



V P S & CO

CHARTERED ACCOUNTANTS

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Compliance Audit Report

Client	Bharosa Technoserve Private Limited
Period	FY 2020-21
Auditor	CA Rajat M Bhalla (VPS & Co., Chartered Accountants)
Dated	14 th June 2021

Brief about the Client

- Bharosa Technoserve Private Limited (hereinafter referred to as 'Company') has been granted the Certificate of Registration by the Securities and Exchange Board of India (hereinafter referred to as 'Board') to carry on the business of Investment Adviser under registration number INA100004657 w.e.f. 6th May 2016.
- Company's business model consists of two distinct parts:
 1. Bharosa Club Investment Adviser, a Division of Bharosa Technoserve Private Limited, an investment advisory business, has entered into a contractual arrangement with a vendor, Smallcase Technologies Private Limited (hereinafter referred to as 'Smallcase'), whereby Smallcase provides technology solutions and related back-end infrastructure along with support for back-office related operations & processes.
 2. www.bharosclub.com, The Bharosa Club website (hereinafter referred to as 'Bharosa Club') provides tools that enable its members to make comparisons between different Mutual funds, various options with Smallcase and Equity stocks.

In addition, for the convenience of members of Bharosa Club, they have also included the ability for members to transact on Bharosa Club's platform. This is a completely an optional capability that requires no additional fee to utilize.

Bharosa Club uses Mutual Fund Utility's white label service to enable members' transactions. Bharosa Club also does not get paid in any other form for these transactions
- Mr. Sahil Bhargava is Director cum Principal Officer of the Company. He has been appointed as Director w.e.f. 15th Feb 2020 and subsequently taken over as Principal Officer of the Company from Mr. Sanjay Bhargava who has resigned from Directorship.

Scope of Audit

- To conduct a Compliance audit in adherence to Regulation 19(3) of Securities and Exchange Board of India (Investment Advisers) Regulations 2013 dated 21st Jan 2013 and amendments made thereafter.
- The Audit has been conducted only for Investment advisory business i.e. Bharosa Club Investment Adviser, a Division of Bharosa Technoserve Private Limited (hereinafter referred to as 'Division').
- Scope includes review of compliance with Regulations & Circulars of the Board, records and documents maintained and other relevant information pertinent to advisory business shared by the Division.

Our approach

- Review of Compliance with Securities and Exchange Board of India (Investment Advisers) Regulations 2013 dated 21st Jan 2013 and amendments made thereafter
- Review of Circulars issued by Board from time to time with respect to Know your customer, Operation of Business of Investment Advisers etc.
- Review of Filing status of reports to be filed with Securities and Exchange Board of India for the FY 2020-21
- Review of records maintained by Company with respect to its interaction with clients on a sample basis:
 1. Know Your Client records / Risk profiling / Copies of Client agreements
 2. Proof of Fees and channel through which fees received
 3. Investment advice provided
- Taken declaration of Principal Officer of the Company, Mr. Sahil Bhargava in respect of areas or requirements which cannot be reviewed with data and information available & provided by the Company.



Audit Observations

- Significant Audit Observations after review as explained in 'Our approach' are included in Annexure 1 alongwith comments of Management and time line for the resolution / correction of the same.
- Other important information and changes Incorporated by Company post 31st March 2021 are included in Annexure 2.
- Details of Samples reviewed as part of Audit process Is Included In Annexure 3.
- Declaration of Principal Officer of the Company, Mr. Sahil Bhargava Is Included In Annexure 4.

For VPS & Co
Chartered Accountants,
(Firm Registration No: 016396C)



CA Rajat Manhik Bhalla
Partner
Membership No. 099827

Date 14th June 2021
UDIN 21099827AAAAAK8694

Annexure 1

S. No.	Regulation No. *	Observations	Management Remarks
1.	7 (1) (a)	- The Director cum Principal Officer, Mr. Sahil Bhargava, is Bachelors of Arts in Economics from University of Chicago. - He has been advised to comply with minimum qualification requirements of a professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) within three years (#) as per Proviso to Regulation 7(1) (a). # from the date of coming into force of the Securities and Exchange Board of India (Investment Advisers) (Amendment) Regulations, 2020.	Corrective Action : - Will join appropriate course to comply with regulations (if required) within stipulated timeframe. Time line: - Will write to SEBI to find out if this is required, given Mr. Sahil Bhargava took a 4 year, not 3 year course in economics. - Within the next 3 months, will identify a course to join.
2.	13 (b)	- It has been noted that Company has informed Board in response to the 'Inspection questionnaire' of the Board's Audit team on 25th Nov 2020 about the composition of Board of Directors as on that date and changes in Board of Directors during the financial year. - Company shall proactively inform the Securities and Exchange Board of India going forward about the changes in Board of Directors or any other material change in the information already submitted.	Corrective Action : - Will use the SEBI portal to proactively inform SEBI in future of any material change in the information already submitted. Time line: - N/A
3.	15(12)	- It has been observed that Company is not yet registered at https://siportal.sebi.gov.in/intermediary/index.html and not filing Quarterly reports with Board. - They are advised to file Quarterly report with Board starting with Quarter ending March 2021.	Corrective Action : - Will start filing reports quarterly Time line: - Will file our report for quarter ending March 2021 post completion of our audit so we will have net worth certificate ready



4.	15A	- Company has been advised to make changes in clause 21.1 of 'Investment Adviser Agreement' with clients to align Client Agreement with Regulation 15A. - Currently as per clause 21.1, six month fee is non-refundable under any circumstance.	Corrective Action : - Changes have been implemented Time line: - N/A
5.	15(8)	- It has been observed during the audit that Company is collecting basis details of their clients like Name, PAN, Date of Birth, Mobile Number, Email Id and State of residence (not complete address) for completing initial KYC requirements through their microsite with vendor Smallcase. However, Company is not capturing the KYC details of their clients in KYC template for individual as per Circular no. CIR/MIRSD/66/2016 dated 21st July 2016 - Operationalization of Central KYC Records Registry (CKYCR). Company is advised to capture KYC details as per above circular. - Company is registered with CDSL Ventures Limited (CVL), a registered KYC Registration Agency (KRA) with Board. Currently, Company is downloading and maintaining the client's KYC data and complying with the requirements. Same has been reviewed through KYC documents of 6 clients, findings are given in Annexure 3. - Company is not registered with the Central KYC Registry in accordance with the processes and instructions issued by the Board. Company has been advised to initiate registration with Central KYC Records Registry and comply with the Circular of the Board. - Conclusion, Company has violated with, - Regulation 15(8) of Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, and - Circular No. CIR/MIRSD/66/2016 of Securities and Exchange Board of India dated 21st July 2016.	Corrective Action : - Company will register with CKYCR and comply by capturing of KYC details in KYC template format as prescribed by Circular. Time line: - Company has already initiated CKYCR registration process and will aim to comply with regulation within Q2 of FY 2021-22.

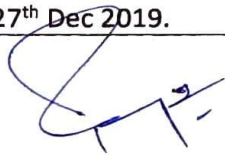
		• However, Company has partially complied with following circulars by registering themselves with CVL KRA, ▪ Circular No. MIRSD/SE/Cir-21/2011 of Securities and Exchange Board of India dated 5th Oct 2011, and ▪ Circular No. MIRSD/Cir-23/2011 of Securities and Exchange Board of India dated 2nd Dec 2011	
6.	Clause 2(ix) **	• Company has been advised to display required details in compliance with Clause 2(ix) of Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 of Securities and Exchange Board of India i.e. Guidelines for Investment Advisers dated 23th Sep 2020 on all their correspondences with their clients. • All the necessary changes have been implemented by Company on their Print & Electronic mediums of correspondence with their clients except on their Client Agreement.	Corrective Action : ▪ To add to our client agreements Time line: ▪ Will work with Smallcase to have this added to future agreements by June'21 month end.

* Regulation no. of Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

** Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/182 of Securities and Exchange Board of India i.e. Guidelines for Investment Advisers dated 23th Sep 2020

Annexure 2

S. No.	Regulation No. *	Other important information and changes incorporated by Company post 31st March 2021
1.	13 (c)	• Since Company's name does not include the words 'investment adviser' in its name, therefore they were advised to segregate their business into separate Divisions as per the nature of business activity as per the Proviso to Regulation 13(c). • The Division which is providing Investment advisory services shall include the words 'investment adviser' in its name. • The changes has been implemented by Company with effect from 13th May 2021. • The Company has also been advised to use 'Bharosa Club Investment Adviser, a Division of Bharosa Technoserve Private Limited' in all their correspondences with their clients and Board.
2.	19(1)(g)	• We have been provided with List of Clients maintained by Company. As per that list, Number of unique Clients as at 31st March 2021 are 191 nos. • We could not tally the number of clients as per the list maintained with the number of clients reported to Board as the Company has not yet started filing Quarterly reports with Board. • However number of clients as per the list maintained and number of clients disclosed in Company's blog for the month of Mar'21 maintained by Company as per Regulation 19 and placed on their website is tallying.
3.	20	• Company has been advised to display the details of Compliance officer in compliance with Regulation 20 of Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 and Regulation 12(3) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 dated 26th May 2008 and Circular No. CIR/MIRSD/3/2014 of Securities and Exchange Board of India i.e. Information regarding Grievance Redressal Mechanism dated 28th Aug 2014. • Company has complied with above recommendations.
4.	21	• It is observed that Company is duly complying with the requirements of Regulation 21. • However, In addition to existing processes documents, Company has been advised to document a 'Grievance Redressal Process'. Company has complied with the same by creating a 'Grievance Redressal Process'. • Company is also displaying complaints status on its website in compliance with Circular No. SEBI/HO/IMD/DF1/CIR/P/2019/169 of Securities and Exchange Board of India i.e. Measures to strengthen the conduct of Investment Advisers dated 27th Dec 2019.



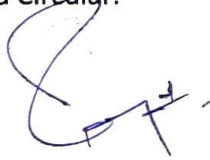
* Regulation no. of Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

Annexure 3

Client Name	Ashok Simon	Dinesh B Ghadge	Narendra Wadhwani	Naveen Bhatia	Pawan Bansal	Seema L Uppal
Date of Subscription	07-10-20	05-04-20	04-10-20	17-06-20	07-11-20	18-06-20
Copy of Assessed Risk profiling questionnaire	Ok	Ok	Ok	Ok	Ok	Ok
Communication to the client of above Risk profiling	Ok	Ok	Ok	Ok	Ok	Ok
Acceptance by the client either through registered email or physical document of above Risk profiling	Ok	Ok	Ok	Ok	Ok	Ok
KYC form and supporting documents of above 6 subscribers	Ok	Ok	Ok	Ok	Ok	Ok
Client Agreement shared with client (both agreement and email through which agreement was shared) **	Yes, in Old format	Yes, in Old format	Yes, in Old format	Yes, in Old format	Yes, in Old format	Yes, in Old format
Communication for Rebalance	Communicated through WhatsApp group and Blog updated on website					

** Existing clients were given time up to March 31, 2021 to accept new agreement as per Annexure A of Circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 of Securities and Exchange Board of India i.e. Guidelines for Investment Advisers dated 23th Sep 2020.

Company has confirmed through an email dated 8th June 2021, written to Board that Company has entered into client agreements with all of its active customers to confirm to the Clause 2(ii) of above mentioned Circular.



Annexure 4



Declaration by
Principal Officer.pdf

A handwritten signature in blue ink, consisting of a large loop followed by a series of strokes that form the letters 'S' and 'H'.