**

In order to ensure the judicious use of limited resources, it is imperative that audit activities are properly planned. The Audit Strategy aims at providing the widest possible coverage of the entity over the review period so as to exercise the best possible judgment on the operating procedures within the scope of the audit.

The strategy was devised to identify the audit universe i.e. all areas of the entity which were grouped into units of auditable areas based on the Organizational/ Programme Structure. The auditable areas were of such a size and scope that an audit could be practically conducted within a reasonable timeframe and also produce meaningful findings.

**5. Methodology**

Our audit included obtaining an understanding of the entity and its environment including systems, processes and internal controls. Tests of controls were performed to check the effectiveness of certain controls that we considered relevant to prevent errors.

Our procedure also included verification of documentary evidence supporting the activities carried out as RTA and the extent of such procedures varied according to our assessment of systems and processes and internal controls.

In order to conduct the audit, we divided the audit into two parts viz. Process and Transaction Audit and System Audit.

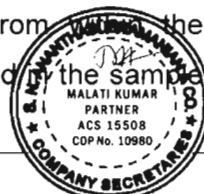
Mr. Dhiren Mehta, a Certified Information Systems Auditor (CISA) has carried out Information System Audit and provided his report to us, based on which we have commented hereinafter on the adequacy of systems adopted by BSPL.

Process and Transaction Audit was further divided into parts based on the type/ nature of activity.

Audit was planned in a manner that ensured qualitative audit is carried out in an efficient, effective and timely manner.

**6. Sampling**

It is rarely feasible to test every item within an entire population because of prohibitive costs and the time required. Instead, sample items are selected from the population to conduct such tests as are necessary on the items contained



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**COMPANY SECRETARIES**

to make conclusions about or determine the parameters and characteristics (attributes) of the whole population.

The objective of sampling is to gather data based on tests of a limited number of people, things, processes, transactions, documents, etc. that represent the larger group or population. In order to serve a useful purpose, sampling needs to be properly planned to ensure that the sample in fact represents the population that is the subject of the audit.

We used a combination of stratified sampling and random sampling methods to select items from within the population for our audit.

**7. 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.

**8. Our Responsibility**

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

**9. Limitations and Risk**

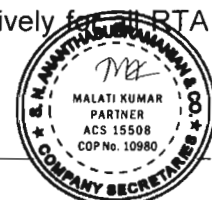
Although the audit is designed to provide a reasonable assurance on the adequacy of systems and processes adopted, it is not designed and cannot be relied upon to identify all weaknesses in the Company's systems and processes. Considering inherent limitations of an audit, there is an unavoidable risk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

**10. Independence**

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

**11. Summary of Operations**

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

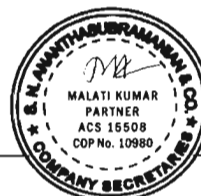
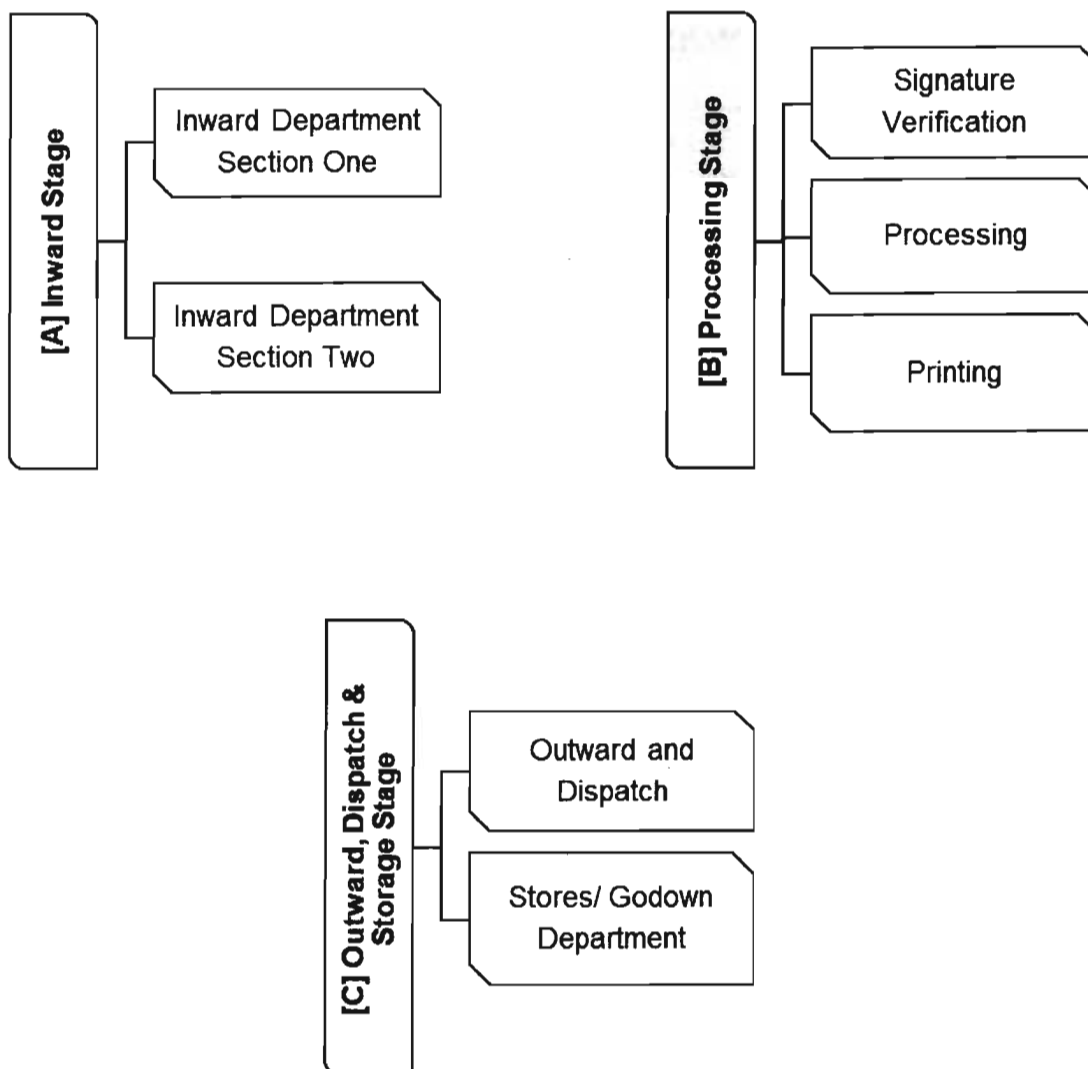


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RTA Operations at BSPL covering investor-initiated activities can be broadly classified into the following three stages:

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

Activities of BSPL involved at each of the aforesaid three stages are as follows:



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A graphical representation depicting the process flow of activities is enclosed as **Annexure – A.**

**11.1. Inward Department**

- a. Inward Department is responsible for inwarding of all documents received by BSPL.
- b. Inward Department is divided into two sections:
  - ❖ Section 1 is at the reception of office premises which receives all documents lodged personally, by post or courier and provides acknowledgement of receipt to the concerned.
  - ❖ Section 2 of the department collects all documents from section one for further action(s).
- c. On receipt of document by Section 1, date stamp is affixed and a lot is created and kept aside.
- d. All documents received by Section 1 are collected by Section 2.
- e. Section 2 then enters details of all documents collected in a physical register maintained for the purpose. The details captured are in respect of client name, name of investor, type of request/ transaction, mode of receipt etc.
- f. Thereafter all documents are handed over to scanning section. Each and every document is scanned and a system generated image number is allotted for identification.
- g. Thereafter the electronic registration of documents takes place. Relevant data of requests received are entered into BSPL's system and an inward number generated through the system is noted on the documents. Inward numbers have pre-defined prefixes which enables quick identification of the type of request. For instance, prefix DX means dematerialisation request through NSDL, prefix DW means dematerialisation request through CDSL etc.
- h. Scanned images are then linked to the inward number through the system.



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- i. All documents are then segregated and handed over to concerned sections of the Operations Team for processing.

Turn Around Time (TAT) for inward process is 2 working days from the date of receipt of the document.

**11.2. Signature Verification and Processing**

- a. BSPL's system is built in such a way that signature of investors can be viewed in the system only by authorized personnel and that too only when a request has been inwarded against the folio of investor. In other words, authorized personnel cannot view signature of investor as and when they want, in case of exceptions, it is to be routed through IT department which then grants access on case to case basis.
- b. Members of the Operations team are *inter-alia* responsible for verification of signature of investors as appearing on the documents with signature as available with BSPL.
- c. If signature of investor as appearing on the document matches with the signature as available with BSPL, the request is processed further.
- d. 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, Transfer etc.
- e. In case signature does not match or is not available with BSPL, the request is rejected and sent to outward section.

TAT for signature verification process is the same day as the day of receipt of the document by Operations team.

- f. In case value of transaction exceeds Rs. 2 Lakh, in-person verification is carried out before processing the request.
- g. Post, processing as aforesaid, documents are handed over to Outward Department for dispatch.





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**11.3. Outward and Dispatch**

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

**11.4. Stores/ Godown**

- a. Stores/ Godown Department is responsible for safekeeping of documents as per regulatory guidelines as well as based on client specific instructions.

Apart from the activities carried out by departments as aforesaid, other activities are as follows:

**11.5. Corporate Actions**

- a. Corporate Actions can either be a non-cash corporate action or a cash corporate action. A cash corporate action would take the form of cash dividend (for equity securities) and interest on debt securities. A non-cash corporate action would be the issue of additional securities in the form of Bonus Issue, Rights issue etc.
- b. Operations Team of BSPL is responsible for handling and processing all Corporate Actions.

**11.5.1. 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



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**COMPANY SECRETARIES**

required and sets up 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.

**11.5.2. 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 BSPL, based on which Electronic Data Processing ('EDP') Team prepares the Dividend/ Interest Register.
- c. The said Register is then shared with the clients for their approval and subsequently with their bankers for effecting necessary payments.
- d. Dividend/ Interest warrants, as may be applicable are also printed by BSPL.
- 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 BSPL.

**11.6. 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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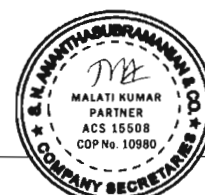
- b. On receipt of a request for re-issue of dividend/ interest warrant, operations team carries out necessary pre-defined verification(s) and informs the dividend/ interest bankers to mark stop payment on original warrant. Subsequent to obtaining confirmation from dividend/ interest bankers about stop on original warrant, RTA arranges to re-issue the warrant.

**11.7. 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 BSPL, 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.

**11.8. Investor Relations/ Grievance**

- a. Operations team of BSPL is responsible for processing all correspondence/ grievance received from investors including maintaining overall relations.
- b. Letters from investors are inwarded and necessary verifications are carried out to ensure that the letter is genuine before responding to it.
- c. Grievances received are recorded in a separate register maintained for the purpose in electronic form.



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- d. Quarterly grievance report as required to be filed with depositories are filed by Operations Team.

**11.9. Reconciliation of ISIN Balances**

- a. Reconciliation of International Securities Identification Number ('ISIN') Balances are of utmost importance as RTA maintains the record of share capital of the issuer and movement therein.
- b. EDP Team of BSPL is responsible for carrying out reconciliation of ISIN balances which is done through its back-office software.
- c. Reconciliation register is maintained by BSPL in the prescribed format and reconciliation of ISIN balances is carried out on a daily basis as required under the applicable law.

**12. Data Back-up and Storage**

- a. Database gets backed up automatically on daily basis at the Disaster Recovery Site (DR Site) hosted with Net Magic. Additionally, the SQL data is synced automatically every 3 hours, with another SQL instance on different server which is on premise.
- b. Manual backups of Database are taken on NAS and then on portable media on daily basis.
- c. BTAS application (in-house Application) backup is done on NAS and Data Centre (DC) manually on weekly basis.

**13. Risk Management including Business Continuity**

- a. Business Continuity Planning process is documented. As a safety measure back up devices are kept in safe custody at MD residence.
- b. IT Security Incident Policy is not defined.
- c. Storage media is scrapped along with the hardware.
- d. 2 alternate numbers of back-up media are used; however, period of usage has not been specified.
- e. Backup of domain controller (AD) is not taken.



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- f. Only one dedicated UPS for server room is installed with 30 minutes of power backup.

**14. Summary of Systems**

- a. The database server is running on Windows 2008 R2 with SQL 2008 Enterprise Edition.
- b. Application and AD server is running on Windows 2008 R2.
- c. Systems are covered under AMC with Net Tech Lab and database support is taken from Choice Tech
- d. There are 72 Users, 96 Systems and 06 (04 Internal and 02 Remote) Servers.
- e. Kaspersky Antivirus Console is installed on Windows 2008 R2 Server.

**15. Summary of Audit**

**15.1. Process and Transaction Audit**

To begin with, we reviewed the Standard Operating Procedures adopted by BSPL and interacted with officials from all departments as described hereinbefore including senior officials involved in RTA operations in order to understand the respective processes followed and also to verify whether the said processes are in confirmation with regulatory requirements as prescribed in:

- 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.

During the course of audit, walkthrough was performed of RTA operations at BSPL which can be broadly classified into three stages i.e. inward stage, processing stage, outward, dispatch and storage stage. Walkthrough provides a detailed understanding of the processes followed, control points as well as an opportunity to identify



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weaknesses. Walkthroughs are not just advantageous but foundational to the audit process.

Post the walkthrough, samples for each type of activity were selected and reviewed as per the sampling methods stated in Para 06 hereinbefore.

Details of number of samples examined are provided in Para 16 hereinafter.

**15.2. System Audit**

- a. Preliminary review phase – which covers an initial review of the functional areas such as Application development, Implementation, Transfer of information, System Management, Logical/ Physical Security, Human Resources Management, etc. through interviews and feedbacks from concerned personnel towards understanding the operations of Bigshare.
- b. Detailed review phase – which covers gaining an in-depth understanding of the controls and systems and also gain further insight in to the organisation and management controls.
- c. Compliance testing phase – in order to determine whether or not the system of internal controls operate as it is purported to operate. The existence and the reliability of the said controls are verified.
- d. Compensating controls, such as user testing – to ascertain the effectiveness of the controls which specific users might be exercising in order to compensate the system of internal controls.

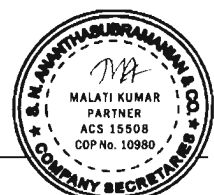
**16. Size of Operations and Transactions Audited**

As on 31<sup>st</sup> March, 2019, BSPL was providing RTA services to 675 listed entities.

As informed by BSPL, it does not provide services to Asset Management Companies of Mutual Funds.

A representative sample in the range of 05 to 20 transactions per activity was examined for the purpose of validating the processes.

We have relied on the audit reports of Depository Operations viz., Dematerialisation, Rematerialisation, Corporate Actions, Investor Grievances and Reconciliation of ISIN



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Balances for the half-year ended 30<sup>th</sup> September, 2018 and 31<sup>st</sup> March, 2019 issued by  
CS Umesh P. Maskeri, Practising Company Secretary.

As informed by BSPL:

- a. All listed entities except 12 entities as listed in **Annexure – B** are compliant with the requirement of maintaining single point connectivity as required by SEBI;
- b. Distinctive Number database in respect of all physical share capital and overall DN range for dematerialised share capital is created/ updated for all listed entities except 12 entities as listed in **Annexure – B**.



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**17. Findings and Recommendations**

**17.1. Detailed Schedule of Findings along with Management's Response**

CDSL in its inspection report for the period 01<sup>st</sup> March, 2018 to 28<sup>th</sup> February, 2019, observed as under:

**01. Delay in processing Rematerialisation requests**

09 cases of delay in processing rematerialisation requests, processing time for requests were in the range of 38 days to 85 days as against the requirement of processing within 30 days.

BSPL has informed CDSL that delays were caused due to late receipt of approval, pre-printed stationery etc., from clients.

| <b>02. 'Maker-Checker' concept/ process</b>                               |  |                    |
|---|--|--------------------|
| <b>Observation</b>  | <b>Management's Response</b>   | <b>Risk Rating</b> |
| Transaction based 'Maker-Checker' concept/ process is not fully in place. | <p>Multiple layers of Maker-Checker process are in place physically as well as electronically. Appropriate check list has been attached to all the transactions.</p> <p>In the computer system, inward process will be first level of maker, processors of data will be first level of checker and approval given by another authorized person will be final checker of respective transaction.</p> <p>Physical check sheet will be checked &amp; signed by three authorities.</p> | High               |



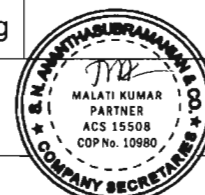


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| <b>03. History of all transactions in a folio</b>                   |  |                    |
|---|--|--------------------|
| <b>Observation</b>  | <b>Management's Response</b>   | <b>Risk Rating</b> |
| History of all transactions are not linked to the respective folio. | Historic transactions are linked to dashboard folio query (since 2014) and this is line with April 20, 2018 circular. All the transactions related to period from 2008 to 2014 are available in B-TAS system under different query module. | Low                |

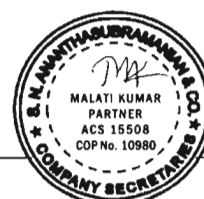
| <b>04. Reconciliation of paid/ unpaid details</b>  |   |                    |
|--|---|--------------------|
| <b>Observation</b>   | <b>Management's Response</b>  | <b>Risk Rating</b> |
| Reconciliation of paid/ unpaid details of Dividend/ Interest/ Redemption is carried out on a monthly basis as compared to the requirement of inter-alia carrying it out on fortnightly basis during the initial validity period of the instrument. | Dividend Banks are sharing the data on a monthly basis during the validity period hence paid/unpaid status updated in a system on a monthly cycle. We will take up the matter with issuers to advise respective dividend banks to provide the data within the stipulated time period. | Medium             |

| <b>05. Back-end Updation/ Correction</b>  |  |                    |
|---|--|--------------------|
| <b>Observation</b>  | <b>Management's Response</b>   | <b>Risk Rating</b> |
| RTA updates/ corrects folio records through back-end entry for one particular client Company only, whose master data as received from previous RTA was not updated. | Updations for all other clients are being made through front end only. For one particular client Company, unless back-end corrections are made, no activity can be processed as the master data is not updated. Due to shareholders data being | Medium             |



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| <b>05. Back-end Updation/ Correction</b> |  |                    |
|--|--|--------------------|
| <b>Observation</b>                       | <b>Management's Response</b>   | <b>Risk Rating</b> |
|  | sensitive in nature and in order to avoid any sort of unpleasant transactions management decided to carry out such type of modifications through back end by a senior person based on necessary approval from the said client Company. |                    |

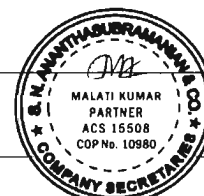


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**17.2. Detailed Schedule of Recommendations along with Management's Response**

| <b>A. Dividend/ Interest/ Redemption</b>  |   |   |
|---|---|---|
| <b>Procedure Followed</b>   | <b>Recommendation</b>   | <b>Management's Response</b>  |
| Master file for Dividend/ Interest/ Redemption payment is shared with clients through unsecured method. | BSPL should adopt a secured file sharing method with clients or as directed by clients. | We have implemented Secure File Transfer Protocol (SFTP) with couple of dividend banks and many banks are still not geared up for implementation of the same.<br><br>We will be implementing the secured (Pass Word Protected) mode of transfer of files with Issuer/clients in current financial year. |

| <b>B. Movement of Physical Documents Received</b>   |  |  |
|---|--|--|
| <b>Procedure Followed</b>   | <b>Recommendation</b>  | <b>Management's Response</b>   |
| Handing over of documents by one department/ team to another while processing is generally done by creating a memo and obtaining acknowledgement of the team receiving documents except in case of movement of documents from Section 1 of inward department to Section | Memo to be created for movement of document from Section 1 of Inward Department to Section 2 of the said department to enable tracking of documents received by section one and that forwarded to Section 2. | We are manually inwarding all the documents received by us by hand delivery / post and subsequently all the papers are scanned, inwarded in our B-TAS for further processing. This process is fool proof hence internal memos are not created. |



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**B. Movement of Physical Documents Received**

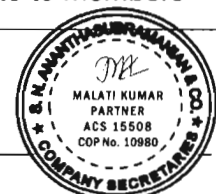
| <b>Procedure Followed</b> | <b>Recommendation</b> | <b>Management's Response</b>  |
|---------------------------|-----------------------|---|
| 2 of the said department. |                       | However, we will look into the suggestion and explore to implement in future. |

**C. Stationery Control**

| <b>Procedure Followed</b>   | <b>Recommendation</b>   | <b>Management's Response</b>   |
|---|---|--|
| BSPL maintains a physical register for recording use of blank stationery (certificates, warrants etc) received from clients. However, details of receipt of stationery are not captured in the said register, only details of usage are captured. | Details of receipt of blank stationery from clients should also be recorded in the register to enable reconciliation with physical stock. | We reconcile and return the cancelled / blank dividend warrants to issuer for their safe custody and we will take your valid suggestions to implement in future. |

**D. Standard Operating Procedure Manual**

| <b>Procedure Followed</b> | <b>Recommendation</b>  | <b>Management's Response</b>   |
|---------------------------|--|--|
| -                         | Standard Operating Procedure Manual to be updated in the light of recent changes in law. | Standard Operating Procedure Manual is prepared by RAIN (Registrar Association of India) and approved by the Regulator. We will request RAIN to update the same and circulate to members |

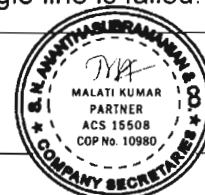


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| <b>E. IT Security Incident Policy</b>       |  |  |
|---|--|--|
| <b>Procedure Followed</b>                   | <b>Recommendation</b>  | <b>Management's Response</b>   |
| IT Security Incident Policy is not defined. | It is advisable to define the policy in detail with escalation matrix and has to be circulated in all departments. | Most of the IT policies are in place and recommended policy will be adopted with proper escalation matrix etc. in due course |

| <b>F. Storage Media</b>                            |   |   |
|--|---|---|
| <b>Procedure Followed</b>                          | <b>Recommendation</b>   | <b>Management's Response</b>  |
| Storage media is scrapped along with the hardware. | It is advisable to always break the hard disk/ storage media before scrapping the machine so that there are no chances left for data to be recovered/ stolen. | Proper Care/ due diligence is being taken before scrapping the old machine hence no chance of left out of any data in the old machines. |

| <b>G. UPS</b>   |  |   |
|---|--|---|
| <b>Procedure Followed</b>   | <b>Recommendation</b>  | <b>Management's Response</b>  |
| One dedicated UPS for server room is installed with 30 minutes of power backup. | It is advisable to implement dual online UPS in case of failure and consistent backup. | We are in a 24x7 electric supply zone hence installed single line power back up. However suggested recommendation will be explored to further strengthen the backup in case of single line is failed. |

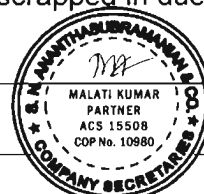


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| <b>H. Wireless Network</b>   |   |  |
|--|---|--|
| <b>Procedure Followed</b>  | <b>Recommendation</b>   | <b>Management's Response</b>   |
| Decentralised Wireless network is used and appropriate security measures are not taken to prohibit an unknown person to connect to wireless network. | WiFi network should be restricted to authenticated devices/users based on MAC authentication. Wireless management controller device should be deployed to monitor, Allow and Block the wireless clients/ devices. | Currently wifi network access is restricted to senior management and guest users under proper authorization only. The wifi is password protected. Suggested recommendation will be accorded due consideration to protect the unknown access. |

| <b>I. Backup of Active Directory Server</b>      |   |  |
|--|---|--|
| <b>Procedure Followed</b>                        | <b>Recommendation</b>   | <b>Management's Response</b>   |
| Backup of Active Directory Server are not taken. | The company needs to formulate regular backup strategy for the AD server. | Applications, data, storage backups are in place and back up of Active Directory Server will be implemented in due course. |

| <b>J. Operating System</b>                                       |   |  |
|--|---|--|
| <b>Procedure Followed</b>  | <b>Recommendation</b>   | <b>Management's Response</b>   |
| Windows XP OS is installed on few PCs where printouts are taken. | As Microsoft has stopped supporting patches and updates for Windows XP OS, these systems are more vulnerable to attacks and hence | We have discontinued most of the XP OS systems and remaining few will be scrapped in due course. |



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| <b>J. Operating System</b> |   |   |
|----------------------------|---|---|
| <b>Procedure Followed</b>  | <b>Recommendation</b>                           | <b>Management's Response</b>                                |
|                            | the OS should be upgraded to supported version. | These PC'S remain in standalone mode hence risk is minimum. |

| <b>K. Antivirus Software</b>  |  |   |
|---|--|---|
| <b>Procedure Followed</b>   | <b>Recommendation</b>  | <b>Management's Response</b>  |
| Antivirus software is not deployed on systems on which print jobs are done. It is also observed that the antivirus software is not protected and can be disabled without any password authentication thereby allowing use of removable media through USB. | It is advised to install antivirus on such systems as well and passwords to be put in place. | Printer room desktops will also have antivirus software.<br>We have already implemented password authentication to avoid anyone to disable the antivirus software in a particular system. |

| <b>L. Admin Rights</b>  |  |  |
|---|--|--|
| <b>Procedure Followed</b>   | <b>Recommendation</b>  | <b>Management's Response</b>   |
| All HoD's and software developers are assigned admin rights on system. Admin users can change system settings, install non-compliance softwares and have privilege access to domain computers. There is nothing to prevent them from intentionally or | It is advised to devise a mechanism to prevent them from intentionally or unintentionally using unlicensed software. | Check & balance are in place for admin users also. Necessary system logs are being generated for transactions. We will look into these recommendations and appropriate steps will be taken to reduce the Admin |

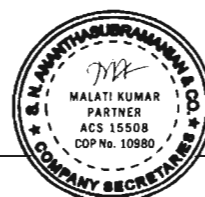


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| <b>L. Admin Rights</b>                     |                       |                                 |
|--|-----------------------|---------------------------------|
| <b>Procedure Followed</b>                  | <b>Recommendation</b> | <b>Management's Response</b>    |
| unintentionally using unlicensed software. |                       | Rights to multiple super users. |

| <b>M. Storage Device</b>  |   |   |
|---|---|---|
| <b>Procedure Followed</b>   | <b>Recommendation</b>   | <b>Management's Response</b>  |
| Storage device is place in IT room on a desk, thereby having physical access. Any user can intentionally / unintentionally power off the device or remove the cables. | It is advised to place the device at certain height in proper enclosure where it should not be easily accessible. | Noted the suggestions and will take appropriate steps to implement. |

| <b>N. Security</b>        |   |  |
|---------------------------|---|--|
| <b>Procedure Followed</b> | <b>Recommendation</b>   | <b>Management's Response</b>   |
| –                         | Smoke Detectors with alarm system to be implemented. Fire Extinguishers should be placed outside the server room near the entrance for easy access. | Smoke detectors and fire alarm system in place, however, suggested points will be taken for improvement. |





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**18. Opinion**

Based on the review of processes/ systems of BSPL and documents provided to us, to the best of our information and knowledge and according to the explanations provided by BSPL, its officers and authorized representatives, and the report provided to us by Mr. Dhiren Mehta, CISA, we are of the opinion that the overall processes followed and systems adopted by BSPL for


- 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.

**For S. N. ANANTHASUBRAMANIAN & CO.,**

**Company Secretaries**

**Firm Registration No.: P1991MH040400**

*Malati A. K. Kumar*  
**Malati Kumar**



**Partner**

**ACS : 15508**

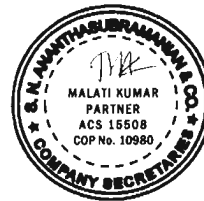
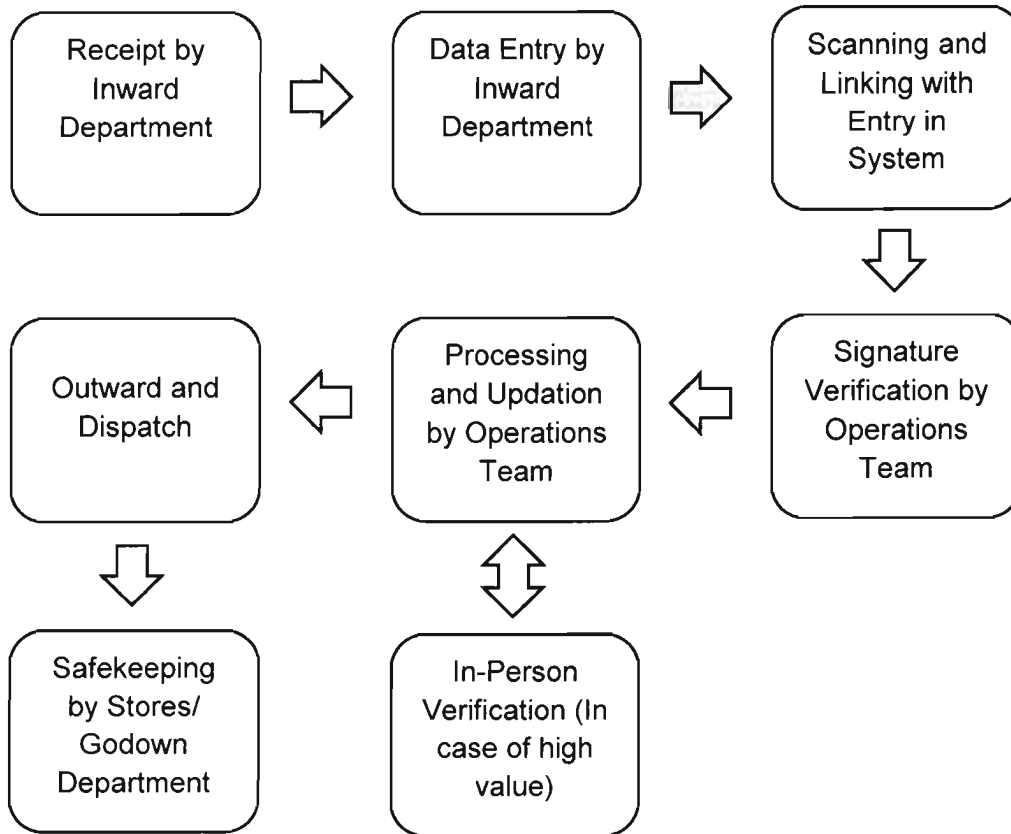
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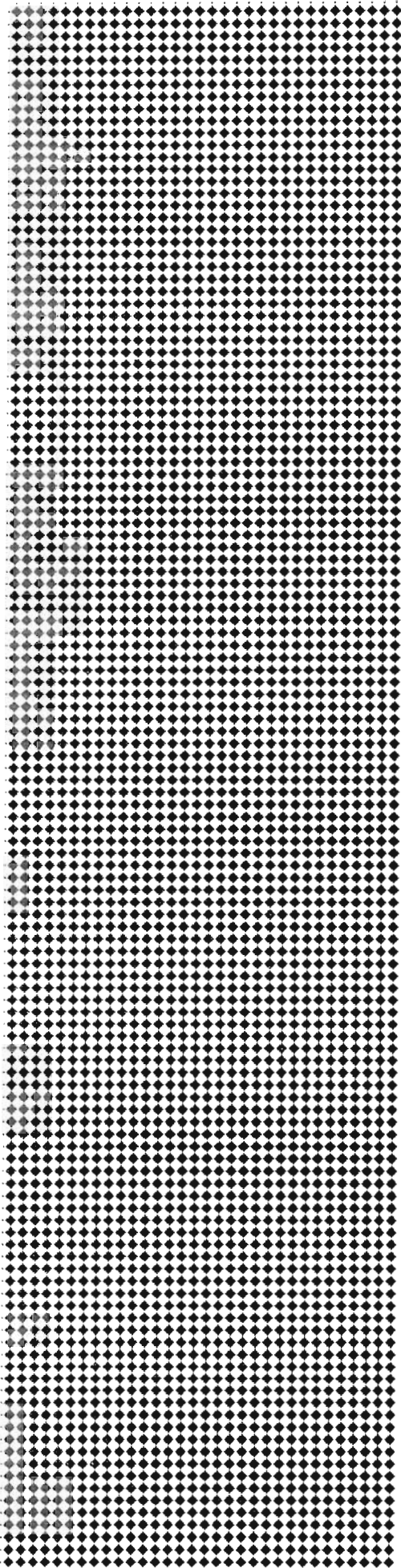
**24<sup>th</sup> June, 2019**

**Thane**

**Annexure – A: Process Flow of Activities**

*(Refer Para. 11)*





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