



Karnavati Finance Limited

ADMINISTRATIVE & CORPORATE OFFICE : "VRAJ" 5TH FLOOR, NR. BHUMI PRESS, LIMDA LANE, JAMNAGAR - 361001 (GUJARAT) INDIA.
Phones : +91 288 2663042 / 43 | Fax : + 91 288 2673759 | Email : karnavatifinance@gmail.com

Ref: List/CL-33/14-15

August 28, 2015

To,
Bombay Stock Exchange Limited
PhirozeJeebhoy Tower,
Dalal Street,
Mumbai - 400001

K.A. Troydon Bird (Deputy Manager)

Dear Sir,

Sub: Annual Report of the Company for the year 2014-15 under Clause 33 of the SME Listing Agreement of BSE

Ref: Karnavati Finance Limited (Scrip Code: 538928)

In reference to captioned subject please find here with attached Annual Report under Clause 33 of the SME Listing Agreement of BSE for the year ended March 31, 2015.

The aforesaid copy has been mail to corp.relations@bseindia.com and uploaded on <http://listing.bseindia.com>.

Please take on your record and oblige us.

Thanking You,

For, Karnavati Finance Limited

Raman Morzaria
Whole Time Director
(DIN: 00203310)



REGISTERED & CORPORATE OFFICE :

G - 2, SAGAR DEEP DARSHAN CO-OPERATIVE HOUSING SOCIETY LTD., S.V. ROAD, BORIVALI (W) MUMBAI - 400092 (MAHARASTRA) INDIA.
Phone : +91 22 31908900 | Email : karnavatifinance@gmail.com



**KARNAVATI FINANCE
LIMITED**

ANNUAL REPORT

2014-15



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CORPORATE INFORMATION

CIN: U65910MH1984PLC034724

Board of Directors

Mr. Jay R. Morzaria

Managing Director
DIN:02338864

Mr. Raman P. Morzaria

Whole Time Director
DIN:00203310

Mr. Jay K. Somaiya

Independent Director
DIN: 06933178

Mr. Kaushal B. Ruparel

Independent Director
DIN:06939630

Registrar to the Issue

Satellite Corporate Services Pvt Ltd
B-302, Sony Apartment, Opp. St. Jude's
High School, 90 ft. Road, Off Andheri
Kurla Rd, Jarimari, Sakinaka, Mumbai –
400 072, Maharashtra – India.

Tel No.: 022-28520461/462

Fax No.: 022- 28511809

Email:service@satellitecorporate.com

Website: www.satellitecorporate.com

Auditors

M/S Maharishi & Co.

Chartered Accountants

"Aparna", Behind Jivandeep Hospital,
Limda Lane, Jamnagar – 361 001.

Secretarial Auditor

Anand S. Lavingia

Practicing Company Secretary

415-416, Pushpam Complex, Opp.
Seema Hall, Anand Nagar Road,
Satellite, Ahmedabad – 380 051

Registered Office

Unit No 2, Sagar Deep Darshan
Co Operative Housing Society Limited,
S.V. Road, Borivali (W),
Mumbai – 400 092, Maharashtra.
Tel No : +91-022-31908900
Email: karnavatifinance@gmail.com
Web Site: www.karnavatifinancelimited.in

Corporate Office

Vraj, 5th Floor, Opp. President Hotel,
Near Bhumi Press, Limda Lane,
Jamnagar – 361001, Gujarat.
Tel No.: 0288-2663042
Fax No.:0288-2673759
E-Mail:karnavatifinance@gmail.com
Website: www.karnavatifinancelimited.in

NOTICE OF MEETING

NOTICE IS hereby given that the 31st **ANNUAL GENERAL MEETING** of the Members of **KARNAVATI FINANCE LIMITED** will be held at the Registered Office of the Company At Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (W), Mumbai, Maharashtra– 400 092 on Monday, September 21, 2015 at 11:00 A.M. to transact the following businesses:

ORDINARY BUSINESSSES:-

1. To receive, consider and adopt audited financial statement of account for the financial year ended on March 31, 2015 and the reports of the Directors' and the Auditors' thereon.
2. To appoint Mr. Raman P Morzaria (DIN: 00203310), Whole-Time-Director, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditor and to fix their remuneration.

To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to provisions of Section 139 and other applicable provisions of the Companies Act 2013, and the Rules framed there under M/s. Maharishi & Co., Chartered Accountants, Jamnagar [FRN: 124872W] be and are hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting to the conclusion of 34th Annual General Meeting of the Company (Subject to ratification of appointment at every subsequent AGM) and that the Board of Directors of the Company be and is hereby authorized to fix their remuneration.”

Registered Office

Unit No 2,
Sagar Deep Darshan Co operative
Housing Society Limited,
S.V. Road, Borivali (W),
Mumbai,
Maharashtra – 400 092

By Order of the Board

For, KARNAVATI FINANCE LIMITED

Jay Morzaria
Managing Director
DIN: 02338864

PLACE: Jamnagar

DATE : August 24, 2015

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY.**

As per Section 105 of the Companies Act, 2013 and Rule 19, Sub-Rule (2) of the Companies (Management and Administration) Rules, 2014, a person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights.

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting.

A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.

2. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
3. The Register of Members and the Share Transfer books of the Company will remain closed from Saturday, September 12, 2015 to Monday, September 21, 2015 (both days inclusive) for 31st Annual General Meeting of the Company.
4. Details under Clause 52 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking re-appointment at the Annual General Meeting, forms integral part of the notice.
5. Electronic copy of the Annual Report for the financial statement 2014-15 is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for the financial statement 2014-15 is being sent in the permitted mode.
6. **GREEN INITIATIVE**
The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No. 17/2011 dated 21 April, 2011 and Circular No. 18/2011 dated 29 April, 2011, has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and allowed companies to send Annual Report comprising of Balance Sheet, Statement of the Profit & Loss, Directors' Report, Auditors' Report and Explanatory Statement etc., through electronic mode to the registered e-mail address of the members.

Keeping in view the underlying theme and the circulars issued by MCA, we propose to send future communications in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communication through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit. Members who hold shares in physical form and desire to receive the documents in electronic mode are requested to please promptly provide their details (name, folio no., e-mail id) to the Registrar and Transfer Agent of the

company. Members who hold shares in electronic form are requested to get their details updated with the respective Depositories. The annual report and other communications/documents sent electronically would also be displayed on the Company's website: www.karnavatifinancelimited.in. As a Member of the Company, you will be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of requisition from you.

To support this green initiative of the Government in full measure, we request members who have not registered their e-mail addresses; so far, to register their e-mail addresses by submitting their e-mail address to their DP or to the Company's Registrar and opt for the electronic mode of communication, in the interest of the environment.

7. Members may also note that the Notice of the Annual General Meeting and the Annual Report for 2015 will also be available on the Company's website www.karnavatifinancelimited.in for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Mumbai for inspection during normal business hours on working days.
8. All documents referred to in the accompanying Notice shall be open for inspection at the Registered Office of the Company during normal business hours (4.00 P.M. to 6.00 P.M.) on all working days except Saturday, Sunday and Public holiday up to and including the date of the Annual General Meeting of the Company.
9. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company at least 7 (Seven) days before the date of the Meeting so that the information required may be made available at the Meeting.

ANNEXURE TO NOTICE

DETAILS OF DIRECTORS SEEKING APPOINTMENT

Name of the Director	Date of Birth & (Number of Shares Held)	Expertise in Specific Functional Area	Name of the Public Companies in which he hold Directorship	Name of the Committees of Public Companies of which he holds Membership / Chairmanship
Mr. Raman P Morzaria	November 26, 1962 (2,682,700 Equity Shares of Rs. 10/- each)	He is one of the core promoter of the Company and having experience of 30 years in the field of finance and Real estate development and driving operational growth, maximizing the business opportunities and ensuring compliances with regulatory authorities	Nil	Nil

DIRECTORS' REPORT

Dear Shareholders,

The Directors have the pleasure of presenting the Thirty First Annual Report of your Company together with the audited accounts for the year ended 31st March, 2015.

(Rs. In Lakh)

Particulars	2014-15	2013-14
Income from Finance Charge	47.58	37.43
Other Income	-	-
Total Revenue	47.58	37.43
Less: Total Expenses	(80.81)	(26.84)
Operating Profits (PBDT)	(33.23)	10.59
Less: Depreciation	1.57	1.46
Profit Before Tax & Exceptional Items	(34.80)	9.12
Less: Current Tax	2.72	4.65
Profit after Tax	(37.52)	4.47

REVIEW OF BUSINESS OPERATION

During the year under review, your company has earned income of Rs. 47.58 Lakh from Finance Charges in financial year 2014-15 compared to the income of Rs. 37.43 Lakh of previous year which shows about 27% growth over the previous year. The overall increase in cost is due to higher amount of loan losses written off, provision for NPA and public issue related expenses written off during the financial year 2014-15. The Loss before Tax for the financial year 2014-15 stood at Rs. 34.80 Lakh as compared to Profit before Tax of Rs. 9.12 Lakh of previous year making total Net Loss of Rs. 37.52 Lakh for the financial year 2014-15 as compared to Net Profit of Rs. 4.47 Lakh of previous year.

DIVIDEND

In view of loss during the year, your Directors regret to declare dividend for the financial year 2014-15 (Previous year - NIL).

NET PROFIT TRANSFER TO RESERVE

In view of loss during the year, your Directors have not transferred any amount to any reserve for the financial year 2014-15 (Previous year - NIL).

INFORMATION ON BOARD OF DIRECTOR, KEY MANAGERIAL PERSONNEL AND ITS MEETINGS:

Composition:

The Board consist of four (4) members as on March 31, 2015, two (2) of whom are Promoters and Executive Directors (one is Managing Director and one is Whole-Time Director) and remaining two (2) are Independent Directors. Vide SEBI circular no. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014; the Company is not required to appoint Woman Director on the Board of the Company. The Composition of Board fulfills the requirements of Companies Act, 2013 and Clause 52 of Listing Agreement entered by the Company with BSE Limited (SME Segment).

Board Meeting:

Regular meetings of the Board are held at least once in a quarter. Additional Board meetings are convened to discuss and decide on various business policies, strategies and other businesses.

During the year under review, Board of Directors of the Company met 17 times. The details of Board meeting are provided in the Corporate Governance Report.

The gap between two consecutive meetings was not more than one hundred and twenty days as provided in section 173 of the Act.

Further, your Company has formed following Committees of the Board in accordance with Companies Act, 2013 and the Listing Agreement:

- Audit Committee
- Stakeholders' Grievances and Relationship Committee

The details of number of meetings of Committees, its composition, powers, terms of reference is provided under the corporate governance report section in this Annual Report.

Appointment, Re-appointment and Resignation of Directors:

During the year, the Board of Directors of the Company has appointed Mr. Jay Morzaria as a Managing Director of the Company and Mr. Raman Morzaria as a Whole Time Director of the Company w.e.f. July 1, 2014 for the period of five years i.e. up to June 30, 2019 in their Meeting held on June 10, 2014. Members have approved their appointment in their Extra Ordinary General meeting held on July 5, 2014.

Mr. Vineshkumar Makadia and Mr. Rajesh Lodaya have resigned from the Board w.e.f. July 3, 2014. Further, Mrs. Daxaben Morzaria has resigned from the Board w.e.f. July 15, 2014. The Board places on record their appreciation for the services rendered by them during their tenure with the Company.

The Board of Directors has, in their meeting held on July 24, 2014, appointed Mr. Jay Somaiya as an additional Director of the Company. Further, Mr. Kaushal Ruparel has been appointed as an Additional Director of the Company w.e.f. August 2, 2014. The Members, in their Last Annual General Meeting, have regularised them and appointed as Independent Directors of the Company to hold office for a period of five years w.e.f. September 6, 2014.

In accordance with the provisions of the Articles of Association and Section 152 of the Companies Act 2013, Mr. Raman Morzaria, Whole-Time Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment. The Board of Directors recommends his re-appointment on the Board of the Company.

Mr. Jay Morzaria, Managing Director and Mr. Raman Morzaria, Whole-Time Director are appointed as the Key Managerial Personnel of the Company as per the provisions of the Companies Act, 2013.

None of the Directors of the Company is disqualified for being appointed as Director as specified in Section 164 (2) of the Companies Act, 2013.

Declaration by Independent Directors:

The Company has received necessary declaration from each Independent Director under Section 149(7) of the Companies Act, 2013, to the effect that they meet the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and Clause 52 of the Listing Agreement. The terms and conditions of the Independent Directors are incorporated on the website of the Company.

SHIFTING OF REGISTERED OFFICE

The Board of Directors had decided to shift the Registered office of the Company from B-25, Mistry Building, Room No. 8, Bhat Bazar Keshavji Naik Road, Masjid Bandar, Mumbai – 400 009, Maharashtra to Unit No 2, Sagar Deep Darshan Co- Operative Housing Society Limited, S.V. Road, Borivali (W) Mumbai – 400 092, Maharashtra. Accordingly, the registered office of the Company has been changed to new address, within the city, w.e.f. July 23, 2014 by the Board of Directors.

CHANGE IN CAPITAL

During the year, the Authorized Share Capital of the Company has been increased from Rs. 5,00,00,000/- divided into 50,00,000 Equity Shares of Rs. 10/- each to Rs. 10,00,00,000/- divided into 1,00,00,000 Equity Shares of Rs. 10/- each.

The Company has issued 20,00,000 Equity Shares of Rs. 10/- each amounting to total Rs. 2,00,00,000/- to existing members and person other than existing members on September 27, 2014 on private placement basis. Further, during the year, Company has come up with Initial Public Issue of 25,80,000 Equity Shares of Rs. 10/- each amounting to total Rs. 2,58,00,000/-. The issue was open during Monday, January 19, 2015 to Wednesday, January 21, 2015. The issue was successfully subscribed by the public and the final allotment of the said 25,80,000 Equity Shares was made on January 31, 2015.

The Company has complied with all the requirement prescribed by the Companies Act, 2013 and SEBI regulation for increase in the authorized capital as well as issue of Shares. As at the end of Financial Year 2014-15, the total Paid – Up Equity Share Capital of the Company stood at 83,60,000 Equity Shares of Rs. 10/- each amounting to total Rs. 8,36,00,000/-.

LISTING OF SECURITIES

The company had made the application to BSE for Listing of its security on the BSE SME portal on February 02, 2015, pursuant to Initial Public issue of 25,80,000 Equity Shares of Rs. 10/- each. The BSE vide its letter dated February 04, 2015 has given final approval for listing and trading of 83,60,000 Equity Shares of Rs. 10/- each on BSE SME platform from Thursday, February 05, 2015 onwards.

PUBLIC DEPOSIT

The company has not accepted any deposits from the public. Hence, the directives issued by the Reserve Bank of India & the Provision of Section 73 to 76 of the Company Act, 2013 or any other relevant provisions of the Act and the Rules there under are not applicable.

PARTICULARS OF LOANS, GUARANTEES, INVESTMENTS & SECURITY

Details of Loans, Guarantees, Investments and Security covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statement.

CORPORATE SOCIAL RESPONSIBILITY [CSR]

The Provisions of the CSR expenditure and Composition of Committee, as provided in the Section 135 of the Companies Act, 2013, are not applicable to the company. So Report on Annual performance of CSR activities is not applicable to the Company.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All transactions to be entered by the Company with related parties will be in the ordinary course of business and on an arm's length basis. However, the Company has not entered into any related party transaction, as provided in Section 188 of the Companies Act, 2013, with the related party. Hence, Disclosure as required under Section 188 of the Companies Act, 2013 is not applicable to the Company.

EXTRACT OF ANNUAL RETURN

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013 read with Rule 12 of Companies (Management and Administration) Rules, 2014 the extract of the Annual Return as at March 31, 2015 in Form MGT-9, forms part of this Annual Report as **Annexure – A**.

PARTICULAR OF EMPLOYEES

The ratio of remuneration of each Director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are forming part of this Annual Report as **Annexure – B**.

The details as required under section 197(12) of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel), 2014 is not applicable as there is no employee in the Company employed throughout the financial year with salary above Rs. 60 Lakh p.a. or employed part of the financial year with average salary above Rs. 5 Lakh per month.

Further, there is no employee employed throughout Financial year or part thereof, was in receipt of remuneration of in aggregate is in excess of that drawn by the Managing Director or Whole time Director or Manager and holds by himself or along with his spouse and dependent children, not less than Two percent (2%) of the Equity Shares of the Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of conservation of energy, technology absorption etc. as required to be given under section 134[3][m] of the Companies Act 2013 read with the Companies [Accounts] Rules, 2014, are not applicable to our Company, as our Company has not carried out in the manufacturing activities.

Further, there was no foreign exchange earnings and outgo during the financial year 2014-15 (previous year – Nil).

MATERIAL CHANGES AND COMMITMENT AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments, affecting the financial position of the Company which has occurred between the end of financial year of the Company i.e. March 31, 2015 and the date of Director's Report i.e. August 24, 2015.

SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

There were no incidences of sexual harassment reported during the year under review, in terms of the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

HUMAN RESOURCES

During the year under review the employee attrition was minimal. The management continues its efforts in imparting professional training to Executives and Staff members at various levels with the view to upgrade their competence and managerial abilities. The Industrial relations in the company continued to be cordial in the year 2014-15.

BUSINESS RISK MANAGEMENT

The Company believes that it has internal controls and risk management systems to assess and monitor risks. The company has its management team which monitors and manages risks by monitoring trends that may have an effect on the economic environment and actively assesses on a routine basis the market value of the Company's loan book. The Company seeks to monitor and control its risk exposure through a variety of separate but complementary financial and operational reporting systems. The Company believes it has effective procedures for evaluating and managing the market, operational and other risks to which it is exposed. During the year, The Company has made Provision for NPA of Rs. 5.90 Lakh and written off Rs. 25.12 Lakh for Loan Losses.

CORPORATE GOVERNANCE

Your Company strives to incorporate the appropriate standards for corporate governance. Pursuant to Clause-52 of listing agreement to the Stock Exchange Corporate Governance

Report and Practicing Company Secretaries' on its compliance is annexed and forms part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS [MDA]

MDA, for the year under review, as stipulated under clause 52 of the Listing Agreement, is presented in a separate section forming part of this Annual Report.

AUDITORS

Statutory Auditor & their report:

The Company's Auditor, M/s. Maharishi & Co., Chartered Accountants, Jamnagar, [FRN: 124872W], who retires at the ensuing Annual General Meeting of the Company, are eligible for re-appointment. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and Rules made thereunder for reappointment as Auditors of the Company.

The Board of Directors, based on recommendation made by the Audit Committee, has recommended the appointment of M/s. Maharishi & Co., Chartered Accountants, Jamnagar, [FRN: 124872W] as the Statutory Auditors of the Company to hold the office from the ensuing AGM till the conclusion of the 34th AGM of the Company (subject to ratification of appointment at each subsequent Annual General meeting) on such remuneration as may be determined by the Board in consultation with the auditors.

The Auditors' Report on the accounts of the Company for the accounting year ended March 31, 2015 is self-explanatory and do not call for further explanations or comments that may be treated as adequate compliance of Section 134 of the Companies Act, 2013.

Secretarial Auditor & their report:

Pursuant to the provisions of section 204 of the Act and The Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014, the Company has appointed Mr. Anand S. Lavingia - Practicing Company Secretary to carry out the Secretarial Audit for the financial year ended on March 31, 2015. Secretarial Audit Report is attached to this report as **Annexure – C**.

The Secretarial Auditors' Report for the financial year ended on March 31, 2015 is self-explanatory and do not call for further explanations or comments that may be treated as adequate compliances of various act, rules, regulations, guidelines etc. as applicable to the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of section 134[3][c] of the Act, your Directors state that:

- I. in the preparation of the annual financial statements for the year ended on March 31, 2015, applicable accounting standards read with requirements set out under schedule III of the Act, have been followed along with proper explanation relating to material departures, if any,
- II. such accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2015 and of the profit of the company for the year ended on that date,

- III. proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities,
- IV. the annual financial statements are prepared on a going concern basis,
- V. proper internal financial controls are in place and that the financial controls are adequate and are operating effectively and
- VI. the systems to ensure compliance with the provisions of all applicable laws are in place and are adequate and operating effectively.

GENERAL DISCLOSURE

Your Directors state that the Company has made disclosures in this report for the items prescribed in section 134[3] of the Act and Rule 8 of The Companies [Accounts] Rules, 2014 to the extent the transactions took place on those items during the year.

Your Directors further state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- 1. Details relating to deposits covered under Chapter V of the Act.
- 2. Issue of Equity Shares with differential rights as to dividend, voting or otherwise.
- 3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and ESOS.
- 4. Details of Subsidiary, Associates and Joint Venture Company
- 5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation for significant contributions made by the employees at all levels through their dedication, hard work and commitment, enabling the Company to achieve good performance during the year under review.

Your Directors also take this opportunity to place on record the valuable co-operation and support extended by the banks, government, business associates and the shareholders for their continued confidence reposed in the Company and look forward to having the same support in all future endeavors.

Registered Office

Unit No 2,
Sagar Deep Darshan Co operative
Housing Society Limited,
S.V. Road, Borivali (W),
Mumbai,
Maharashtra – 400 092

By Order of the Board

For, KARNAVATI FINANCE LIMITED

Place: Jamnagar
Date : August 24, 2015

Jay Morzaria
Managing Director
DIN: 02338864

Raman Morzaria
Whole-Time Director
DIN: 00203310

Form No. MGT-9
EXTRACT OF ANNUAL RETURN

as on the financial year ended on March 31, 2015

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies
(Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

CIN:	U65910MH1984PLC034724
Registration Date	05/12/1984
Name of the Company	Karnavati Finance Limited
Category / Sub-Category of the Company	Public Limited Company having Share Capital
Address of the registered office and contact details	Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (W), Mumbai, Maharashtra – 400 092. Contacts Details: Tel No.: +91-022-31908900 www.karnavatifinancelimited.com
Whether listed company Yes / No	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	Satellite Corporate Services Private Limited Contact Details: B-302, Sony Apartment, Opp. St. Jude High School, 90 Ft. Road, Off AndheriKurla Road, Jarimari, Sakinaka, Mumbai – 400 072 Tel No.: +91-22-2852 0461 / 2852 0462 Fax:+91-22-2851 1809 E-mail: service@satellitecorporate.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Finance Charges	64920 (Other Credit Granting)	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

The Company does not have any Holding, Subsidiary and Associate Companies as on 31st March, 2015.

IV. SHARE HOLDING PATTERN

i) **Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	De mat	Physical	Total	% of Total Shares #	Demat	Physical	Total	% of Total Shares *	
A. Promoters									
(1) Indian									
a) Individual/HUF	0	1206000	1206000	31.90	5305400	0	5305400	63.46	31.56
b) Central Govt. or State Govt.	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporates	0	0	0	0.00	23900	0	23900	0.29	0.29
d) Bank/FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any other	0	0	0	0.00	0	0	0	0.00	0.00
SUB TOTAL:(A) (1)	0	1206000	1206000	31.90	5329300	0	5329300	63.75	31.85
(2) Foreign									
a) NRI- Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any other...	0	0	0	0.00	0	0	0	0.00	0.00
SUB TOTAL (A) (2)	0	0	0	0.00	0	0	0	0.00	0.00
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	0	1206000	1206000	31.90	5329300	0	5329300	63.75	31.85
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	0	0	0	0.00	0	0	0	0.00	0.00
b) Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
C) Centralgovt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt.	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Fund	0	0	0	0.00	0	0	0	0.00	0.00

f) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
g) FIIS	0	0	0	0.00	0	0	0	0.00	0.00
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
SUB TOTAL (B)(1):	0	0	0	0.00	0	0	0	0.00	0.00
(2) Non Institutions									
a) Bodies corporates									
i) Indian	0	0	0	0.00	190000	0	190000	2.27	2.27
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs.1 lakhs	0	1041300	1041300	27.55	400000	700	400700	4.49	(23.06)
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	0	1532700	1532700	40.55	1720000	360000	2080000	24.88	(15.67)
c) Others (specify)									
-NRI	0	0	0	0.00	0	0	0	0	0.00
-HUF	0	0	0	0.00	260000	90000	350000	4.19	4.19
-Clearing members	0	0	0	0.00	10000	0	10000	0.12	0.12
SUB TOTAL (B)(2):	0	2574000	2574000	68.10	2580000	450700	3030700	36.25	(31.85)
Total Public Shareholding (B)= (B)(1)+(B)(2)	0	2574000	2574000	68.10	2580000	450700	3030700	36.25	(31.85)
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	0	3780000	3780000	100.00	7909300	450700	8360000	100.00	0.00

Percentage is calculated based on the opening Balance of Equity Shares as on 01/04/2014

* Percentage is calculated based on the Closing Balance of Equity Shares as on 31/03/2015

ii) Shareholding of Promoters & Promoters Group

Sr. No.	Name	Shareholding at the beginning of the year (01/04/2014)		Date wise Increase/Decrease in Shareholding			Cumulative Shareholding during the year		Shareholding at the ending of the year (31/03/2015)	
		No. of Share	% of total shares of the Company #	Date	Increase / Decrease in shareholding	Reason	No. of Share	% of total shares of the Company*	No. of Share	% of total shares of the Company
1.	Raman P Morzaria	419000	11.08	27/08/14	1213700	Transfer of Shares	1632700	19.53		
				27/09/14	1050000	Preferential Allotment	2682700	32.09	2682700	21.01
2.	Daxaben R Morzaria	294000	7.78	-	-	-	294000	3.52	294000	(4.26)
3.	Jay R Morzaria	193000	5.11	27/08/14	810600	Transfer of Shares	1003600	12.00	1003600	6.89
4.	Kush R Morzaria	300000	7.94	27/08/14	525100	Transfer of Shares	825100	9.87		
				27/09/14	500000	Preferential Allotment	1325100	15.85	1325100	7.91
5.	Midas Impex Private Limited	0	0	27/08/14	23900	Transfer of Shares	23900	0.29	23900	0.29

Percentage is calculated based on the opening Balance of Equity Shares as on 01/04/2014

* Percentage is calculated based on the Closing Balance of Equity Shares as on 31/03/2015

iii) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Name	Shareholding at the beginning of the year (01/04/2014)		Date wise Increase/Decrease in Shareholding			Cumulative Shareholding during the year		Shareholding at the ending of the year (31/03/2015)	
		No. of Share	% of total shares of the Company	Date	Increase / Decrease in shareholding	Reason	No. of Share	% of total shares of the Company*	No. of Share	% of total shares of the Company*
1	Dilip V Bhagat	0	0	27/09/14	150000	Allotment	150000	1.79	150000	1.79
2	NNM Securities Pvt Ltd	0	0	31/01/15	140000	Allotment	140000	1.67		
				13/02/15	-10000	Market Sale	130000	1.56	130000	1.56
3	Mitesh Nathulal Lavti	0	0	31/01/15	120000	Allotment	120000	1.44	120000	1.44
4	Ashok P Lavti	0	0	31/01/15	120000	Allotment	120000	1.44	120000	1.44
5	Prakash P Lavti	0	0	31/01/15	100000	Allotment	100000	1.20	100000	1.20

6	Jamanbhai Shamjibhai Faldu	0	0	31/01/15	70000	Allotment	70000	0.84		
				13/02/15	20000	Market Purchase	90000	1.08	90000	1.08
7	Jamanbhai S Faldu HUF	0	0	31/01/15	80000	Allotment	80000	0.96		
				06/02/15	-10000	Market Sale	70000	0.84		
				13/02/15	20000	Market Purchase	90000	1.08	90000	1.08
8	Paras Navneetbhai Varia	0	0	31/01/15	90000	Allotment	90000	1.08	90000	1.08
9	Bhagwatilal P Lavti	0	0	31/01/15	90000	Allotment	90000	1.08	90000	1.08
10	Hetal Jamanbhai Faldu	0	0	31/01/15	70000	Allotment	70000	0.84		
				06/02/15	10000	Market Purchase	80000	0.96	80000	0.96
11	Navneetbhai Muljibhai Varia	0	0	31/01/15	80000	Allotment	80000	0.96	80000	0.96
12	Hardik Jawaharbhai Mehta	0	0	31/01/15	70000	Allotment	70000	0.84		
				20/02/15	10000	Market Purchase	80000	0.96	80000	0.96
13	Mehta Kiranben Javaharlal	0	0	31/01/15	40000	Allotment	40000	0.48		
				20/02/15	30000	Market Purchase	70000	0.84	70000	0.84
14	Labhuben Jamanbhai Faldu	0	0	31/01/15	70000	Allotment	70000	0.84	70000	0.84
15	Faldu Jignasa Jamanbhai	0	0	31/01/15	70000	Allotment	70000	0.84	70000	0.84
16	Drashti Jamanbhai Faldu	0	0	31/01/15	70000	Allotment	70000	0.84	70000	0.84
17	Jasmin Jamanbhai Faldu	0	0	31/01/15	70000	Allotment	70000	0.84	70000	0.84
18	Niyati Hardik Mehta	0	0	31/01/15	40000	Allotment	40000	0.48		
				20/02/15	20000	Market Purchase	60000	0.72	60000	0.72
19	Ranjanben Ketanbhai Somaiya	0	0	27/09/14	50000	Allotment	50000	0.60	50000	0.60
20	Ketanbhai R Somaiya	0	0	27/09/14	50000	Allotment	50000	0.60	50000	0.60
21	Bhavin Navneetbhai Variya	0	0	31/01/15	50000	Allotment	50000	0.60	50000	0.60
22	Navinbhai P Katariya	0	0	27/09/14	40000	Allotment	40000	0.48	40000	0.48
23	Jagdish P Katariya	0	0	27/09/14	40000	Allotment	40000	0.48	40000	0.48

24	Nishith Dhimantbhai Shah	0	0	31/01/15	20000	Allotment	20000	0.24		
				13/02/15	20000	Market Purchase	40000	0.48	40000	0.48
25	Dhimant Rasiklal Shah	0	0	31/01/15	20000	Allotment	20000	0.24		
				13/02/15	20000	Market Purchase	40000	0.48	40000	0.48
26	Divyesh Rasiklal Shah	0	0	31/01/15	20000	Allotment	20000	0.24		
				13/02/15	20000	Market Purchase	40000	0.48	40000	0.48
27	Ilaben Rasiklal Shah	0	0	31/01/15	20000	Allotment	20000	0.24		
				13/02/15	20000	Market Purchase	40000	0.48	40000	0.48
28	Jagruti Divyeshbhai Shah	0	0	31/01/15	20000	Allotment	20000	0.24		
				13/02/15	20000	Market Purchase	40000	0.48	40000	0.48
29	Zankhana Dhimatbhai Shah	0	0	31/01/15	20000	Allotment	20000	0.24		
				13/02/15	20000	Market Purchase	40000	0.48	40000	0.48
30	Dhimant Rasiklal Shah HUF	0	0	31/01/15	20000	Allotment	20000	0.24		
				13/02/15	20000	Market Purchase	40000	0.48	40000	0.48
31	Divyesh Rasiklal Shah HUF	0	0	31/01/15	20000	Allotment	20000	0.24		
				13/02/15	20000	Market Purchase	40000	0.48	40000	0.48

* Percentage is calculated based on the Closing Balance of Equity Shares as on 31/03/2015

iv) Shareholding of Directors and Key Managerial Personnel

Sr. No.	Name	Shareholding at the beginning of the year (01/04/2014)		Date wise Increase/Decrease in Shareholding			Cumulative Shareholding during the year		Shareholding at the ending of the year (31/03/2015)	
		No. of Share	% of total shares of the Company #	Date	Increase / Decrease in shareholding	Reason	No. of Share	% of total shares of the Company*	No. of Share	% of total shares of the Company*
1.	Raman P Morzaria (Whole-time Director)	419000	11.08	27/08/14	1213700	Transfer of Shares	1632700	19.53		
				27/09/14	1050000	Preferential Allotment	2682700	32.09	2682700	21.01
2.	Jay R Morzaria (Managing Director)	193000	5.11	27/08/14	810600	Transfer of Shares	1003600	12.00	1003600	6.89

Percentage is calculated based on the opening Balance of Equity Shares as on 01/04/2014

* Percentage is calculated based on the Closing Balance of Equity Shares as on 31/03/2015

v) INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

[INR]

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	-	3,04,300	-	3,04,300
i) Principal Amount	-	3,04,300	-	3,04,300
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	3,04,300	-	3,04,300
Change in Indebtedness during the financial year	-	24,00,000	-	27,04,300
Additions	-	24,00,000	-	27,04,300
Reduction	-	-	-	-
Net Change	-	24,00,000	-	27,04,300
Indebtedness at the end of the financial year	-	27,04,300	-	27,04,300
i) Principal Amount	-	27,04,300	-	27,04,300
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	27,04,300	-	27,04,300

V. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager [INR]

Sr.No.	Particulars of Remuneration	Name of the MD/WTD/Manager	Total Amount
		Mr. Raman P Morzaria (Whole Time Director)	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	3,00,000/-	3,00,000/-
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	--	--
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	--	--
2	Stock option	--	--
3	Sweat Equity	--	--
4	Commission	--	--
	- as % of profit	--	--
	- others (specify)	--	--
5	Others, please specify	--	--
	Total (A)	3,00,000/-	3,00,000/-

B. Remuneration to other Directors: The Company is neither paying sitting fees nor any remuneration to other Directors.

C. Remuneration to key Managerial Personnel Other than MD/Manager/WTD[INR]

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	Total
1	Gross Salary	Mr. Ankit Shukla Company Secretary	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	60,000/-	60,000/-
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	--	--
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	--	--
2	Stock Option	--	--
3	Sweat Equity	--	--
4	Commission	--	--
	-as % of profit	--	--

	-others, specify	--	--
5	Others, please specify	--	--
	Total	60,000/-	60,000/-

VI. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/Compounding fees imposed	Authority (RD/NCLT/ Court)	Appeal made if any (give details)
A. COMPANY					
Penalty			NA		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			NA		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			NA		
Punishment					
Compounding					

Particulars of Employees

A. The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

- a) The ratio of remuneration of each director to the median employee's remuneration for the financial year:

Sr. No.	Name	Designation	Ratio
1.	Mr. Raman Morzaria	Whole-Time Director	05:01

- b) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Sr. No.	Name	Designation	Percentage
2.	Mr. Raman Morzaria	Whole-Time Director	50%
3.	Mr. Ankit Shukla*	Company Secretary	---

*appointed w.e.f. September 7, 2014 and resigned w.e.f. February, 9, 2015

- c) The percentage increase in the median remuneration of employees in the financial year: N.A.

- d) The number of permanent employees on the rolls of the Company:
5 Employees (Excluding KMP)

- e) The explanation on relationship between average increase in remuneration and Company performance:

During the year, there was no change in the remuneration paid to the employee (excluding KMP) over the previous year. In fact, the Company has incurred loss during the year.

- f) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company:

The Company has paid Remuneration of Rs. 3 Lakh to Mr. Raman Morzaria, who is a core promoter as well as Whole-Time Director of the Company. He has very wide experience in the Finance field and managing whole affairs of the Company. Though, Company has incurred loss during the year, by taking in view his contribution to the success of the Company over the years, the Company has rewarded him by paying the remuneration.

- g) Variation in the Market Capitalization of the Company, P/E Ratio and Price of the Shares:

Sr. No.	Particulars	As on 31 March 2015
1.	Market Capitalization	Rs. 897.02 Lakh
2.	P/E Ratio	14.90 times
3.	Market Price of Equity Shares at; i. BSE (SME Segment)	Rs. 10.73/- Share

4.	#Change in Market quotation of the Shares of the Company in comparison to the rate at which Company came out with the Last Public Offer: The company has come up with Initial public issue at a price of Rs. 10/- per Equity Share in F.Y. 2014-15.	1.073:1 Representing an increase of 7.30%
----	---	--

- h) Average percentile increase in the salaries of the employees and Managerial Remuneration:

There was no change in the salary paid to the employee during the F.Y. 2014-15. The Company has paid Remuneration of Rs. 3 Lakh to Mr. Raman Morzaria, who is a core promoter as well as Whole-Time Director of the Company. He has very wide experience in the Finance field and managing whole affairs of the Company. Though, Company has incurred loss during the year, by taking in view his contribution to the success of the Company over the years, the Company has rewarded him by paying the remuneration.

- i) Component of Remuneration:

(Amount in Rs.)

Sr. No.	Component of Remuneration	Name of Whole-Time Director
		Mr. Raman Morzaria
1.	Gross Salary	
	a) Salary as per provisions contained in Section 27 (1) of the Income Tax Act, 1961	3,00,000
	Total	3,00,000

- j) There is no employee who are not Director but receive remuneration higher than the Director in the Company.

The Board of Directors of the Company hereby affirmed that remuneration of all the Key Managerial Personnel of the Company are as per the Remuneration approved by the management/Board Policy of the Company.

**SECRETARIAL AUDIT REPORT
Form No. MR-3**

For the financial year ended March 31, 2015
[Pursuant to section 204(1) of the Companies Act, 2013 and
Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
KARNAVATI FINANCE LIMITED
Unit No 2, Sagar Deep Darshan Co Operative
Housing Society Limited, S.V. Road, Borivali (W)
Mumbai – 400 092, Maharashtra

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Karnavati Finance Limited (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that, in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2015, generally complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2015 according to the provisions of:

- i. The Companies Act, 2013 ('the Act') and the rules made there under as applicable;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- iv. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
- c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

I have also examined compliance with the applicable clauses of the Listing Agreements entered into by the Company with BSE Ltd (SME Segment).

Further the Company being Non Deposit accepting NBFC, followings are few specific applicable acts, regulation, guidelines and direction to the Company. We have relied on the representation made by the Company and its officers for systems and mechanism framed by the Company for compliance under the respective acts, regulations, guidelines and direction applicable to the Company.

- i. Reserve Bank of India Act, 1934
- ii. KYC & PML Policy on securities formulated in terms of the Prevention of Money Laundering Act, 2005, rules made thereunder and guidelines issued by SEBI;
- iii. Prevention of Money Laundering Act, 2002
- iv. Guidelines on Fair Practices Code for NBFCs
- v. Non-Banking Financial (Non-Deposit Accepting or Holding Companies Prudential Norms (Reserve Bank) Directions, 2007

During the period under review the Company has generally complied with the provisions of the Act, Rules, regulations, guidelines, direction etc. mentioned above.

During the Period under review, provisions of the following Acts, Rules, Regulations, Guidelines, Standards, etc. were not applicable to the Company:

- i. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- ii. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- iii. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; - Not applicable as the Company is not registered as Registrar to an Issue & Share Transfer Agent. However, the Company has appointed M/s. Satellite Corporate Services Private Limited as Registrar & Share Transfer Agent as per the Listing Agreement entered between the Company and the BSE Limited (SME Segment).
- iv. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- v. The Securities and Exchange Board of India (Buy back of Securities) Regulations, 1998;

- vi. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- vii. Secretarial Standards issued by the Institute of Company Secretaries of India.

I further report that -

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors/Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that -

There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that –

During the audit period, there were no specific events/ actions having a major bearing on the operations of the Company's affairs happened during the audit period except;

The Company has issued 20,00,000 Equity Shares of Rs. 10/- each amounting to total Rs. 2,00,00,000/- to existing members and person other than existing members on September 27, 2014 on private placement basis. The Company has come up with Initial Public Issue of 25,80,000 Equity Shares of Rs. 10/- each amounting to total Rs. 2,58,00,000/-. The issue was open during Monday, January 19, 2015 to Wednesday, January 21, 2015. The issue was successfully subscribed by the public and the final allotment of the said 25,80,000 Equity Shares was made on January 31, 2015.

Pursuant to Initial Public issue of 25,80,000 Equity Shares of Rs. 10/- each, the company had made the application to BSE for Listing of its security on the BSE SME portal on February 02, 2015, The BSE vide its letter dated February 04, 2015 has given final approval for listing and trading of 83,60,000 Equity Shares of Rs. 10/- each on BSE SME platform from Thursday, February 05, 2015 onwards.

The Company has taken approval of Members for Borrowing Limit of Rs. 20 Crore under section 180(1)(c) of the Companies Act, 2013.

Place : Ahmedabad
Date : August 24, 2015

For, CS Anand Lavingia
Practicing Company Secretary

Anand Lavingia
ACS NO.: 26458
C.O.P. NO.:11410

Note: This Report is to be read with my letter of above date which is annexed as Annexure I and forms an integral part of this report.

To,

Annexure I

The Members,

KARNAVATI FINANCE LIMITED

Unit No 2, Sagar Deep Darshan Co Operative
Housing Society Limited, S.V. Road, Borivali (W)
Mumbai – 400 092, Maharashtra

My report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of secretarial records. The verification was done based on the records and documents provided to me, on test basis, to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices followed by me provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provision of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place : Ahmedabad

Date : August 24, 2015

For, CS Anand Lavingia
Practicing Company Secretary

Anand Lavingia
ACS NO.: 26458
C.O.P. NO.:11410

CORPORATE GOVERNANCE REPORT

In accordance with Clause 52 of the SME Listing Agreement with BSE Limited (SME Segment), the report containing the details of practices followed by the Company on Corporate Governance is as under:

Company's Philosophy on Corporate Governance:

Your Company believes that effective Corporate Governance is not just the framework enforced by the regulation but it is supported through the principles of transparency, unity, integrity, spirit and responsibility towards the stakeholders, shareholders, employees and customers. Good Corporate Governance requires competence and capability levels to meet the expectations in managing the business and its resources and helps to achieve goals and objectives of the organization. Good Corporate Governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the Company and its shareholders and should facilitate effective monitoring. The Company acutely and consistently reviews its systems, policies and internal controls with an objective to establish sound risk management system and impeccable internal control system.

BOARD OF DIRECTORS

An active, informed and independent board is necessary to ensure highest standard of corporate governance. The board lays down business strategy, sets strategic goals and seeks accountability for their fulfilment.

Composition:

The company has a balanced mixture of executive and non-executive/independent directors as on March 31, 2015. The Board consist of four (4) members as on March 31, 2015, two (2) of whom are Promoters Executive Directors (one is Managing Director and one is Whole-Time Director) and remaining two (2) are Non-Executive Independent Directors. Vide SEBI circular no. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014; the Company is not required to appoint Woman Director on the Board of the Company.

Meetings:

During the year under review, the Board of Directors met 17 times on June 10, 2014, June 30, 2014, July 05, 2014, July 15, 2014, July 24, 2014, August 02, 2014, August 08, 2014, August 27, 2014, September 07, 2014, September 27, 2014, November 05, 2014, November 26, 2014, November 27, 2014, December 10, 2014 January 09, 2015, January 31, 2015 and February 09, 2015.

The table below provides the composition of the Board, their attendance at Board meetings and previous AGM and number of other directorship, chairmanship/membership of other companies.

Name of Directors	Designation	Date of appointment	No. of Board Meetings attended	Details of Last AGM attended	No. of Directorship held	No. of Board committees of which Member / Chairman	Shareholding in the Company
Mr. Jay Ramanbhai Morzaria	MD	15/09/2010	17	YES	05	2	10,03,600 (12.00%)

Mr. Raman Pragjibhai Morzaria	WTD	29/09/2001	09	YES	04	NIL	26,82,700 (32.09%)
Mr. Jay Ketan Somaiya	NEID	24/07/2014	07	YES	0	2	0.00
Mr. Kaushal Bharat Ruparel	NEID	02/08/2014	06	YES	0	2	0.00

MD: Managing Director, WTD: Whole-Time Director, NEID: Non-Executive Independent Director
Committee includes Audit Committee and Stakeholders' Grievances & Relationship Committee as provided under Clause 52 of the Listing Agreement.

Note:-

During the year under review, Mr. Vinesh kumar Makadia and Mr. Rajesh Lodaya have resigned from the Directorship on 03/07/2014 and Mrs. Daxaben R. Morzaria has resigned w.e.f.15/07/2014.

During the year under review, Mr. Jay Somaiya and Mr. Kaushal Ruparel are appointed as Independent Directors on 24/07/2014 and 02/08/2014 respectively.

Mr. Jay Morzaria is appointed as Managing Director and Mr. Raman Morzaria is appointed as Whole-Time Director of the Company w.e.f. 01/07/2014.

AUDIT COMMITTEE

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting.

The Audit Committee discharges such functions and duties which are generally specified under clause 52 of the Listing Agreement and section 177 of the Act.

However, during the year under review, one meeting of the Audit Committee was held on November 26, 2014 for approval of Interim Financial account for the period up to July 31, 2014.

The Composition of the Audit Committee as on March 31, 2015 is given in the table below:

Name of the Director	Category of Directorship	Designation	No. of Meetings attended
Jay Ketan Somaiya	Non-executive Independent Director	Chairman	1
Kaushal Bharat Ruparel	Non-executive Independent Director	Member	1
Jay Ramanbhai Morzaria	Managing Director	Member	1

The broad terms of reference of the Committee are to review and recommend the financial statements and to review the adequacy of internal control systems and internal audit function. The detailed terms of reference of the Committee as approved by the Board are given below:

- I. Reviewing internal controls and internal audit function and their adequacy with the management / internal auditors.
- II. Reviewing with the management, performance of statutory and internal auditors.
- III. Oversight of the financial reporting process / disclosures and review of interim & annual financial statements before Board approval.
- IV. Appointment/ reappointment/ replacement/ removal of statutory auditors & fixation of their audit fees & fees for other services.
- V. Periodic discussions with the statutory auditors of the Company (whether before, during or after the audit) on internal control systems, nature & scope of audit, audit observations and areas of concern, if any.
- VI. Investigate any matter referred to it by the Board or within its terms of reference.
- VII. Review the outcome of internal investigations of material fraud, irregularity & failure of internal control system
- VIII. To look into substantial defaults, if any, in payments to depositors, debenture-holders, creditors & shareholders.
- IX. Discussion with the internal auditors any significant findings and follow up there on.
- X. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required being included in the Director's Responsibility Statement to be included in the Board's report.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in audit report, if any.
- XI. To review the following information:
 - a. Management Discussion and Analysis of financial conditions and results of operations;
 - b. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - d. Internal audit reports relating to internal control weaknesses; and
 - e. The appointment, removal and terms of remuneration of the chief internal auditor.

STAKEHOLDERS' GRIEVANCES AND RELATIONSHIP COMMITTEE

The company has constituted Stakeholders' grievances and Relationship committee in compliance with the clause 52 of the SME Listing Agreement. The Committee is formed with the objective to redress all grievances of Stakeholders'/Investors.

No meeting was held for the Committee as there are no Complaints received by a Committee from a Stakeholders/Investor's.

Terms of Reference:

- To allot the Equity Shares of the Company and to supervise and ensure:
- Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares;

- Redressal of shareholder and investor complaints like transfer of Shares, non-receipt of balance sheet, non-receipt of declared dividends etc.,
- Issue duplicate/split/consolidated share certificates;
- Allotment and listing of shares;
- Dematerialization/Rematerialization of Share
- Review of cases for refusal of transfer / transmission of shares and debentures;
- Reference to statutory and regulatory authorities regarding investor grievances and to otherwise ensure proper and timely attendance and redressal of investor queries and grievances;
- Such other matters as may from time to time are required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

GENERAL BODY MEETINGS

The details of General Meetings held in last three years are as under:-

General Meeting	Financial Year	Day, Date & Time	Venue
30 th AGM	2013-14	Saturday, September 06, 2014, 10:30 A.M.	Registered Office: Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (W) Mumbai Maharashtra 400092
EGM	2013-14	Saturday, July 05, 2014, 11.00 A.M.	Registered Office: B-25, Mistry Building, Room No. 8, Bhat Bazar Keshavji Naik Road, Masjid Bandar Mumbai, Maharashtra INDIA - 400 009
29 th AGM	2012-13	Monday, September 30, 2013, 03.00 P.M.	Registered Office: B-25, Mistry Building, Room No. 8, Bhat Bazar Keshavji Naik Road, Masjid Bandar Mumbai, Maharashtra INDIA - 400 009
28 th AGM	2011-12	Saturday, September 29, 2012, 03.00 P.M.	Registered Office: B-25, Mistry Building, Room No. 8, Bhat Bazar Keshavji Naik Road, Masjid Bandar Mumbai, Maharashtra INDIA - 400 009

Details of Special Resolution passed in general meeting:

Sr.No.	Particulars of Resolutions	Relevant Provisions	General Meeting details
1	Alteration in articles of Association	Section 14 of the Companies Act, 2013.	EGM held on Saturday, July 05, 2014.
2	Increase in borrowing power limit	Section 180 (1) (c) of the Companies Act, 2013.	AGM held on Saturday, September 06, 2014.
3.	Issue of Shares on private Placement Basis	Section 43 read with Section 62(1)(c) of the Companies Act, 2013	AGM held on Saturday, September 06, 2014.
3	Further Issue of Shares to the Public	Section 62(1) (c) of the Companies Act, 2013.	AGM held on Saturday, September 06, 2014.

All afore said special resolutions were passed by requisite majority through show of hands by the members.

DISCLOSURES

a. Legal Compliances

The Company follows a formal management policy and system of legal compliance & reporting to facilitate periodical review by the Board of compliance status of laws applicable to the Company and steps taken to rectify non-compliances, if any.

There were no instances of material non-compliance and no strictures or penalties were imposed on the Company either by SEBI, Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.

b. Code of Business Conduct

The Code of Business Conduct adopted by the Company has been posted on the web site of the Company. The members of the Board and senior management of the Company have submitted their affirmation on compliance with the Code of Business Conduct for the effective period. The declaration by the Managing Director to that effect forms part of this report.

c. Related Party Transactions

All transactions to be entered into with Related parties as defined under the Act and pursuant clause of the Listing Agreement are in the ordinary course of business and on an arm's length basis and do not attract the provisions of section 188 of the Act. There were no materially significant transactions with related parties during the financial year which were in the conflict of interest of the Company. Suitable disclosures as required by the Accounting Standard [AS 18] have been made in the notes to the Financial Statements. Adequate care was taken to ensure that the potential conflict of interest did not harm the interests of the Company at large.

d. Whistle Blower Policy

The Company has a whistle blower policy to deal with any instance of fraud and mismanagement. The employees of the Company are free to report violations of any laws, rules, regulations and concerns about unethical conduct to the Audit Committee under this policy. The policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination with any person for a genuinely raised concern.

e. Mandatory & Non-Mandatory Clauses

The Company has complied with all mandatory requirements laid down by the Clause 52. The non-mandatory requirements complied with has been disclosed at the relevant places.

Means of Communication to Shareholders

The Company's corporate website www.karnavatifinancelimited.in provides comprehensive information to the Shareholders

During the year, unaudited half-yearly and audited annual financial results of the Company were submitted to the stock exchanges soon after the Board meeting concludes. All official news release of relevance to the investors are also made available on the website for a reasonable period of time.

General Shareholders Information

- a) **AGM: Date, Day, Time & Venue** September 21, 2015, Monday, 11.00 A.M.,
Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (W) Mumbai Maharashtra 400 092
- b) **Financial year** April 01, 2014 to March 31, 2015.
- c) **Tentative Financial Calendar for the year 2015-16** Half Yearly: Second week of November 2015.
Results for year-end: Fourth week of May 2016.
- d) **Date of Book Closure** Saturday, September 12, 2015 to Monday, September 21, 2015 (Both inclusive)
- e) **Listing on stock Exchange(s)** The Company's equity shares are listed on SME Platform of BSE Limited. The listing fee for the year 2015-16 has been paid.
- f) **Security id / Security Code** KARNAVATI/ 538928.
- g) **Registrar and Share Transfer Agent** **Satellite Corporate Services Private Limited.**
B-302, Sony Apartment, Opp. St. Jude High School, 90 ft. Road, Off Andheri Kurla Road, Jarimari, Sakinaka, Mumbai – 400 072, Maharashtra.
Tel No.022-28520461/462
E-mail: service@satellitecorporate.com
- h) **Market Price Data**
- The closing market price of equity share on March 31, 2015 (last trading day of the Company for the year) was Rs. 10.75 on BSE.
 - The monthly movement of equity share prices during the year at BSE are summarized as herein below:

Month	High Price	Low Price	Volume (No. of Shares traded)
February-15	11.20	10.10	620000
March-15	10.95	10.30	100000

- The performance of the equity share price of the Company at Designated Stock Exchange at BSE is as under:

Month	KFL Share Price at BSE**	SENSEX**
February-15	10.25	29,361.50
March-15	10.75	27,957.49

** closing data on the last day of the month

i) Distribution of Shareholding as on March 31, 2015.

➤ By size of shareholding:

Range of No. of Shares	Shares held		No. of Shareholders	
	Number	%	Number	%
Up to 2500	700	0.01	3	2.86
2501-5000	0	0.00	0	0.00
5001-10,000	520000	6.22	52	49.52
10,001-20,000	180000	2.15	9	8.57
20,001-30,000	173900	2.08	6	5.71
30,001-40,000	400000	4.78	10	9.52
40,001-50,000	150000	1.79	3	2.86
50,001-1,00,000	1110000	13.28	14	13.33
100001 and above	5825400	69.68	8	7.62

➤ By Category of Shareholders:

Category	No. of Shares		Total Shares	% of Holding
	Electronic	Physical		
Promoters' Group	5305400	-	5305400	63.46
Other Bodies Corporate	23900	-	23900	0.29
Mutual Funds and UTI	-	-	-	-
Banks, FI's & Insurance Companies	-	-	-	-
Foreign Institutional Investors / NRIs	-	-	-	-
Indian Public	2580000	450700	3030700	36.25
Total	7909300	450700	8360000	100

j) Registered Office
Unit No 2, Sagar Deep Darshan
Co Operative Housing Society Limited,
S.V. Road, Borivali (W) Mumbai
Maharashtra - 400 092.

Corporate Office
Vraj, 5th Floor,
Opp. President Hotel,
Near Bhumi Press, Limda Lane,
Jamnagar – 361 001, Gujarat.

k) Investor services
E-mail: karnavatifinance@gmail.com

**By Order of the Board
For, KARNAVATI FINANCE LIMITED**

Place: Jamnagar.
Date : August 24, 2015

Jay Morzaria
Managing Director
DIN: 02338864

ANNEXURE 1 TO CORPORATE GOVERNANCE REPORT

To,
The Shareholders

Affirmation of Compliance with Code of Business Conduct

In accordance with sub-clause I (D) of Clause 52 of the Listing Agreement with the Stock Exchanges, I hereby confirm that the Company has adopted Code of Conduct for the Directors and the Senior Management Personnel of the Company for the financial year ended March 31, 2015.

Registered Office

Unit No. 2, Sagar Deep Darshan
Co. Operative Housing Society Limited,
S.V. Road, Borivali (W),
Mumbai – 400 092, Maharashtra.

**By Order of the Board
For, KARNAVATI FINANCE LIMITED**

**Jay Morzaria
Managing Director
DIN: 02338864**

PLACE : Jamnagar

DATE : August 24, 2015

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CERTIFICATE

**To the members of,
Karnavati Finance Limited**

We have examined the compliance of conditions of Corporate Governance by Karnavati Finance Limited for the year ended March 31, 2015, as stipulated in Clause 52 of the SME Equity Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause.

It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to me and the representations made by the Directors and the management, I certify that the Company has complied with the conditions of Corporate Governance in Clause 52 of the above mentioned SME Equity Listing Agreement.

I state that no investor grievance is pending for a period exceeding one month against the Company as per the record maintained by Shareholder grievance committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Ahmedabad
Date : August 24, 2015

For, CS Anand Lavingia
Practicing Company Secretary

Anand Lavingia
ACS NO.:26458
C.O.P. NO.:11410

MANAGEMENT DISCUSSION ANALYSIS REPORT

OUTLOOK

The company is confident in spite of the possible recessionary conditions in the industry it will perform better in view of the strong fundamentals of the Indian companies and hope to improve its Turnover.

INTERNAL CONTROLS SYSTEMS AND THEIR ADEQUACY

The company has adequate internal control systems to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance of law and regulations. The internal control system is supported by the internal audit process. The Internal Auditor reviews and ensures that the audit observations are acted upon. The Audit Committee of the Board reviews the Internal Audit reports and the adequacy and effectiveness of internal controls.

HUMAN RESOURCES

The relationship with the employees continues to be cordial. The Company recognizes the importance and contribution of its employees for its growth and development and constantly endeavors to train nurture and groom its people. The Company puts emphasis on attracting and retaining the right talent. The company places emphasis on training and development of employees at all levels and has introduced methods and practices for Human Resource Development.

CAUTIONARY STATEMENT

Certain statements in this section relating to estimates, projections and expectations may be forward looking within the meaning of applicable laws and regulations. The actual results could differ marginally from what the directors envisage in terms of the future performance and outlook. The factors that may affect the performance of the company will be changes pertaining to government policies, tariff barriers, delays in registrations, changes in local and overseas markets and the related factors thereof.

INDEPENDENT AUDITOR'S REPORT

**To the Members of
KARNAVATI FINANCE LTD**

Report on the Financial Statements

We have audited the accompanying financial statements of Karnavati Finance Ltd (“the Company”), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

The Company’s Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls and ensuring their operating effectiveness and the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company

Annual Report 2014-15

has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion/qualified audit opinion/adverse audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2015, its loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

(1) As required by the Companies (Auditors' Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 3 and 4 of the Order.

(2) As required by Section 143(3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position;

- ii. The Company did not have any long-term contracts including derivative contracts hence, the question of any material foreseeable losses does not arise;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Maharishi & Co.

Chartered Accountants

ICAI Firm Registration No.124872W

Prashant Maharishi

Partner

Membership No.041452

Place: Jamnagar

Date: May 30, 2015

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Karnavati Finance Ltd on the financial statements for the year ended March 31, 2015]

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) During the year, fixed assets have not been physically verified by the management. However, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.
- ii) The inventory is Non-Banking Finance Company and hence the company has not dealt with any inventory during the year. Therefore, the provisions of clause 3(ii) of the said Order are not applicable to the Company.
- iii) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions stated in paragraph 3 (iii)(a) and 3 (iii)(b) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business for the fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the Company.
- v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the provisions of Sections 73 to 76 of the Act and the rules framed there under.
- vi) The Central Government of India has not prescribed the maintenance of cost records for any of the products of the Company under sub-section (1) of Section 148 of the Act and the rules framed there under.
- vii) (a) The Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including income tax, and any other material statutory dues applicable to it, however, there have been slight delay in few cases/ delays in deposit have not been serious.

AND

(a) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, any other material statutory dues applicable to it, were outstanding, at the year end, for a period of more than six months from the date they became payable.

(b) According to the information and explanation given to us, there are no dues with respect to income tax any other material statutory dues applicable to it, which have not been deposited on account of any dispute.

(c) According to the information and explanations given to us, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

- viii) The accumulated losses of the Company are not more than fifty percent of its net worth. Further, the Company has incurred cash losses during the financial year covered by our audit but not in the immediately preceding financial year.
- ix) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institution(s), bank(s) or debenture holder(s).
- x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xi) The Company has not obtained any term loans.
- xii) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such instance by the management.

For Maharishi & Co.

Chartered Accountants

ICAI Firm Registration No.124872W

Prashant Maharishi

Partner

Membership No.041452

Place: Jamnagar

Date: May 30, 2015

KARNAVATI FINANCE LIMITED
Balance Sheet as at 31 March, 2015

(Amount in Rs.)

Particulars	Notes	31-Mar-15	31-Mar-14
I EQUITY AND LIABILITIES			
1 Shareholders Fund			
(a) Share Capital	3	8 36 00 000	3 78 00 000
(b) Reserves & Surplus	4	-1 04 93 909	- 67 00 056
sub-Total Shareholder's Fund		7 31 06 091	3 10 99 945
2 Non - Current Liabilities			
(a) Long-term borrowings	5	27 04 300	3 04 300
sub-Total Non - Current Liabilities		27 04 300	3 04 300
3 Current Liabilities			
(a) Trade payables	6	22 76 458	22 55 530
(b) Short Term Provisions	7	3 68 311	1 25 548
(c) Other Current Liabilities	8	2 57 000	0
sub-Total Current Liabilities		29 01 769	23 81 078
TOTAL EQUITY & LIABILITIES		7 87 12 160	3 37 85 323
II ASSETS			
1 Non-Current Assets			
(a) Fixed Assets			
(i) Tangible assets	9	11 00 600	12 99 827
Sub-Total - Non Current Assets		11 00 600	12 99 827
2 Current Assets			
(a) Cash and cash equivalents	10	45 55 841	28 12 245
(b) Short-term loans and advances	11	7 27 13 063	2 91 21 251
(c) Other current assets	12	3 42 656	5 52 000
Sub-Total - Current Assets		7 76 11 560	3 24 85 496
TOTAL ASSETS		7 87 12 160	3 37 85 323
Summary of Notes to Accounts & Significant Accounting Policies			
	1 & 2		
The notes referred to above forms an integral part of the Balance Sheet.			
As per our report of even date			
For Maharishi & Co Chartered Accountants Firm Reg. No. 124872W		For and on behalf of Board of Directors of Karnavati Finance Limited	
Prashant Maharishi Partner M. No.: 041452 Place: Jamnagar Date: 30.05.2015	Jay Morzaria Managing Director DIN: 02338864 Place: Jamnagar Date: 30.05.2015	Raman Morzaria Whole-Time Director DIN: 00203310	

KARNAVATI FINANCE LIMITED**Statement of Profit & Loss for the year ended 31 March, 2015****(Amount in Rs.)**

Particulars	Note No.	31-Mar-15	31-Mar-14
I INCOME			
Revenue from operations	13	47 58 347	37 42 794
TOTAL REVENUE		47 58 347	37 42 794
II EXPENSES			
Employee benefits expense	14	6 56 075	8 25 080
Loan Losses and Provisions	15	33 29 150	13 03 253
Other expenses	16	40 95 632	5 55 738
Depreciation and amortization expense	9	1 57 431	1 46 051
TOTAL EXPENSES		82 38 287	28 30 122
III Profit before tax (II-I)		- 34 79 940	9 12 673
IV Tax expense:			
(1) Current tax		2 72 119	4 65 353
(2) Deferred Tax		-	-
Sub-Total Tax Expenses		2 72 119	4 65 353
V PROFIT/(LOSS) FOR THE YEAR		- 37 52 059	4 47 320
VI Earnings per equity share	17	-0.72	0.12

Summary of Notes to Accounts & Significant Accounting Policies

1 & 2

The notes referred to above forms an integral part of the Profit & Loss Account
As per our report of even date

For Maharishi & Co
Chartered Accountants
Firm Reg. No. 124872W

**For and on behalf of Board of Directors of
Karnavati Finance Limited**

Prashant Maharishi
Partner
M. No.: 041452
Place: Jamnagar
Date: 30.05.2015

Jay Morzaria
Managing Director
DIN: 02338864
Place: Jamnagar
Date: 30.05.2015

Raman Morzaria
Whole-Time Director
DIN: 00203310

KARNAVATI FINANCE LIMITED

Cash Flow Statement for the year ended on 31 March, 2015

PARTICULARS	31-Mar-15	31-Mar-14
A. Cash flow from operating activities		
Net profit before taxation	- 34 79 940	9 12 673
<u>Adjustment for:</u>		
Depreciation & Impairment	1 57 431	1 46 051
Provision for doubtful debts and advances	5 89 975	- 4 41 199
General Provision on Standard Assets	1 27 441	
Operating Profit before working capital changes	- 26 05 094	6 17 525
<u>Movements in working capital:</u>		
Decrease/-Increase in Short Term Current Assets (Loans & Advances and Other Assets)	-4 41 81 787	19 82 018
Increase/-Decrease in Trade Payables	20 928	11 28 631
Increase/-Decrease in Other Current Assets	2 09 344	- 5 50 000
Increase/-Decrease in Other Liabilities	2 57 000	- 22 212
Sub-Total Movement in Working Capital	-4 36 94 515	25 38 437
Net Cash generated from operations	-4 62 99 609	31 55 962
Direct taxes paid (net of refunds)	- 1 56 795	- 1 62 639
NET CASH FROM OPERATING ACTIVITIES	-4 64 56 404	29 93 323
B. Cash flow from investing activities		
Purchase of fixed assets	0	- 10 50 347
NET CASH FLOW FROM INVESTING ACTIVITIES	0	- 10 50 347
C. Cash flow form financing activities		
Refund of Share application money	0	- 4 00 000
Proceeds from Issue of Equity Shares	4 58 00 000	0
Increase in Long Term Borrowing	24 00 000	
NET CASH CLOW FROM FINANCING ACTIVITIES	4 82 00 000	- 4 00 000
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	17 43 596	15 42 976
Cash and cash equivalents at the beginning of the year	28 12 245	12 69 269
Cash and cash equivalents at the end of the year	45 55 841	28 12 245
Components of cash and cash equivalents as at the end of the year		
Cash and cheques on hand	60 518	14 12 606
With bank		
- On current account	44 95 323	13 99 639
TOTAL	45 55 841	28 12 245
As per our report of even date		
For Maharishi & Co		For and on behalf of Board of Directors of
Chartered Accountants		Karnavati Finance Limited
Firm Reg. No. 124872W		
Prashant Maharishi	Jay Morzaria	Raman Morzaria
Partner	Managing Director	Whole-Time Director
M. No.: 041452	DIN: 02338864	DIN: 00203310
Place: Jamnagar	Palce: Jamanagar	
Date: 30.05.2015	Date: 30.05.2015	

KARNAVATI FINANCE LIMITED					
Note	Particulars			2014-15	2013-14
3	SHARE CAPITAL				
a	Authorised Share Capital				
	Equity Shares of Rs. 10 each	No.		1 00 00 000	50 00 000
		Amount		10 00 00 000	5 00 00 000
	Issued, Subscribed & Paid up Share Capital	No.		83 60 000	37 80 000
	Equity Shares of Rs. 10 each	Amount		8 36 00 000	3 78 00 000
	TOTAL SHARE CAPITAL			8 36 00 000	3 78 00 000
b	Reconciliation of the shares outstanding at the beginning and at the end of the reporting period - Equity Shares				
	PARTICULARS				
	At the beginning of the period	No.		37 80 000	37 80 000
		Amount		3 78 00 000	3 78 00 000
	Issued during the period	No.		45 80 000	0
		Amount		4 58 00 000	
	Outstanding at the end of the period	No.		83 60 000	37 80 000
		Amount		8 36 00 000	3 78 00 000
c	Terms/Rights attached to Equity Shares				
	The company has only one class of equity shares having a per share value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share.				
	In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.				
d	Details of shareholders holding more than 5% shares in the company				
		<u>No.</u>	<u>% of total holding</u>	<u>No.</u>	<u>% of total holding</u>
	Raman Paragjibhai Morzaria	26 82 700	32.09%	4 19 000	11.08%
	Kush R. Morzaria	13 25 100	15.85%	3 00 000	7.94%
	Jay Ramanbhai Morzaria	10 03 600	12.00%	1 93 000	5.11%
	Daxa Ramanbhai Morzaria	2 94 000	3.52%	2 94 000	7.78%
	As per records of the company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.				
4	RESERVES & SURPLUS				
a	Reserve Fund in terms of section 451C(1) of the Reserve Bank Of India Act, 1934				
	Balance as per last financial statement			1 64 623	75 159
	Add: set aside during the year			-	89 464
	Closing Balance			1 64 623	1 64 623
c	General Reserve			15 000	15 000
d	Profit & Loss A/c				
	Opening Balance			- 68 79 677	- 72 37 534
	Add: Profit/(Loss) during the year			- 37 52 059	4 47 320
	Less: Depreciation			- 41 796	
	Less: Transferred to Statutory Reserve Fund in terms of Section 45-1C of The			-	- 89 464
	Closing Balance			-1 06 73 532	- 68 79 679
	TOTAL RESERVE & SURPLUS			-1 04 93 909	- 67 00 056

					KARNAVATI FINANCE LIMITED	
Note	Particulars				2014-15	2013-14
5	LONG TERM BORROWINGS					
	Loan From Present & Previous Directors	Non-Current Portion			3 04 300	3 04 300
		Current Maturities				
	Loan From Relatives of Directors	Non-Current Portion			24 00 000	
		Current Maturities				
	TOTAL BORROWINGS				27 04 300	3 04 300
	i	All above loans are unsecured and interest free.				
	ii	All above loans are not repayable before 12 months from the end of the 31/03/15.				
6	TRADE PAYABLES					
	Payable for expenses				22 76 458	22 55 530
	TOTAL				22 76 458	22 55 530
	Details of dues to Micro, small and Medium Enterprises as per MSMED Act, 2006					
	The Company has initiated the process of obtaining the confirmation from suppliers who have registered under the Micro, Small and Medium enterprise development Act, 2006 (MSMED Act, 2006) based on the information available with the company, the balance due to micro and small enterprise as defined under the MSMED Act, 2006 is Nil. No interest has been paid or payable under MSMED Act, 2006 during the year.					
	There are no dues payable to small scale industries undertaking in view of the business of the company.					
7	Short Term Provisions					
	Provision for Income Tax				1 90 128	74 806
	General Provision on Standard Assets				1 78 183	50 742
	TOTAL				3 68 311	1 25 548
8	Other Current Liabilities					
	Statutory Dues				2 57 000	0
	TOTAL				2 57 000	0
9	CASH & CASH EQUIVALENT					
	Balances with Bank					
	on Current Accounts				44 95 323	13 99 639
	Cash on Hand				60 518	14 12 606
	TOTAL				45 55 841	28 12 245
10	SHORT TERM LOANS & ADVANCES					
	Unsecured Loans (including overdue loans)					
	Standard Assets				7 07 41 721	2 02 96 690
	Sub-Standard Assets				17 05 076	1 12 02 843
	Doubtful Assets				95 90 697	94 08 072
					8 20 37 494	4 09 07 605
	Less: Provision for Interest & Other Income Reversal				2 95 465	33 47 363
					8 17 42 029	3 75 60 242
	Provisions for NPA				90 28 966	84 38 991
	TOTAL				7 27 13 063	2 91 21 251
11	OTHER CURRENT ASSETS					
	(Unsecured, considered good)					
	Deposits				3 42 656	5 52 000
	TOTAL				3 42 656	5 52 000
12	REVENUE FROM OPERATIONS					
	Income (Finance Charges)				47 58 347	37 42 794
	TOTAL				47 58 347	37 42 794

					KARNAVATI FINANCE LIMITED	
Note	Particulars				2014-15	2013-14
14	EMPLOYEE BENEFIT EXPENSES					
	Salary, Wages & Bonus				6 27 000	7 96 000
	Staff Welfare Expenses				29 075	29 080
	TOTAL				6 56 075	8 25 080
15	LOAN LOSSES AND PROVISIONS					
	General Provision on Standard Asset				1 27 441	- 4 470
	Amount Written Off				26 11 734	17 44 452
	Provision for Non Performing Assets(as per RBI norms)				5 89 975	- 4 36 729
	TOTAL				33 29 150	13 03 253
16	OTHER EXPENSES					
	Auditor's Remuneration				2 00 563	25 000
	ROC Fees				39 000	511
	Issue Expenses				35 44 674	0
	Other General & Admin Expenses				3 11 395	5 30 227
	TOTAL				40 95 632	5 55 738
	Payment to auditors includes					
	Company Audit				1 80 900	25 000
	Other matters				33 708	0
	Taxation matters				19 663	0
	TOTAL				2 34 271	25 000
17	EARNING PER SHARE					
	Net profit as per P & L				- 37 52 059	4 47 320
	Weighted No of Equity Share				52 10 740	37 80 000
	TOTAL				-0.72	0.12

KARNAVATI FINANCE LIMITED
Notes on Accounts & Significant Accounting Policies

1 Notes on Accounts

(a) Corporate information

Karnavati Finance Limited, incorporated on 05-12-1984 is a Non Banking Finance Company registered with Reserve Bank of India engaged in the business of financing.

(b) The Company has initiated the process of obtaining the confirmation from suppliers who have registered under the Micro, Small and Medium enterprise development Act, 2006 (MSMED Act, 2006) based on the information available with the company, the balance due to micro and small enterprise as defined under the MSMED Act, 2006 is Nil. No interest has been paid or payable under MSMED Act, 2006 during the year.

(c) The disclosures required in terms of Paragraph 13 of the Non-Banking Financial (Non-Deposit Accepting or Holding Companies Prudential Norms (Reserve Bank) Directions, 2007 are given in the Annexure forming part of these Financial Statements.

2 Basis of Preparation

The financial statements of the company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014.

All assets and liabilities have been classified as current and non – current as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

Further, the Company follows prudential norms for Income Recognition, assets classification and provisioning for Non-performing assets as well as contingency provision for Standard assets as prescribed by The Reserve Bank of India (RBI) for Non-Banking Financial Companies.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

2.1 Summary of significant accounting policies

(a) Change in accounting policy

(i) Depreciation on fixed assets

Till the year ended 31st March, 2014, schedule XIV to the Companies Act, 1956, prescribed requirements concerning depreciation of fixed assets. From the current year, Schedule XIV has been replaced by Schedule II to the Companies Act, 2013. The applicability of Schedule II has resulted in the following changes related to depreciation of fixed assets. Unless stated otherwise, the impact mentioned for the current year is likely to hold good for future years also.

(ii) Useful lives/depreciation rates

Till the year ended 31 March 2014, depreciation rates prescribed under Schedule XIV were treated as minimum rates and the company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act 2013 prescribes useful lives for fixed assets which, in many cases, are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/ lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the financial statements.

Considering the applicability of Schedule II, the management has re-estimated useful lives and residual values of all its fixed assets. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II. Hence, this change in accounting policy did not have any material impact on financial statements of the company.

(b) Use of estimates

The Preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets and liabilities in future periods.

(c) Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure, and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

(d) Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives under section 123 of the Companies Act, 2013

(e) Income taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, reporting date. Current income tax relating to items recognized in equity and in the statement of profit & loss.

(f) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

(g) Segment Reporting

The company is engaged primarily in the business of loan financing and accordingly there are no separate reportable segments as per Accounting Standard 17 dealing with Segment Reporting.

(h) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Further, in accordance with the guidelines issued by The Reserve Bank of India for Non-Banking Financial Companies, income on business assets classified as Non-performing Assets, is recognised on receipt basis.

Unrealized interest recognized as income in the previous period is reversed in the month in which the loan is classified as Non-performing. The following specific recognition criteria must also be met before revenue is recognized:

Income from Loans:

Interest Income from loan transactions is accounted for by applying the interest rate implicit in such contracts

(i) Provisions

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

(j) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

(k) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(l) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The company has no obligation, other than the contribution payable to the provident fund. The company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

(m) Impairment

The carrying value of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life to their present value based on an appropriate discount factor.

The company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

KARNAVATI FINANCE LIMITED

KARNAVATI FINANCE LIMITED						
Note No.	Particulars					
9	Tangible Fixed Assets	Furniture & Fixtures	Other Assets	Computer	Vehicle	TOTAL
	Cost					
	As at 31st March, 2013	56 510	3 560	62 964	8 19 000	9 42 034
	Additions	9 87 358	62 989	0	0	10 50 347
	Disposals	0	0	0	0	0
	As at 31st March, 2014	10 43 868	66 549	62 964	8 19 000	19 92 381
	Additions	0	0	0	0	0
	Disposals	0	0	0	0	0
	As at 31st March, 2015	10 43 868	66 549	62 964	8 19 000	19 92 381
	Depreciation					
	As at 1st April, 2013	34 353	2 485	60 480	4 49 185	5 46 503
	Additions	76 074	2 046	994	66 937	1 46 051
	Disposals	0	0	0	0	0
	As at 31st March, 2014	1 10 427	4 531	61 474	5 16 122	6 92 554
	Additions	97 836	14 149	1 490	85 752	1 99 227
	Disposals	0	0	0	0	0
	As at 31st March, 2015	2 08 263	18 680	62 964	6 01 874	8 91 781
	Net Block					
	At 31 March 2014	933,441	62,018	1,490	302,878	1,299,827
	As at 31st March, 2015	8 35 605	47 869	0	2 17 126	11 00 600

KARNAVATI FINANCE LIMITED

Note	Particulars	31.03.2015	31.03.2014
18	RELATED PARTY DISCLOSURE		
a	Name of Related Parties		
	Key Management Personnel:		
	1	Raman Morzaria	Director (w.e.f. 01/07/2014)
	2	Jay Morzaria	Director (w.e.f. 01/07/2014)
	3	Jay Somaiya	Director (w.e.f. 24/07/2014)
	4	Kaushal Ruparel	Director (w.e.f. 02/08/2014)
	5	Vinesh Makadia	Director (Upto 3rd July,2014)
	(b) Transaction with Related Parties		
	Remuneration paid to Key Managerial personnel		
	Ramanbhai Morzaria	300,000	200,000
	Vinesh Makadia	-	200,000
	Rent		
	Ramanbhai Morzaria	45,000	32,500
	Balance Payable		
	Key Managerial Personnel		
	Ramanbhai P. Morzaria	6 49 110	5 00 100
	Vinesh P. Makadia	6 80 000	6 80 000
	Relatives of Key Managerial Personnel		
	Kush Morzaria	24 00 000	0
	Daxaben R. Morzaria	1 20 000	1 20 000
	Jay R Morzaria	1 80 000	1 80 000
	Total	40 29 110	14 80 100

Form No. MGT-11
PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies
(Management and Administration) Rules, 2014]

CIN : U65910MH1984PLC034724
Name of the Company : Karnavati Finance Limited
Registered Office : Unit No 2, Sagar Deep Darshan Co Operative Housing Society
Limited, S.V. Road, Borivali (W), Mumbai, Maharashtra – 400 092.

Name of the member(s):
Registered address:
E-mail ID:
Folio No/ Client ID:
DP ID:

I / We, being the member(s) of shares of the above named Company,
hereby appoint:

1. Name : _____
Address : _____
E-mail ID : _____
Signature : _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 31st Annual
General Meeting of the Company, to be held on Monday, September 21, 2015 at 11:00 A. M. at
Unit No 2, Sagar Deep Darshan Co operative Housing Society Limited, S.V. Road, Borivali (W),
MUMBAI, MAHARASHTRA – 400 092, INDIA and at any adjournment thereof in respect of such
resolutions as are indicated below:

Ordinary Businesses:

1. To receive, consider and adopt audited financial statement of account for the financial year
ended on March 31, 2015 and the reports of the Directors' and the Auditors' thereon.
(Ordinary resolution)
2. To appoint Mr. Raman P Morzaria (DIN: 00203310), Whole-Time-Director, who retires by
rotation and being eligible, offers himself for reappointment. (Ordinary resolution)
3. To appoint Statutory Auditor and to fix their remuneration. (Ordinary resolution)

Signed this day of 2015.

Signature of Shareholder: _____

Signature of Proxy holder(s): _____

Affix Rs. 1 Revenue
Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the
Registered Office of the Company not less than 48 hours before the commencement of the
Meeting.

ATTENDANCE SLIP

Full name of the member attending _____

Full name of the joint-holder _____

(To be filled in if first named Joint – holder does not attend meeting)

Name of Proxy _____

(To be filled in if Proxy Form has been duly deposited with the Company)

I hereby record my presence at the 31st Annual General Meeting of the Company held at Unit No 2, Sagar Deep Darshan Co operative Housing Society Limited, S.V. Road, Borivali (W), Mumbai, Maharashtra – 400 092, India on Monday, September 21, 2015 at 11:00 A. M.

Folio No _____ DP ID No. * _____ Client ID No.* _____

*Applicable for members holding shares in electronic form.

No. of Share(s) held _____

Member's / Proxy's Signature