



KARNAVATI FINANCE LIMITED

33RD ANNUAL REPORT

F.Y. 2016-17

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Corporate Information

KARNAVATI FINANCE LIMITED CIN: L65910MH1984PLC034724

Board of Directors	Committees of the Board of Directors
<p>Mr. Jay Morzaria Managing Director</p> <p>Mr. Raman Morzaria Whole-time Director</p> <p>Mr. Jay Somaiya Independent Director</p> <p>Ms. Hardika Mandavia Independent Director</p> <p>Mr. Pinak Soni Company Secretary</p>	<p>Audit Committee</p> <p>Mr. Jay Somaiya</p> <p>Ms. Hardika Mandavia</p> <p>Mr. Jay Morzaria</p> <p>Stakeholders' Relationship Committee</p> <p>Mr. Jay Somaiya</p> <p>Ms. Hardika Mandavia</p> <p>Mr. Jay Morzaria</p> <p>Nomination and Remuneration Committee</p> <p>Mr. Jay Somaiya</p> <p>Ms. Hardika Mandavia</p> <p>Mr. Jay Morzaria</p>
Registered Office	
<p>Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S. V. Road, Borivali (West) Mumbai – 400 092, Maharashtra.</p> <p>Tel No.: +91 – 73037 98900</p> <p>E-Mail: karnavatifinance@gmail.com</p> <p>Web: www.karnavatifinancelimited.com</p>	
Corporate Office	
<p>Vraj, 5th Floor, Opp. President Hotel, Near Bhumi Press, Limda Lane, Jamnagar – 361 001, Gujarat.</p> <p>Tel No: +91 – 288 – 266 3042</p> <p>Fax No: +91 – 288 – 267 3759</p>	
Statutory Auditor	
<p>M/s. Maharishi & Co., Chartered Accountants "Aparna", Behind Jivandeep Hospital, Limda Lane, Jamnagar – 361 001.</p> <p>E-Mail ID: info@maharishiandco.com</p>	
Registrar and Share Transfer Agent	
<p>Satellite Corporate Services Private Limited B-302, Sony Apartment, Opp. St. Judes High School, Off Andheri Kurla Road, Jarimari Sakinaka, Mumbai – 400 072 Tel No.: +91 – 22 – 2852 0461; Fax No.: +91 – 22 – 2851 1809 Email: service@satellitecorporate.com; Web: www.satellitecorporate.com</p>	

Notice to Shareholders

Notice is hereby given that the 33rd Annual General Meeting of the Members of Karnavati Finance Limited will be held at the Registered Office of the Company situated at Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (West), Mumbai, Maharashtra – 400 092 on Saturday, September 16, 2017 at 04:00 P.M. to transact the following businesses:

Ordinary Businesses:-

1. To receive, consider and adopt audited financial statement of account for the financial year ended on March 31, 2017 and the reports of the Director's and the Auditor's thereon.
2. To appoint a Director in place of Mr. Raman Morzaria (DIN: 00203310), Whole-Time Director of the Company, who retires by rotation and being eligible, seeks re-appointment.
3. Ratification of Appointment of Statutory Auditor and to fix their remuneration.

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

"RESOLVED THAT pursuant to the provisions of Section 139, 142, and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force, the Company hereby ratifies the appointment of M/s. Maharishi & Co., Chartered Accountants (Firm Registration No. 124872W) as Statutory Auditors of the Company to hold office from the conclusion of the this Annual General Meeting till the conclusion of the 34th Annual General Meeting to be held in the calendar year 2018, on a remuneration as may be agreed upon by the Board of Directors and the Auditors, apart from out-of-pocket expenses that may be incurred by them for the purpose of audit."

Special Businesses:-

4. **Revision in remuneration of Mr. Raman Morzaria (DIN 00203310) Whole-Time Director of the Company for his remaining period of appointment:**

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

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), resolution passed on July 5, 2014 by the members and on recommendation of Nomination and Remuneration Committee and as agreed by the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board), consent of the Company be and is hereby accorded for revision in the remuneration of Mr. Raman Morzaria, (DIN 00203310), Whole-Time Director, as set out in the Explanatory Statement annexed to the Notice convening this Meeting, with effect from July 1, 2017 for the remaining period of his tenure i.e. up to June 30, 2019, with liberty to the Board of Directors to alter and vary the terms and conditions of the said remuneration as it may deem fit and as may be acceptable to Mr. Raman Morzaria, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

5. **Revision in remuneration of Mr. Jay Morzaria (DIN 02338864) Managing Director of the Company for his remaining period of appointment:**

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

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), resolution passed on July 5, 2014 by the members and on recommendation of Nomination and Remuneration Committee and as agreed by the Board of Directors

(hereinafter referred to as "the Board" which term shall be deemed to include the Nomination and Remuneration Committee of the Board), consent of the Company be and is hereby accorded for revision in the remuneration of Mr. Jay Morzaria, (DIN 02338864), Managing Director, as set out in the Explanatory Statement annexed to the Notice convening this Meeting, with effect from July 1, 2017 for the remaining period of his tenure i.e. up to June 30, 2019, with liberty to the Board of Directors to alter and vary the terms and conditions of the said remuneration as it may deem fit and as may be acceptable to Mr. Jay Morzaria, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

Registered Office

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

By order of the Board
For, **Karnavati Finance Limited**

Jay Morzaria
Managing Director
DIN: 02338864

Place: Jamnagar

Date: August 22, 2017

Notes:

1. **A Member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company.**

A person can act as proxy on behalf of Members not exceeding 50 (fifty) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

The instrument appointing the proxy, in order to be effective, must be deposited at the Company's Registered Office, duly completed and signed, not less than 48 (Forty-Eight) Hours before the commencement of the AGM. Proxies submitted on behalf of limited companies, societies etc., must be supported by appropriate resolutions / authority, as applicable.

During the period beginning 24 hours before the time fixed for the commencement of Meeting and ending with the conclusion of the Meeting, a Member would be entitled to inspect the proxies lodged at any time during the business hours of the company.

2. Members/Proxies should bring their Attendance slip duly completed for attending the meeting. The signature of the attendance slip should match with the signature(s) registered with the Company. Members holding shares in dematerialized form are requested to bring their Client ID and DP ID numbers for identification.
3. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the board resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. In case of joint holders attending the meeting together, only whose name appearing first will be entitled to vote.
5. The Register of Members and Share Transfer Books of the Company will be closed from Sunday, September 10, 2017 to Sunday, September 17, 2017 (both days inclusive) and same will be re-opened from Monday, September 18, 2017 onwards.
6. The route map showing directions to reach the venue of the thirty-third AGM is annexed at the end of this Annual Report and uploaded on the website of the Company.
7. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long period of time. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.
8. The members who holds shares of the Company in Physical form are informed that the company is in process of updating records of the shareholders in order to reduce the physical documentation as far as possible. In line with new SEBI (LODR) Regulations, 2015, it is mandatory for all the investors including transferors to complete their KYC information. Hence, members are requested to update and intimate their PAN, phone no., e-mail id and such other information to the Company's Registrars and Transfer Agents, Satellite Corporate Services Private Limited (SCSPL). Members are further requested to update their current signature in SCSPL system. The Performa of updation of Shareholder information is provided at the end of Annual Report.
9. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details such as bank account number, name of the bank and branch details, MICR code and IFSC code, mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their depository participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents to provide efficient and better services.
10. The Securities and Exchange Board of India ("SEBI") has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to SCSPL.

11. Members holding shares in physical form are requested to consider converting their holdings to dematerialized form to eliminate all risks associated with physical shares and for ease of portfolio management. Members can contact SCSPL for assistance in this regard.
12. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to SCSPL, the details of such folios together with the share certificates for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.
13. As per the provisions of Section 72 of the Act, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. The Nomination Form can be obtained from the SCSPL. Members holding shares in physical form may submit the same to SCSPL. Members holding shares in electronic form may submit the same to their respective depository participant.
14. The Company is concerned about the environment and utilizes natural resources in a sustainable way. We request every member to update their email address with concerned Depository Participant and SCSPL to enable us to send you the communications via email.
15. The Notice of the AGM along with the Annual Report 2016-17 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. Members may note that this Notice and the Annual Report 2016-17 will also be available on the Company's website viz. www.karnavatifinancelimited.com.
16. The Ministry of Corporate Affairs ('MCA') on May 10, 2012 notified the Investor Education and Protection Fund (Uploading of information regarding Unpaid and Unclaimed amounts lying with Companies) Rules, 2012 (IEPF Rules), which is not applicable to the Company as the Company has not declared any dividend. Further, the Company does not have any unpaid or unclaimed dividend amount outstanding as on the closure of financial year 2016-17. Therefore, the Company is not required to upload the details of Unpaid and unclaimed dividend amounts. Further, during the year, the Company has not transferred any amount to IEPF.
17. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
18. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
19. Members seeking any information with regard to the accounts are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the Annual General Meeting.
20. In compliance with the provisions of Section 108 of the Act and the Rules framed there under, as amended from time to time, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the remote e-voting services provided by National Securities Depository Limited (NSDL), on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below. Resolution(s) passed by Members through e-voting and voting at the AGM is/are deemed to have been passed as if they have been passed at the AGM.
21. Members whose names are recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the Cut-off date i.e. Saturday, September 9, 2017, shall be entitled to avail the facility of remote e-voting as well as voting at the AGM. Any recipient of the Notice, who has no voting rights as on the Cut-off date, shall treat this Notice as intimation only.
22. A person who has acquired the shares and has become a member of the Company after the dispatch of the Notice of the AGM and prior to the Cut-off date and holds share as on cut-off date i.e. Saturday, September 9, 2017 shall be entitled to exercise his/her vote either electronically i.e. remote e-voting or through the Poll Paper at the AGM by following the procedure mentioned in this part.
23. The remote e-voting will commence on Wednesday, September 13, 2017 at 09:00 A.M. and will end on Friday, September 15, 2017 at 05.00 P.M. During this period, the members of the Company holding shares either in physical form or in demat form as on the Cut-off date i.e. Saturday, September 9, 2017, may cast their vote electronically. The members will not be able to cast their vote electronically beyond the date and time mentioned above and the remote e-voting module shall be disabled for voting by NSDL thereafter.
24. Once the vote on a resolution is cast by the member, he/she shall not be allowed to change it subsequently or cast the vote again.
25. The facility for voting through Poll Paper would be made available at the AGM and the members attending the meeting who have not already cast their votes by remote e-voting shall be able to exercise their right at the meeting through Poll Paper. The members who have already cast their vote by remote e-voting prior to the meeting may also attend the Meeting, but shall not be entitled to cast their vote again.
26. The voting rights of the members shall be in proportion to their share in the paid up equity share capital of the Company as on the Cut-off date i.e. Saturday, September 9, 2017.
27. The Company has appointed CS Anand Lavingia, Practicing Company Secretary (Membership No. ACS: 26458; CP No: 11410), to act as the Scrutinizer for conducting the remote e-voting process as well as the voting through Poll Paper at the AGM, in a fair and transparent manner.
28. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
29. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 48 hours of the conclusion of the AGM, a consolidated scrutinizer's report of the

total votes cast in favor or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

30. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.karnavatifinancelimited.com and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.

31. The instructions for e-voting are as under:

A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)]:

Step 1. Open email and open PDF file viz; "Karnavati Finance Limited remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.

Step 2. Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>

Step 3. Click on Shareholder – Login.

Step 4. Put user ID and password as initial password/PIN noted in step 1 above. Click Login.

Step 5. Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

Step 6. Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.

Step 7. Select "REVEN" of Karnavati Finance Limited.

Step 8. Now you are ready for remote e-voting as Cast Vote page opens.

Step 9. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted. Upon confirmation, the message "Vote cast successfully" will be displayed.

Note that once you have voted on the resolution, you will not be allowed to modify your vote.

Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to karnavatifinance@gmail.com with a copy marked to evoting@nsdl.co.in.

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s) or requesting physical copy]:

Step 1. Initial password is provided as below/at the bottom of the Attendance Slip for the AGM:

REVEN (Remote e-voting Event Number)	USER ID	PASSWORD/PIN
107144		

Step 2. Please follow all steps from Step 2 to Step 9 above, to cast vote.

In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990.

If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.

Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as on the cut-off date i.e. Saturday September 9, 2017, may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com.

32. The relevant details, as required under Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), of the person seeking appointment or re-appointment as Director under Item No. 2, 4 & 5 of the Notice are provided hereunder;

Particulars	Mr. Raman Morzaria	Mr. Jay Morzaria
Date of Birth	November 26, 1962	August 14, 1989
Date of Appointment at current designation and term	September 29, 2001	September 15, 2010
Educational Qualifications	-	B.com & LL.B
Expertise in specific functional areas - Job profile and suitability	Mr. Raman Morzaria aged 54 years is one of the core promoter and Whole Time Director of our company and has taken over our Company in the year 2001. He has an overall experience of 30 years in the field of finance and real estate development and he is driving operational growth, maximizing business opportunities and ensuring compliance with regulatory requirements. He is on our Board since acquisition and is responsible for strategic planning and	Mr. Jay Morzaria aged 27 years is core promoter of our company and has been appointed as Managing Director of our company with the effect from July 01, 2014. He has completed bachelor of commerce from Mumbai University and law graduation in the year 2012 from Mumbai University. He has an overall experience of four years in the field of finance and construction business.

	administration of our Company.	
Directorships held in other public companies	-	-
Memberships / Chairmanships of committees of public companies including our Company	-	Member – 2
Inter-se Relationship with other Directors.	Mr. Raman Morzaria is the Father of Mr. Jay Morzaria.	Mr. Jay Morzaria is son of Mr. Raman Morzaria.

Annexure to Notice

Explanatory Statement pursuant to Section 102 of the Companies Act, 2013

Item No. 4

The Board of Directors of the Company in their Meeting held on June 10, 2014 has appointed Mr. Raman Morzaria as Whole-Time Director of the Company for a period of 5 years w.e.f. July 1, 2014 and the same was approved by the Members of the Company in their Meeting held on July 5, 2014.

In accordance with Section 196, 197 read with Schedule V to the Companies Act, 2013; the remuneration approved in accordance with Schedule V to the Companies Act, 2013 shall be valid for a period not exceeding 3 years from the date of appointment of Whole-Time Director. Therefore, the remuneration approved by the Members of the Company was valid till June 30, 2017.

Mr. Raman Morzaria aged 54 years is one of the core promoter. He has an overall experience of 30 years in the field of finance and real estate development and he is driving operational growth, maximizing business opportunities and ensuring compliance with regulatory requirements. He is on our Board since acquisition and is responsible for strategic planning and administration of our Company.

Therefore, the Board of Directors, pursuant to recommendation of Nomination and Remuneration Committee, has decided to remunerate Mr. Raman Morzaria with the same remuneration that has been approved by the Members of the Company in their meeting held on July 5, 2014 i.e. Rs. 25,000/- per month for remaining period of his tenure. Further, all the remaining terms and condition of appointment of Mr. Raman Morzaria remain same as approved by the members in their meeting held on July 5, 2014.

Looking to the contribution made by Mr. Raman Morzaria for the growth of the Company, the Board of Directors of the Company commends the passing of resolution mentioned in Item No. 4 of the Notice as an Ordinary Resolution.

Save and except Mr. Raman Morzaria, Mr. Jay Morzaria and relatives of Mr. Raman Morzaria to the extent their shareholding in the Company, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at item No. 4.

Item No. 5

The Board of Directors of the Company in their Meeting held on June 10, 2014 has appointed Mr. Jay Morzaria as Managing Director of the Company for a period of 5 years w.e.f. July 1, 2014 and the same was approved by the Members of the Company in their Meeting held on July 5, 2014.

In accordance with Section 196, 197 read with Schedule V to the Companies Act, 2013; the remuneration approved in accordance with Schedule V to the Companies Act, 2013 shall be valid for a period not exceeding 3 years from the date of appointment of Managing Director. Therefore, the remuneration approved by the Members of the Company was valid till June 30, 2017.

Mr. Jay Morzaria aged 27 years is core promoter of our company. He has completed bachelor of commerce from Mumbai University and law graduation in the year 2012 from Mumbai University. He has an overall experience of four years in the field of finance and construction business.

Therefore, the Board of Directors, pursuant to recommendation of Nomination and Remuneration Committee, has decided to remunerate Mr. Jay Morzaria with the same remuneration that has been approved by the Members of the Company in their meeting held on July 5, 2014 i.e. Rs. 25,000/- per month for remaining period of his tenure. Further, all the remaining terms and condition of appointment of Mr. Jay Morzaria remain same as approved by the members in their meeting held on July 5, 2014.

Looking to the contribution made by Mr. Jay Morzaria in the success of the Company, the Board of Directors of the Company commends the passing of resolution mentioned in Item No. 5 of the Notice as an Ordinary Resolution.

Save and except Mr. Jay Morzaria, Mr. Raman Morzaria and relatives of Mr. Jay Morzaria to the extent their shareholding in the Company, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at item No. 5.

Registered Office

Unit No. 2, Sagar Deep Darshan Co. Op.
Housing Society Limited, S. V. Road, Boriwali (West)
Mumbai – 400 092, Maharashtra

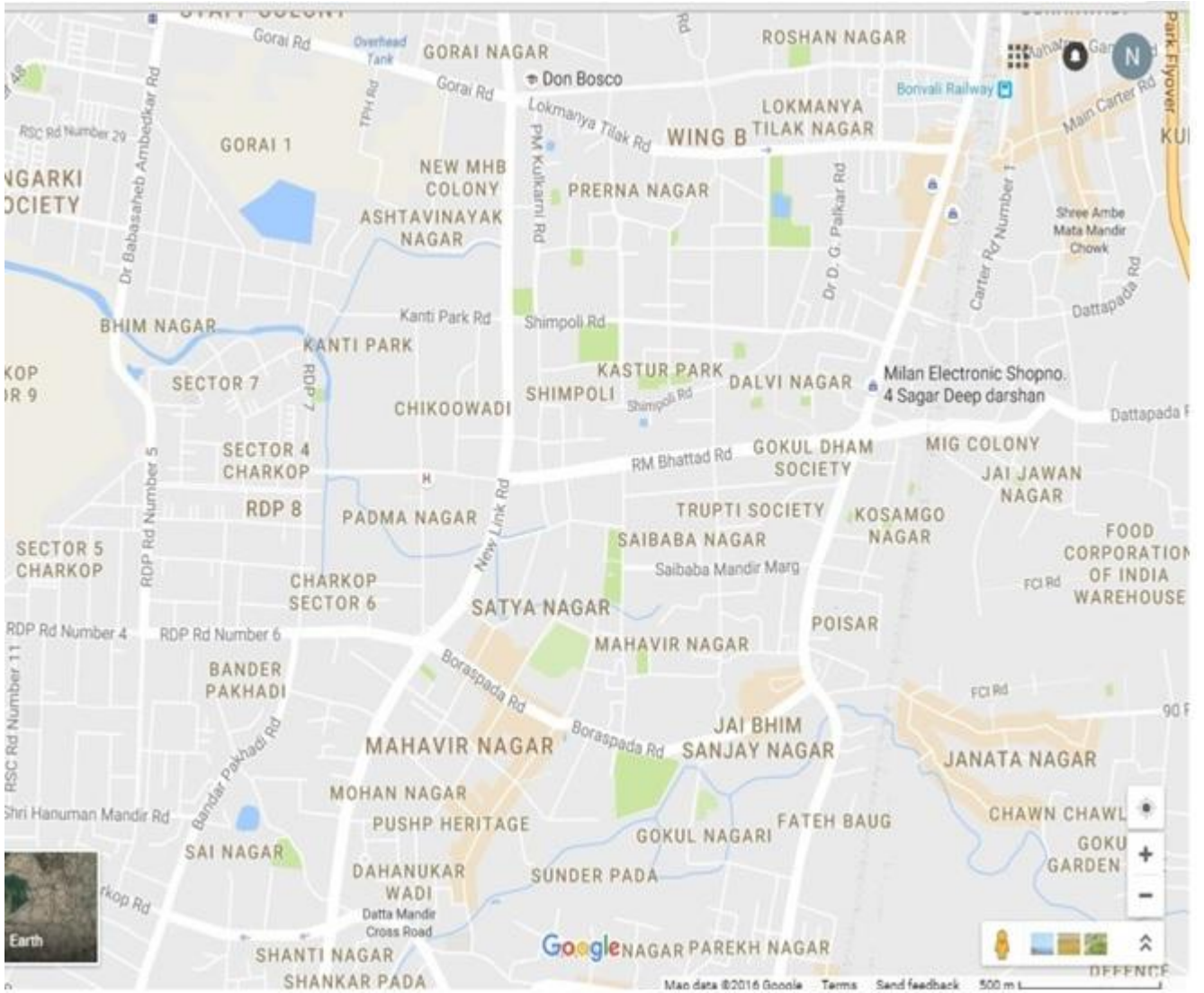
By order of the Board
For, **Karnavati Finance Limited**

Jay Morzaria
Managing Director
DIN: 02338864

Place: Jamnagar

Date: August 22, 2017

Route map to the venue of Annual General Meeting



DIRECTORS' REPORT

To,

The Shareholders,

The Directors have the pleasure of presenting the 33rd Annual Report of your Company with the Audited Financial Statements of the Company for the financial year ended March 31, 2017.

Financial Results

(Rs. In lakhs)

Particulars	F.Y. 2016-17	F.Y. 2015-16
Revenue from Operations	94 68 162	44 42 193
Other operating Income	28 02 142	17 83 061
Total Revenue	1 22 70 304	62 25 254
Less: Total Expenses before Depreciation, Finance Cost and Tax	23 12 303	16 98 666
Operating Profits before Depreciation, Finance Cost and Tax	99 58 001	45 26 588
Less: Depreciation	1 61 477	1 57 870
Finance Cost	1 27 448	-
Profit / (Loss) Before Tax	96 69 076	43 68 718
Less: Current Tax	19 59 563	11 67 802
Less: Deferred Tax Liabilities/ (Assets)	1 67 000	- 4 81 000
Profit / (Loss) after Tax	75 42 513	36 81 916

Review of Business Operation

During the financial year 2016-17, The Company has earned total income of Rs. 122.70 Lakhs from business activities including income from other sources compared to that of Rs. 62.25 Lakhs of previous year which shows growth in Income of the Company by 97.11% over the previous year. Due to expansion of Business, the overall revenue of the Company was increased.

During the financial year 2016-17, there were no loans written off.

The total Profit before tax for the financial year 2016-17 stood at Rs. 96.69 Lakh compared to profit before tax of Rs. 43.69 Lakh for the financial year 2015-16 making net profit after tax of Rs. 75.43 Lakh for financial year 2016-17 compared to profit after tax of Rs. 36.82 Lakh for the financial year 2015-16.

The Directors of the Company are planning to expand the business of the Company in the current year by providing the varied types of the financial services to the customers and thus confident of presenting the better figures in the coming years.

Dividend

To conserve resources for future prospect and growth of the Company, your Directors regret to declare Dividend for the Financial Year 2016-17 (Previous year - Nil).

Net Profit Transfer to Reserve

The Company has transferred Rs. 15.08 Lakh to Statutory Reserve Fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934. The balance net profit was adjusted against the debit balance of carried forward loss of the Company.

Change in Nature of Business

During the year, your Company has not changed its business or object and continues to be in the same line of business as per main object of the Company.

License for Money Changer

During the financial year 2016-17, the Company has added one more vertical in its Portfolio. The Company has applied for the Full Fledge Money Changer License to Reserve Bank of India and Reserve Bank of India has issued Licence to carry on business for Full Fledge Money Changer; License No. 1916/2016 dated June 1, 2016.

The Company has commenced activities of Full Fledged Money Changing and earned revenue of Rs. 1.37 Lakh in the financial year 2016-17. The Board of Directors are in planning to expand the activities of Full Fledged Money Changing Activities in coming years and thus increasing the line of business of the Company.

Changes in Share Capital

During the year under review, there was no change in the Authorised, Issued, Subscribed and Paid-up Share Capital of the Company. After closure of financial year 2016-17, the Authorised Share Capital of the Company was increased by the Members of the Company from Rs. 10,00,00,000/- (Rupees Ten Crore only) divided into 1,00,00,000 (One Crore only) Equity Shares of Rs. 10/- (Rupees Ten only) each to Rs. 10,50,00,000/- (Rupees Ten Crore Fifty Lakh only) divided into 1,05,00,000 (One Crore Five Lakh only) Equity Shares of Rs. 10/- (Rupees Ten only) each, by way of creation of an additional 5,00,000 (Five Lakhs only) Equity Shares of Rs. 10/- (Rupees Ten only) each ranking pari passu in all respect with existing equity shares of the company, aggregating to Rs. 50,00,000/- (Rupees Fifty Lakh only).

Further, the Board of Directors had proposed Preferential Issue of 17,40,000 Equity Shares to Promoter including Promoter Group and Public on Preferential Basis. The allotment of 16,90,000 Equity Shares was made on May 30, 2017 and the Company has received Listing and Trading approval.

Migration of Listing

The Company had made application for Migration from SME Platform of BSE Limited to Main Board of BSE Limited and the application of the Company was approved by the stock exchange and the Equity Shares of the Company are available for the trading at Main Board of BSE Limited w.e.f. Wednesday, August 9, 2017

Information of Board of Directors and its Meetings

The Board of Directors of the Company consists of four (4) Directors; one (1) of whom is Promoter - Managing Director, one (1) is Promoter - Whole-time Director and two (2) are Non-Executive Independent Directors.

The composition of Board complies with the requirements of the Companies Act, 2013. Further, in pursuance of Regulation 15(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Company was exempted from requirement of having composition of Board as per Listing Regulations as on the end of financial year 2016-17.

The Board of the Company comprises following Directors as on date of this report;

Name of Directors	Category of Directorship	No. of Directorships including Directorship in the Company	No. of Committee¹ Membership/ Chairmanship in Companies	Attendance at the AGM held on 30-09-2016
Mr. Jay Morzaria	Managing Director (Promoter)	4	Member – 2	Yes
Mr. Raman Morzaria	Whole-time Director (Promoter)	4	-	No
Mr. Jay Somaiya	Non-Executive Independent Director	3	Chairman – 2	Yes
Ms. Hardika Mandavia	Non-Executive Independent Director	2	Member – 2	Yes

¹ Committee includes Audit Committee and Shareholders' Grievances Committee across all Public Companies.

Board Meetings

During the year under review, Board of Directors of the Company met 7 (Seven) times, viz. April 13, 2016, May 27, 2016, September 05, 2016, November 14, 2016, January 06, 2017, February 14, 2017 and March 23, 2017.

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

The details of attendance of each Director at the Board Meeting and Annual General Meeting are given below;

Name of Director	Mr. Jay Morzaria	Mr. Raman Morzaria	Mr. Jay Somaiya	Ms. Hardika Mandavia
No. of Board Meeting held	7	7	7	7
No. of Board Meeting attended	7	7	7	7
Presence at the previous AGM	Yes	No	Yes	Yes

Independent Directors

In terms of Section 149 of the Companies Act, 2013 ("The Act") and rules made there under, the Company has two Non-Promoter Independent Directors in line with the act. A separate meeting of Independent Directors was held on March 23, 2017 to review the performance of Non-Independent Directors and Board as whole and performance of Chairperson of the Company including assessment of quality, quantity and timeliness of flow of information between Company management and Board. The terms and conditions of appointment of Independent Directors and Code for Independent Director are incorporated on the website of the Company at www.karnavatifinancelimited.com.

The Company has received necessary declaration from each independent director under Section 149 (7) of the act that they meet the criteria of independence laid down in Section 149 (6) of the act.

Information on Directorate

During the year under review Mr. Kaushal Ruparel, Independent Director of the Company has resigned from the board w.e.f. April 13, 2016. The Board of Directors had placed their appreciation to Mr. Kaushal Ruparel for providing his service as director of the Company. Further, in terms of Section 149 of the act, the Board of Directors in their meeting held on April 13, 2016 has appointed Ms. Hardika Mandavia as an Additional (Non - Executive) Director of the company w.e.f. April 13, 2016 and her appointment was regularised at Annual General Meeting held on September 30, 2016.

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 retires by rotation at the ensuing annual general meeting. He, being eligible, has offered himself for re-appointment as such and seeks re-appointment. The Board of Directors recommends his appointment on the Board.

The relevant details, as required under Regulation 36 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), of the person seeking re-appointment as Director are also provided in Note No. 32 of the Notice convening the 33rd annual general meeting.

None of the Director of the Company is serving as a Whole-Time Director in any Listed Company and is holding position of Independent Director in more than 3 Listed Company and none of the Director of the Company is holding position as Independent Director in more than 7 Listed Company. Further, 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.

Key Managerial Personnel

In accordance with Section 203 of the Companies Act, 2013, the Company has Mr. Jay Morzaria who is acting as Managing Director of the Company. During the year under review, the Company has not appointed/re-appointed any Key Managerial Personnel. Further, no Key Managerial Personnel has resigned from the post. However, after the closure of financial year 2016-17, the Company has appointed Mr. Pinak Soni as Company Secretary and Compliance Officer of the Company w.e.f April 15, 2017.

Performance Evaluation

The Board of Directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Act.

Further, Nomination and Remuneration Committee has also carried out the performance evaluation of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings. In addition, the chairman was also evaluated on the key aspects of his role.

Separate meeting of independent directors was held to evaluate the performance of non-independent directors, performance of the board as a whole and performance of the chairman, taking into account the views of executive directors and non-executive directors.

Directors’ Responsibility Statement

Pursuant to section 134(5) of the Companies Act, 2013, the board of directors, to the best of their knowledge and ability, confirm that:

- a) In preparation of annual accounts for the year ended March 31, 2017, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors had prepared the annual accounts for the year ended March 31, 2017 on going concern basis.
- e) The Directors had laid down the internal financial controls to be followed by the Company and that such Internal Financial Controls are adequate and were operating effectively; and
- f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Committee of Board

The Committees of our Board include the following committees constituted in accordance with the Listing Regulations and the Companies Act:

A. Audit Committee

The Company has formed audit committee in line with the provisions Section 177 of the Companies Act, 2013. Audit Committee meeting is generally held for the purpose of recommending the half yearly and yearly financial result. Additional meeting is held for the purpose of reviewing the specific item included in terms of reference of the Committee. During the year under review, Audit Committee met 4 (Four) times viz on May 27, 2016, September 05, 2016, November 14, 2016 and February 14, 2017.

The composition of the Committee and the details of meetings attended by its members are given below:

Name of the Director	Category	Designation	No. of Meetings Attended
Mr. Jay Somaiya	Independent & Non Executive	Chairman	4
Ms. Hardika Mandavia	Independent & Non Executive	Member	4
Mr. Jay Morzaria	Executive Director	Member	4

The representative of Statutory Auditors of the Company was invited in the meeting of the Committee whenever required.

Mr. Jay Somaiya, the Chairman of the Committee had attended last Annual General Meeting of the Company held on September 30, 2016.

Recommendations of Audit Committee have been accepted by the Board wherever/whenever given.

Composition of the Audit Committee was revised w.e.f. April 13, 2016 due to resignation of Mr. Kaushal Ruparel. Ms. Hardika Mandavia, Independent Director of the Company was inducted as Member of the Committee in place of Mr. Kaushal Ruparel.

Further, pursuant to Migration of the Company from SME Platform of BSE Limited to Main Board of BSE Limited; the terms of reference of Audit Committee was revised by the Board of Directors. The same is as under;

Role of Audit Committee

The scope of audit committee shall include but shall not be restricted to the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub section 3 of section 134 of the Companies Act, 2013
 - 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 the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/ Information Memorandum/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of our Company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the listed entity, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the whistle blower mechanism;
19. Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the audit committee.

Review of information by Audit Committee

The audit committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.
6. Statement of deviations:
 - a. Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Listing Regulations.
 - b. Annual statement of funds utilized for purposes other than those stated in the offer document/ Information Memorandum/ notice in terms of Regulation 32(7) of the Listing Regulations.

Powers of the Audit Committee:

The audit committee shall have the powers, which should include the following:

1. To investigate any activity within its terms of reference;
2. To seek information from any employees;
3. To obtain outside legal or other professional advice; and
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Vigil Mechanism

The Company has established a vigil mechanism and accordingly framed a Whistle Blower Policy. The policy enables the employees to report to the management instances of unethical behaviour, actual or suspected fraud or violation of Company's Code of Conduct. Further the mechanism adopted by the Company encourages the Whistle Blower to report genuine concerns or grievances and provide for adequate safe guards against victimization of the Whistle Blower who avails of such mechanism and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases. The functioning of vigil mechanism is reviewed by the Audit Committee from time to time. None of the Whistle blowers has been denied access to the Audit Committee of the Board. The Whistle Blower Policy of the Company is available on the website of the Company at www.karnavatifinancelimited.com.

B. Shareholders Relationship Committee

The Company has constituted Shareholders Grievance Committee which mainly to focus on the redressal of Shareholders' / Investors' Grievances, if any, like Transfer / Transmission / Demat of Shares; Loss of Share Certificates; Non-receipt of Annual Report; Dividend Warrants; etc. During the year under review, Stakeholder's Grievance & Relationship Committee met 4 (Four) times viz on May 27, 2016, September 05, 2016, November 14, 2016 and February 14, 2017.

The composition of the Committee and the details of meetings attended by its members are given below:

Name of the Director	Category	Designation	No. of Meetings Attended
Mr. Jay Somaiya	Independent & Non Executive	Chairman	4
Ms. Hardika Mandavia	Independent & Non Executive	Member	4
Mr. Jay Morzaria	Managing Director	Member	4

Composition of the Shareholders Grievances and Relationship Committee was revised w.e.f. April 13, 2016 due to resignation of Mr. Kaushal Ruparel. Ms. Hardika Mandavia, Independent Director of the Company was inducted as Member of the Committee in place of Mr. Kaushal Ruparel.

Further, pursuant to Migration of the Company from SME Platform of BSE Limited to Main Board of BSE Limited; the terms of reference of Shareholders Grievance Committee was revised by the Board of Directors. The same is as under;

Terms of Reference

- 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 be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Complaint

During the year, the Company had not received any complaints from the Shareholders. There was no complaint pending as on March 31, 2017.

C. Nomination and Remuneration Committee

The Company has formed Nomination and Remuneration committee. Nomination and Remuneration Committee meetings are generally held for identifying the persons who are qualified to become Directors and may be appointed in senior management and recommending their appointments and removal. During the year under review, Nomination and Remuneration Committee met 3 (Three) times, i.e on April 13, 2016, September 05, 2016 and March 23, 2017.

The composition of the Committee and the details of meetings attended by its members are given below:

Name of the Director	Category	Designation	No. of Meetings Attended
Mr. Jay Somaiya	Independent & Non Executive	Chairman	3
Ms. Hardika Mandavia	Independent & Non Executive	Member	3
Mr. Jay Morzaria	Executive Director	Member	3

Composition of the Nomination and Remuneration Committee was revised w.e.f. April 13, 2016 due to resignation of Mr. Kaushal Ruparel. Ms. Hardika Mandavia, Independent Director of the Company was inducted as Member of the Committee in place of Mr. Kaushal Ruparel.

Further, pursuant to Migration of the Company from SME Platform of BSE Limited to Main Board of BSE Limited; the terms of reference of Nomination and Remuneration Committee was revised by the Board of Directors. The same is as under;

Terms of Reference:

The terms of Reference of Nomination and Remuneration Committee includes;

- formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- formulation of criteria for evaluation of performance of independent directors and the board of directors;
- devising a policy on diversity of board of directors;
- identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

Nomination and Remuneration Policy

The Company has adopted the Nomination and Remuneration Policy. Key points of the Nomination and Remuneration Policy are;

a. Policy on Appointment of Directors, Key Managerial Personnel and Senior Management Personnel:

- The policy is formulated to identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel and Senior Management personnel and recommend to the Board for his / her appointment.
- A person should possess adequate qualification, expertise and experience for the position he/ she is considered for appointment.
- In case of appointment of Independent Director, the Committee shall satisfy itself with regard to the independent nature of the Director vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively.

b. Policy on remuneration of Director, KMP and Senior Management Personnel

The Company's remuneration policy is driven by the success and performance of Director, KMP and Senior Management Personnel vis-à-vis the Company. The Company's philosophy is to align them with adequate compensation so that the compensation is used as a strategic tool that helps us to attract, retain and motivate highly talented individuals who are committed to the core value of the Company. The Company follows mixed of fixed pay, benefits and performance based variable pay. The Company pays remuneration by way of salary, benefits, perquisites and allowance. The remuneration and sitting fees paid by the Company are within the salary scale approved by the Board and Shareholders.

The Nomination and Remuneration Policy, as adopted by the Board of Directors, is placed on the website of the Company at www.karnavatifinancelimited.com.

Remuneration of Director

The details of remuneration paid during the financial year 2016-17 to Executive Director of the Company is provided in Form MGT-9 which is the part of this report.

Public Deposit

The company being Non-Deposit accepting Non-Banking Finance 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. Moreover, the Company is not holding any Deposit as at the financial year ended on March 31, 2017.

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.

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. Further, there are few transactions which may not be on Arms' Length Basis, the detail of which is given in "**Annexure - A**" in Form AOC-2 and the same forms part of this report.

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, 2017 in Form MGT-9, forms part of this Annual Report as "**Annexure - B**".

Particular of Employees

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules will be available for inspection at the Registered Office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

Having regard to the provisions of the first proviso to Section 136(1) of the Act and as advised, the Annual Report excluding the aforesaid information is being sent to the members of the Company.

Disclosures relating to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided as an "**Annexure – C**", which forms part of this Report.

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 the Company is not carrying on any manufacturing activities.

Further, there was no foreign exchange earnings and outgo during the financial year 2016-17 (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 and after the end of financial year of the Company till the date of Director's Report except following;

- The Company has made Preferential Issue of 16,90,000 Equity Shares of Rs. 10/- each at a price of Rs. 16/- per Equity Share on preferential basis to Promoters including Promoter Group and identified Public.
- The Listing status of the Company has been migrated from SME Platform of BSE Limited to Main Board of BSE Limited.

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 as there are no woman employees employed by the Company during the Financial Year 2016-17.

Corporate Governance

Your Company strives to incorporate the appropriate standards for corporate governance. However, pursuant to Regulation 15(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company is not required to mandatorily comply with the provisions of certain regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and therefore the Company has not provided a separate report on Corporate Governance, although few of the information are provided in this report of Directors under relevant heading.

Management Discussion and Analysis

Management Discussion and Analysis, for the year under review, as stipulated under Regulations 27(2) of the SEBI (LODR), 2015, is presented in a separate section forming part of this Annual Report.

Risk Management

A well-defined risk management mechanism covering the risk mapping and trend analysis, risk exposure, potential impact and risk mitigation process is in place. The objective of the mechanism is to minimize the impact of risks identified and taking advance actions to mitigate it. The mechanism works on the principles of probability of occurrence and impact, if triggered. A detailed exercise is being carried out to identify, evaluate, monitor and manage both business and non-business risks.

Internal Financial Control Systems and their Adequacy:

The details on Internal Financial Control and their adequacy are provided in Management Discussion and Analysis Report.

Auditors

Statutory Auditor & their report

The Company's Auditor, M/s. Maharishi & Co., Chartered Accountants, Jamnagar, (FRN:124872W), were appointed as the Statutory Auditors' of the Company for a period of 3 years from the conclusion of 31st (Thirty First) Annual General Meeting till the 34th (Thirty Forth) Annual General Meeting subject to ratification at every ensuing Annual General Meeting from members.

The resolution for the ratification of their appointment has been put in the Notice convening the 33rd (Thirty-Third) Annual General Meeting of the Members for their approval.

The Board of Directors, based on recommendation made by the Audit Committee, has recommended the ratification of 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 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, 2017 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 except the auditor has stated that they are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls were operating effectively as at March 31, 2017.

Your Director state that the company is in process of establishment of its internal financial control over financial reporting on criteria based on or considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

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 Lavingia, Practicing Company Secretary, Ahmedabad to carry out the Secretarial Audit for the financial year ended on March 31, 2017. Secretarial Audit Report is attached to this report as "**Annexure – D**".

The Secretarial Auditors' Report of the Company for the Financial Year ended March 31, 2017 contains annotations relating to appointment of Key Managerial Personnel i.e. Chief Financial Officer, and Company Secretary as required under Companies Act, 2013.

The Board of Directors states that the Board has taken adequate steps to find a suitable persons having work experience in finance Company. The Company is in process to appoint the key managerial personnel. In fact, the Company has appointed Mr. Pinka Soni as Company Secretary and Compliance officer of the Company w.e.f. April 15, 2017.

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 of Annual Report on Corporate Social Responsibility as Company is not falling within the criteria as prescribed u/s 135 of the Companies Act, 2013
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. 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 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 endeavours.

For and on behalf of Board of Directors
Karnavati Finance Limited

Place: Jamnagar
Date: August 22, 2017

Jay Morzaria
Managing Director
DIN: 02338864

Raman Morzaria
Whole time Director
DIN: 00203310

Form No. AOC-2

Particulars of Contracts/arrangements made with related parties

(Pursuant to section 134(3)(h) of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Forms for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in section 188(1) of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**A. Details of contracts or arrangements or transactions not at arm's length basis:**

Particulars	RPT – 1
Name(s) of the related party and nature of relationship	Mr. Raman Morzaria, Whole-Time Director of the Company.
Nature of contracts/ arrangements/ transactions	Leave and License Agreement (Payment of Rent Amount)
Duration of the contracts / arrangements/transactions	36 Months from September 15, 2016 i.e. up to September 14, 2019
Salient terms of the contracts or arrangements or transactions including the value, if any	The Agreement was entered into between the Company and Mr. Raman Morzaria, owner of the property. As per the terms of agreement; the Company shall pay monthly Rent of Rs. 5,000/- to Mr. Raman Morzaria.
Justification for entering into transactions	The Company's majority operation are carried out from Jamnagar and therefore, the Company has established its Corporate office in the city of Jamnagar and the same is owned by one of the Promoter Director of the Company and therefore, the Company has obtained the said office on leave and license basis.
Date(s) of approval by the Board/Members	September 5, 2016
Amount paid as advances, if any	N.A.

B. Details of material contracts or arrangement or transactions at arm's length basis:

There were no such contracts or arrangements or transactions entered in to by the Company during the financial year ended on March 31, 2017.

For and on behalf of Board of Directors
Karnavati Finance Limited

Place: Jamnagar
Date: August 22, 2017

Jay Morzaria
Managing Director
DIN: 02338864

Raman Morzaria
Whole time Director
DIN: 00203310

EXTRACT OF ANNUAL RETURN

as on the financial year ended March 31, 2017

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

FORM NO. MGT - 9

1) Registration and Other Details:

CIN	:	L65910MH1984PLC034724
Registration Date	:	December 5, 1984
Name of the Company	:	Karnavati Finance Limited
Category / Sub-Category of the Company	:	Company limited by shares/ Indian Non-Government Company
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 – 400 092; Tel No: +91 – 73037 98900 Email: karnavatifinance@gmail.com; Web Site: www.karnavatifinancelimited.com
Whether listed Company	:	Yes
Name, address and contact details of Registrar and Transfer Agent, if any	:	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 Tel: +91-22- 28520461/462; Fax: +91-22- 28511809 Email Id: service@satellitecorporate.com; Website: www.satellitecorporate.com

2) Principal Business Activity of the Company:

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

Name and Description of main	NIC Code of the Product / Service	% to total turnover of the Company
Finance Charges	64920 (Other than Credit Granting)	77.16%

3) Particulars of Holding, Subsidiary and Associate Companies:

SR. No.	Name and Address of the Company	Holding/ Subsidiary /Associate	CIN/GLN	% of shares held	Applicable Section
N.A.					

4) Shareholding Pattern (Equity Share Capital Breakup as percentage of Total Equity):

I) Category-wise Shareholding

Category of Shareholders	No. of Shares held as at April 1, 2016				No. of Shares held as at March 31, 2017				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	5,305,400	-	5,305,400	63.46	5,305,400	-	5,305,400	63.46	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	23,900	-	23,900	0.29	23,900	-	23,900	0.29	-
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1):	5,329,300	-	5,329,300	63.75	5,329,300	-	5,329,300	63.75	-
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other - Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
Sub-Total (A)(2):	-	-	-	-	-	-	-	-	-
Promoters (A) = (A)(1)+(A)(2)	5,329,300	-	5,329,300	63.75	5,329,300	-	5,329,300	63.75	-
B. Public Share Holding									
(1) Institutions									
a) Mutual Funds / UTI	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-

d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Company	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-Total (B)(1):	-	-	-	-	-	-	-	-	-
(2) Non-Institution									
a) Bodies Corporate									
i. Indian	20,000	-	20,000	0.24	50,000	-	50,000	0.60	0.36
ii. Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i. Individual Shareholders holding nominal share capital upto Rs. 2 lakhs	440,000	700	440,700	5.27	420,000	700	420,700	5.03	(0.24)
ii. Individual Shareholders holding nominal share capital in excess of Rs. 2 lakhs	1,720,000	360,000	2,080,000	24.88	1,720,000	360,000	2,080,000	24.88	-
c) Others (specify)									
Market Maker	140,000	-	140,000	1.67	130,000	-	130,000	1.56	(0.12)
HUF	260,000	90,000	350,000	4.19	260,000	90,000	350,000	4.19	-
Clearing Members	-	-	-	-	-	-	-	-	-
Sub-Total (B)(2):	2,580,000	450,700	3,030,700	36.25	2,580,000	450,700	3,030,700	36.25	0.00
(B)=(B)(1)+(B)(2)	2,580,000	450,700	3,030,700	36.25	2,580,000	450,700	3,030,700	36.25	0.00
Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	7,909,300	450,700	8,360,000	100.00	7,909,300	450,700	8,360,000	100.00	0.00

II) Shareholding of Promoters & Promoters Group									
Name	Shareholding as at April 1, 2016		Date wise Increase/Decrease in Shareholding			Cumulative Shareholding during the year		Shareholding as at March 31, 2017	
	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
Raman P Morzaria	2,682,700	32.09	-	-	-	-	-	2,682,700	32.09
Kush Ramanbhai Morzaria	1,325,100	15.85	-	-	-	-	-	1,325,100	15.85
Jay R Morzaria	1,003,600	12.00	-	-	-	-	-	1,003,600	12.00
Daxaben R Morzaria	294,000	3.52	-	-	-	-	-	294,000	3.52
Midas Impex Pvt Ltd	23,900	0.29	-	-	-	-	-	23,900	0.29

(III) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)									
Name	Shareholding as at April 1, 2016		Date wise Increase/Decrease in Shareholding			Cumulative Shareholding during the year		Shareholding as at March 31, 2017	
	No. of Shares	% 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
Mr. Dilip Bhagat	150,000	1.79	-	-	-	-	-	150,000	1.79
NNM Securities Private Limited	140,000	1.67	25-Nov-16	10,000	Market Buy	150,000	1.79	130,000	1.56
			2-Dec-16	(10,000)	Market Sell	140,000	1.67		
			17-Feb-17	(30,000)	Market Sell	110,000	1.32		
			3-Mar-17	20,000	Market Buy	130,000	1.56		
Mr. Mitesh Lavti	120,000	1.44	-	-	-	-	120,000	1.44	
Mr. Ashok Lavti	120,000	1.44	-	-	-	-	120,000	1.44	
Mr. Prakash Lavti	100,000	1.20	-	-	-	-	100,000	1.20	
Mr. Jamanbhai Faldu	90,000	1.08	-	-	-	-	90,000	1.08	
M/s. Jamanbhai Faldu HUF	90,000	1.08	-	-	-	-	90,000	1.08	
Mr. Paras Varia	90,000	1.08	-	-	-	-	90,000	1.08	
Mr. Bhagwatilal Lavti	90,000	1.08	-	-	-	-	90,000	1.08	

Mr. Divyesh Shah	80,000	0.96	-	-	-	-	-	80,000	0.96
Ms. Hetal Faldu	80,000	0.96	-	-	-	-	-	80,000	0.96
Mr. Navneetbhai Varia	80,000	0.96	-	-	-	-	-	80,000	0.96
Ms. Kalpanaben Patel	80,000	0.96	-	-	-	-	-	80,000	0.96
Mr. Hardik Mehta	80,000	0.96	-	-	-	-	-	80,000	0.96
Ms. Mehta Kiranben	70,000	0.84	-	-	-	-	-	70,000	0.84
Ms. Labhuben Faldu	70,000	0.84	-	-	-	-	-	70,000	0.84
Ms. Faldu Jignasa	70,000	0.84	-	-	-	-	-	70,000	0.84
Ms. Drashti Faldu	70,000	0.84	-	-	-	-	-	70,000	0.84
Ms. Jasmin Faldu	70,000	0.84	-	-	-	-	-	70,000	0.84
Mr. Paresch Chauhan	60,000	0.72	6-May-16	(10,000)	Market Sell	50,000	0.60		
			10-Jun-16	(10,000)	Market Sell	40,000	0.48		
			17-Jun-16	(10,000)	Market Sell	30,000	0.36		
			24-Jun-16	(10,000)	Market Sell	20,000	0.24		
			24-Jun-16	(10,000)	Off Market Sell	10,000	0.12		
			30-Jun-16	(10,000)	Market Sell	-	-	-	-
Mr. Tushar Karia	-	-	9-Dec-16	60,000	Purchase of Shares	-	-	60,000	0.72
Ms. Niyati Mehta	60,000	0.72	-	-	-	-	-	60,000	0.72
Ms. Ranjanben Somaiya	50,000	0.60	-	-	-	-	-	50,000	0.60
Mr. Ketanbhai Somaiya	50,000	0.60	-	-	-	-	-	50,000	0.60
Mr. Bhavin Variya	50,000	0.60	-	-	-	-	-	50,000	0.60
M/s. Dhimant Shah HUF	40,000	0.48	-	-	-	-	-	40,000	0.48
M/s. Divyesh Shah HUF	40,000	0.48	-	-	-	-	-	40,000	0.48
Mr. Navinbhai Katariya	40,000	0.48	-	-	-	-	-	40,000	0.48
Mr. Jagdish Katariya	40,000	0.48	-	-	-	-	-	40,000	0.48
Mr. Nishith Shah	40,000	0.48	-	-	-	-	-	40,000	0.48
Mr. Dhimant Shah	40,000	0.48	-	-	-	-	-	40,000	0.48
Ms. Jagruti Shah	40,000	0.48	-	-	-	-	-	40,000	0.48
Ms. Zankhana Shah	40,000	0.48	-	-	-	-	-	40,000	0.48

*The trading in the shares of the Company took place on daily basis, therefore the date wise increase/ decrease in Shareholding is taken on the basis of weekly benpoze.

(IV) Shareholding of Directors and Key Managerial Personnel

Name	Shareholding as at April 1, 2016		Date wise Increase/Decrease in Shareholding			Cumulative Shareholding during the year		Shareholding as at March 31, 2017	
	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
Mr.Raman P Morzaria	2,682,700	32.09	-	-	-	-	-	2,682,700	32.09
Mr. Jay R Morzaria	1,003,600	12.00	-	-	-	-	-	1,003,600	12.00
Mr. Jay Somaiya	-	-	-	-	-	-	-	-	-
Ms. Hardika Mandavia	-	-	-	-	-	-	-	-	-

5) Indebtedness

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtness at the beginning of the financial year				
i) Principal Amount	-	200,000	-	200,000
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total A (i+ii+iii)	-	200,000	-	200,000
Change in Indebtedness during the financial year				
Additions	-	-	-	-
Reduction	-	(200,000)	-	(200,000)
Net Change B	-	(200,000)	-	(200,000)
Indebtedness at the end of the financial year				

i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total C (i+ii+iii)	-	-	-	-
Grand Total A+B+C	-	-	-	-

6) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration to Managing Director, Whole-time Directors and/or Manager			(Amount in Rs.)
Particulars of Remuneration	Name of the MD/WTD/Manager	Name of the MD/WTD/Manager	Total Amount
	Mr. Jay Morzaria Managing Director	Mr. Raman Morzaria Whole-Time Director	
Gross salary			
(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	300,000	300,000	600,000
(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	-	-	-
Stock option			
Sweat Equity			
Commission			
as % of profit			
others (specify)			
Others, please specify			
Total (A)	300,000	300,000	600,000

B) Remuneration to other Directors: The Company has not paid any amount of Sitting Fees / Commission to the Independent Directors as well as Non-Executive Directors due to Nominal Profits occurred during the year under review.

C) Remuneration to key Managerial Personnel Other than MD/Manager/WTD: There are no Key Managerial Personnel appointed in the Company.

7) PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Type	Section of the	Brief Description	Details of Penalty/ Punishment/	Authority (RD/	Appeal made if
A. Company					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment					
Compounding					
B. Directors					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment					
Compounding					
C. Other Officers in Default					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment					
Compounding					

For and on behalf of Board of Directors
Karnavati Finance Limited

Place: Jamanagar
Date: August 22, 2017

Jay Morzaria
Managing Director
DIN: 02338864

Raman Morzaria
Whole time Director
DIN: 00203310

Particulars of Employees

(Pursuant to Section 197(12) read with Rules made thereunder)

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rules made there under.**A. Information as per 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 remuneration of employees for the financial year:**

Sr. No.	Name	Designation	Ratio against median employee's remuneration
1.	Mr. Jay Morzaria	Managing Director	5.26 : 1
2.	Mr. Raman Morzaria	Whole-Time Director	5.26 : 1

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	Nature of Payment	Percentage Increase over previous year
1.	Mr. Jay Morzaria	Managing Director	Remuneration	0.00%*
2.	Mr. Raman Morzaria	Whole-Time Director	Remuneration	0.00%

* in previous financial year 2015-16, the Company has not paid any remuneration to Mr. Jay Morzaria.

c) The percentage increase in the median remuneration of employees in the financial year:

The Average median remuneration of employee was decreased by 5.00% over previous year.

d) The number of permanent employees on the rolls of the Company: 6 Employees**e) Average percentile increase in the Salaries of the Employees and Managerial Remuneration:**

There was no increase in the remuneration of Employees as compared to last year. On the other hand, remuneration of Managerial Personnel was also not increased.

The Board of Directors of the Company affirmed that remuneration of all the Key Managerial Personnel of the Company are as per the Remuneration Policy of the Company.

For and on behalf of Board of Directors
Karnavati Finance Limited**Place:** Jamnagar
Date: August 22, 2017**Jay Morzaria**
Managing Director
DIN: 02338864**Raman Morzaria**
Whole time Director
DIN: 00203310

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

For the financial year ended March 31, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and

Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,

Karnavati Finance Limited

Unit No 2 Sagar Deep Darhan 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 Karnavati Finance Limited'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, 2017, 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, 2017 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, 2015;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015;
- v. Secretarial Standards issued by the Institute of Company Secretaries of India;

Further company being Non Deposit accepting Non-Banking Financial Company, following are few specific applicable acts, regulations, guidelines and direction to the company.

- vi. Reserve Bank of India Act, 1934;
- vii. KYC & PML Policy on securities formulated in terms of prevention of Money Laundering Act, 2005;
- viii. Prevention of Money Laundering Act, 2002;
- ix. Guidelines on fair practice code for NBFCs;
- x. 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 except;

- i. *Appointment of Key Managerial Personnel i.e. Company Secretary and Chief Financial Officer under Section 203 of the act during the audit period, although the company has appointed company secretary w.e.f. April 15, 2017 i.e. after reporting period);*
- ii. *Appointment of Company Secretary as Compliance Officer under Regulation 6 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015.*

Further, I have relied on the representation made by the Company and its officers for systems and mechanism framed by the Company for compliance under specific applicable acts, regulations, guidelines and direction to the company.

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

- i. 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 Satellite Corporate Services Private Limited as Registrar & Share Transfer Agent as per the Listing Agreement entered between the Company and the BSE Limited and in accordance with the Listing Regulations.
- 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;

I further report that –

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and 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.

There were no dissenting views on any matter.

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 Board of Directors of the Company had proposed Preferential Issue of 17,40,000 Equity Shares of Rs. 10/- each at a price of Rs. 16/- per Equity Share.

Place: Ahmedabad

Signature:

Date: August 22, 2017

Name of Practicing Company Secretary: Anand Lavingia

ACS No. : 26458

C P No. : 11410

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

To,
The Members,

Karnavati Finance Limited

Unit No 2 Sagar Deep Darhan 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 on test basis, on the records and documents provided by the Management of the Company, 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. 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.
5. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
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

Signature:

Date: August 22, 2017

Name of Practicing Company Secretary: Anand Lavingia

ACS No. : 26458

C P No. : 11410

MANAGEMENT DISUCSSION AND ANALYSIS REPORT

The Company's main object is Non-banking Finance activities. The market for this activity offers high potential for growth. The Company is giving loan & Inter Corporate Deposit to the corporate clients and is operating from Mumbai.

More than half of personal savings in India are invested in physical assets such as land, houses, cattle, and gold.

The Indian money market is classified into:

- a) the organized sector (comprising private, public and foreign owned commercial banks and cooperative banks, together known as scheduled banks); and
- b) the unorganized sector (comprising individual or family owned indigenous bankers or money lenders and non-banking financial companies (NBFCs)). The unorganized sector and microcredit are still preferred over traditional banks in rural and sub-urban areas, especially for non-productive purposes, like ceremonies and short duration loans.

Since liberalization, the government has approved significant banking reforms. While some of these relate to nationalized banks (like encouraging mergers, reducing government interference and increasing profitability and competitiveness), other reforms have opened up the banking and insurance sectors to private and foreign players.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Against the backdrop of a global environment characterized by anemic growth and heightened financial market volatility, the Indian economy posted gains in 2015-16. Economic activity picked up pace and the trajectory of growth was underpinned by macroeconomic stability embodied in narrowing fiscal and current account deficits and ebbing inflation. Domestic financial markets exhibited differential responses to episodic shifts in risk sentiment on global spillovers, with money and bond markets remaining relatively sheltered. In the first quarter of 2016-17, global risks intensified after remaining dormant in the aftermath of the turbulence that roiled global financial markets in January. The Brexit referendum initially shocked financial markets, producing overshoots and misalignments of asset prices and frantic churns of capital, but gave way to a reach for returns as an uneasy calm returned. These financial perturbations are increasingly taking a knock-on toll on real activity in advanced and emerging economies and present the biggest risk to their near-term outlook.

In this turbulent setting, underlying conditions have been firming up in India for scaling up the growth momentum. Progress of the southwest monsoon augurs well for agriculture and the rural economy. The seventh pay commission award may provide a stimulus to consumption spending within the targeted fiscal deficit through the multiplier effects of government consumption expenditure. On the external front, India became a preferred destination for foreign direct investment (FDI), receiving the highest annual net inflow in 2015-16. Indicators of external sustainability recorded a distinct improvement during the year. Elsewhere, however, particularly in the industrial sector, considerable slack and sluggishness continues to weigh upon the outlook. The capex cycle remains weak and private investment activity is listless. Even as the banking sector deals with high stress emanating from deterioration in corporate balance sheets and, therefore, loan quality, efforts have to be redoubled to free up credit flows to the productive sectors of the economy so that growth is supported. Alongside, perseverance with disinflation towards the medium-term CPI inflation goal of 4 per cent under a new monetary policy framework, anchoring states to high quality fiscal consolidation and concerted efforts to reverse the erosion of productivity and competitiveness will assume importance as the ambit of structural reforms widens.

In the aftermath of the Brexit referendum, the outlook for the global economy has weakened, as reflected in downgrades of projections by multilateral agencies. Although the extreme financial market reactions to its announcement have subsided and financial asset prices have regained lost ground, high uncertainty regarding its evolution may shadow the course of a fragile and slowing global recovery in the year ahead and possibly even beyond.

Headline CPI inflation has ranged above target in the first quarter of 2016-17, driven up by the seasonal surge in prices of fruits and vegetables and protein-rich items on top of still elevated prices of pulses and sugar. With the steady progress of the southwest monsoon, however, these prices are likely to moderate over the ensuing months. A heartening development is the recent softening of inflation excluding food and fuel, which could sustain if international crude prices remain soft and, in turn, hold down prices of petrol

and diesel embedded in transport and communication services. Further, pulses production may likely increase with a softening impact on food inflation. Thus, headline inflation is expected to trend towards the target of 5 per cent by the last quarter of the year, although at the current juncture, upside risks are prominent. If the current softness in crude prices proves to be transient and as the output gap continues to close, inflation excluding food and fuel may likely trend upwards and counterbalance the benefit of the expected easing of food inflation. It is also important to take note of the impact of the implementation of the seventh pay commission's award on the future trajectory of headline inflation. The largest effects are expected to emanate from increased house rent allowance in the CPI, which may raise headline inflation in a purely statistical manner. In addition, indirect effects through demand and expectations channels could add to the headline CPI's path. In aggregate, the impact of the pay commission is expected to peak by September 2017.

As regards implementation of the recommendations of the pay commission, it is noteworthy that nearly 90 per cent of the estimated payout on account of pay, pension and arrears in 2016-17 has already been provided for in the Union Budget. However, states tend to mimic central pay and pension implementation. To the extent that states have provided for these outgoes, no deviations from the budgeted targets are envisaged at this juncture. For states that have not made such provisions in their respective 2016-17 budgets, the implementation of the pay commission's recommendations may impose a deviation from fiscal targets in the absence of offsetting fiscal measures, entailing a risk to general government finances, with spillovers to aggregate demand.

Provisional estimates of the Central Statistics Office (CSO) indicate that a moderate recovery characterised macroeconomic conditions in 2015-16, with a slight pick-up in pace in the second half of the year despite the drag from slowing investment. Private final consumption remained the bedrock of domestic demand, expanding to contribute over half of the overall GDP growth. Ongoing fiscal consolidation restrained government consumption during 2015-16. Net exports were muted by the still depressed global trading environment as in the preceding year; however, a turnaround in their contribution to the growth of aggregate demand occurred in the second half of the year. This was in part due to the pace of contraction of imports outpacing that of exports, and in part due to gains in net terms of trade.

Inflation, as measured by the consumer price index (CPI), evolved through three phases during 2015-16. In the early months of the year, food price pressures stemming from unseasonal rains and subsequently from a delayed and skewed onset of the southwest monsoon were muted by strong favourable base effects. By July-August, 2015 inflation ebbed to an intra-year low of 3.7 per cent, the lowest since November 2014. In the second phase from September, the base effects dissipated and inflation rose unrelentingly month after month to 5.7 per cent in January 2016, albeit falling below the target of 6 per cent set for that month in the medium-term disinflation glide path (Chart II.4). Prices of pulses – in particular, aadhar – emerged as the main driver of this upsurge. In February-March 2016, i.e., in the third phase, vegetable prices declined and surprised on the downside. Favourable tailwinds from corrections in prices of pulses and downward adjustments in fuel prices pulled down headline inflation to 4.8 per cent in March 2016.

OPPORTUNITIES AND THREATS

The performance of capital market in India has a direct correlation with the prospect of economic growth and political stability. Though the growth projections for FY 2012-13 appear reassuring, there are certain downside risks such as pace and shape of global recovery, effect of withdrawal of fiscal stimulus and hardening of commodity prices. Accommodative monetary policies in advanced economies, coupled with better growth prospects in Emerging Markets (EMs) including India, are expected to trigger large capital inflows in EMs which in turn could lead to inflationary pressures and asset price bubble. Our business performance may also be impacted by increased competition from local and global players operating in India, regulatory changes and attrition of employees. With growing presence of players offering advisory service coupled with provision of funds for the clients' needs, we would face competition of unequal proportion. We continuously tackle this situation by providing increasingly superior customized services. In financial services business, effective risk management has become very crucial. As an NBFC, your Company is exposed to credit risk, liquidity risk and interest rate risks. Your company has in place suitable mechanisms to effectively reduce such risks. All these risks are continuously analysed and reviewed at various levels of management through an effective information system. The Company is having excellent Board of Directors who are Expert in financial sector, and are helping the Company in making good Investment. The company is also facing risk of heavy ups and down in stock market which have been minimized due to risk management system of our company.

OUTLOOK

Competition continues to be intense, as the Indian and foreign banks have entered the retail lending business in a big way, thereby exerting pressure on margins. The erstwhile providers of funds have now become competitors. NBFCs can sustain in this competitive environment only through optimization of funding costs, identification of potential business areas, widening geographical reach, and use of technology, cost efficiencies, strict credit monitoring and raising the level of customer service.

RISKS AND CONCERNS

In today's complex business environment, almost every business decision requires executives and managers to balance risk and reward. Effective risk management is therefore critical to an organization's success. Globalization, with increasing integration of markets, newer and more complex products & transactions and an increasingly stringent regulatory framework has exposed organisations to newer risks. As a result, today's operating environment demands a rigorous and integrated approach to risk management. Timely and effective risk management is of prime importance to our continued success. Increased competition and market volatility has enhanced the importance of risk management. The sustainability of the business is derived from the following: Identification of the diverse risks faced by the company. The evolution of appropriate systems and processes to measure and monitor them. Risk management through appropriate mitigation strategies within the policy framework. Monitoring the progress of the implementation of such strategies and subjecting them to periodical audit and review. Reporting these risk mitigation results to the appropriate managerial levels.

SUBSIDIARY COMPANY

As there are no subsidiaries of the company, investment made in subsidiaries is nil.

HUMAN RESOURCES

The Company's relations with the employees continued to be cordial.

SEGMENT-WISE OR PRODUCT WISE PERFORMANCE

The company operates in only single segment. Hence segment wise performance is not applicable.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUENCY

Your Company has an effective system of accounting and administrative controls supported by an internal audit system with proper and adequate system of internal check and controls to ensure safety and proper recording of all assets of the Company and their proper and authorised utilization. As part of the effort to evaluate the effectiveness of the internal control systems, your Company's internal audit department reviews all the control measures on a periodic basis and recommends improvements, wherever appropriate. The internal audit department is manned by highly qualified and experienced personnel and reports directly to the Audit Committee of the Board. The Audit Committee regularly reviews the audit findings as well as the, an Information Security Assurance Service is also provided by independent external professionals. Your Company is in process of implementing the Internal Financial Control.

CAUTIONARY STATEMENT

This report describing the company's activities, projections about future estimates, assumptions with regard to global economic conditions, government policies, etc may contain "forward looking statements" based on the information available with the company. Forward-looking statements are based on certain assumptions and expectations of future events. These statements are subject to certain risks and uncertainties. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The actual results may be different from those expressed or implied since the company's operations are affected by the many external and internal factors, which are beyond the control of the management. Hence the company assumes no responsibility in respect of forward-looking statements that may be amended or modified in future on the basis of subsequent developments, information or events. Company follows all Mandatory Accounting Standards.

INDEPENDENT AUDITOR'S REPORT

**To
The Members of
Karnavati Finance Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of Karnavati Finance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and 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 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 March 31, 2017 and its profit 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, 2016 ("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", 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 and the Statement of Profit and Loss 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, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 164(2) of the Act.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in "Annexure B", and
 - g. 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.
 - iv. Adequate disclosures have been made in the financial statements with respect to holdings as well as dealings in Specified Bank Notes during the period of November 8, 2016 to December 30, 2016. Refer Note 22 to financial statements.

For, **Maharishi & Co.**
Chartered Accountants
ICAI Firm Registration No. 124872W

Ankit Gokani
Partner
Membership No. 133391

Signed at Jamnagar on May 30, 2017

"ANNEXURE A" 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 Limited on the financial statements for the year ended March 31, 2017]

- 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.
 (c) According to the information and explanations given to us and on the basis of our examination of the records of the company, company does not have any immovable properties.
- ii. The Company is a Non Banking Finance Company and it does not hold any physical inventories. Thus paragraph 3(ii) of the Order is 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, the company has neither granted any loans or guarantees to parties covered under section 185 nor have any investment hence provisions of Section 185 and section 186 of act shall not apply to 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 section 73 to 76 of the Act and rules framed there under.
- vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the act, for any of the services rendered by the company.
- vii. (a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2017 for a period of more than six months from the date on when they become payable.
 (b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute.
- viii. In our opinion and according to the information and explanations given to us, the Company has not obtained any loan from banks or financial institutions.
- ix. The company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- x. Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the company or on the company by its officers or employees has been noticed or reported during the year.
- xi. Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- xii. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- xiii. In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.

- xiv. Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
- xv. Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- xvi. In our opinion, the company is Non Banking Finance Company registered under section 45IA of the Reserve Bank of India Act, 1934 vide certificate of registration no. 13.00064 dated February 24, 1998.

For, **Maharishi & Co.**
Chartered Accountants
ICAI Firm Registration No. 124872W

Ankit Gokani
Partner
Membership No. 133391

Signed at Jamnagar on May 30, 2017

"ANNEXURE B" TO INDEPENDENT AUDITOR'S REPORT OF EVEN DATE OF KARNAVATI FINANCE LIMITED

['Report on the Internal Financial Controls' under Clause (i) of Sub-section 3 of section 143 of the Companies Act, 2013 ('the Act')]

We have audited the internal financial controls over financial reporting of Karnavati Finance Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India.

Because of the matter described in Disclaimer of Opinion paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on internal financial controls system over financial reporting of the Company.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal financial control over financial reporting includes those policies and procedures that

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

According to the information and explanation given to us, the company is in process of establishment of its internal financial control over financial reporting on criteria based on or considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls were operating effectively as at March 31, 2017.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and the disclaimer does not affect our opinion on the financial statements of the Company.

For, **Maharishi & Co.**

Chartered Accountants

ICAI Firm Registration No. 124872W

Ankit Gokani

Partner

Membership No. 133391

Signed at Jamnagar on May 30, 2017

KARNAVATI FINANCE LIMITED
Balance Sheet as at March 31, 2017

(Amount in Rs.)

Particulars		Notes	31-Mar-17	31-Mar-16
I	EQUITY AND LIABILITIES			
1	Shareholders Fund			
	(a) Share Capital	3	8 36 00 000	8 36 00 000
	(b) Reserves & Surplus	4	7 30 520	- 68 11 994
	(c) Money received against share warrants		-	-
	Sub-Total Shareholder's Fund		8 43 30 520	7 67 88 006
2	Share application money pending allotment		-	-
3	Non - Current Liabilities			
	(a) Long-term borrowings	5	-	2 00 000
	(b) Deferred tax liabilities (Net)		-	-
	(c) Other Long term liabilities		-	-
	(d) Long-term provisions		-	-
	Sub-Total Non - Current Liabilities		-	2 00 000
4	Current Liabilities			
	(a) Short-term borrowings		-	-
	(b) Trade payables	6		
	Dues of micro enterprises and small enterprises		-	-
	Others		17 67 752	15 05 192
	(c) Other Current Liabilities	7	36 742	15 000
	(d) Short Term Provisions	8	23 76 177	15 38 060
	Sub-Total Current Liabilities		41 80 671	30 58 252
	TOTAL EQUITY & LIABILITIES		8 85 11 191	8 00 46 258
II	ASSETS			
1	Non-Current Assets			
	(a) Fixed Assets			
	(i) Tangible assets	9	8 24 753	9 74 233
	(ii) Intangible assets		-	-
	(iv) Capital work in progress		-	-
	(v) Intangible assets under development		-	-
	(b) Non-current investments		-	-
	(c) Deferred Tax Assets(net)		3 14 000	4 81 000
	(d) Long-term loans and advances		-	-
	(e) Other non-current assets		-	-
	Sub-Total - Non Current Assets		11 38 753	14 55 233
2	Current Assets			
	(a) Current Investments		-	-
	(b) Inventories	10	35 962	-
	(c) Trade receivables		-	-
	(d) Cash and cash equivalents	11	45 11 286	13 38 535
	(e) Short-term loans and advances	12	8 27 85 454	7 69 92 490
	(f) Other current assets	13	39 736	2 60 000
	Sub-Total - Current Assets		8 73 72 438	7 85 91 025
	TOTAL ASSETS		8 85 11 191	8 00 46 258
	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

Ankit Gokani
Partner

M. No.: 133391

Place: Jamnagar

Date: May 30, 2017

For and on behalf of Board of Directors
Karnavati Finance Limited

Raman P Morzaria
Whole-Time Director
DIN 00203310

Place: Jamnagar
Date: May 30, 2017

Jay R Morzaria
Managing Director
DIN 02338864

Pinak Soni
Company Secretary

KARNAVATI FINANCE LIMITED
Statement of Profit & Loss for the year ended March 31, 2017

(Amount in Rs.)

Particulars		Note No.	31-Mar-17	31-Mar-16
I	INCOME			
	Revenue from Operations	14	94 68 162	44 42 193
	Other Income	15	28 02 142	17 83 061
	TOTAL REVENUE		1 22 70 304	62 25 254
II	EXPENSES			
	Purchase of Stock - in - trade	16	1 72 900	-
	Changes in Inventories of Stock in trade	17	- 35 962	-
	Employee Benefits Expense	18	10 50 060	7 44 690
	Finance Cost	19	1 27 448	-
	Depreciation and amortization expense	9	1 61 477	1 57 870
	Other expenses	20	11 25 305	9 53 976
	TOTAL EXPENSES		26 01 228	18 56 536
III	Profit before tax (II-I)		96 69 076	43 68 718
IV	Tax expense:			
	(1) Current tax		19 59 563	11 67 802
	(2) Deferred Tax		1 67 000	- 4 81 000
	Sub-Total Tax Expenses		21 26 563	6 86 802
V	PROFIT/(LOSS) FOR THE YEAR		75 42 513	36 81 916
VI	Earnings per equity share	21	0.90	0.44

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

Ankit Gokani
Partner
M. No.: 133391
Place: Jamnagar
Date: May 30, 2017

For and on behalf of Board of Directors
Karnavati Finance Limited

Raman P Morzaria
Whole-Time Director
DIN 00203310

Place: Jamnagar
Date: May 30, 2017

Jay R Morzaria
Managing Director
DIN 02338864

Pinak Soni
Company Secretary

KARNAVATI FINANCE LIMITED
Cash Flow Statement for the year ended on March 31, 2017

(Amount in Rs.)

PARTICULARS	31-Mar-17	31-Mar-16
A. Cash flow from operating activities		
Net profit before taxation	96 69 076	43 68 718
Adjustment for:		
Depreciation & Impairment	1 61 480	1 57 870
Provision for doubtful debts and advances	-	1 15 764
Reversal of NPA provision	- 28 23 513	-
General Provision on Standard Assets	21 371	3 640
Finance Cost	1 27 448	-
Operating Profit before working capital changes	71 55 862	46 45 992
Movements in working capital:		
Decrease/-Increase in Short Term Current Assets (Loans & Advances)	- 29 90 822	- 43 95 191
Decrease/-Increase in Inventories	- 35 962	-
Decrease/-Increase in Other Current Assets	2 20 264	82 656
Increase/-Decrease in Trade Payables	2 62 560	- 7 71 266
Increase/-Decrease in Other Liabilities & Provisions	46 333	- 85 250
Sub-Total Movement in Working Capital	- 24 97 627	- 51 69 051
Net Cash generated from operations	46 58 235	- 5 23 059
Direct taxes paid (net of refunds)	- 11 46 036	- 1 58 443
NET CASH FROM OPERATING ACTIVITIES	35 12 199	- 6 81 502
B. Cash flow from investing activities		
Purchase of fixed assets	- 12 000	- 31 504
NET CASH FLOW FROM INVESTING ACTIVITIES	- 12 000	- 31 504
C. Cash flow from financing activities		
Decrease in Long Term Borrowing	- 2 00 000	- 25 04 300
Finance Costs	- 1 27 448	-
NET CASH CLOW FROM FINANCING A CTIVITIES	- 3 27 448	- 25 04 300
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	31 72 751	- 32 17 306
Cash and cash equivalents at the beginning of the year	13 38 535	45 55 841
Cash and cash equivalents at the end of the year	45 11 286	13 38 535
Components of cash and cash equivalents as at the end of the year		
Cash and cheques on hand	8 10 041	96 989
With bank		
- On current account	37 01 245	12 41 546
TOTAL	45 11 286	13 38 535

As per our report of even date
For **Maharishi & Co**
Chartered Accountants
Firm Reg. No. 124872W

Ankit Gokani
Partner
M. No.: 133391
Place: Jamnagar
Date: May 30, 2017

For and on behalf of Board of Directors
Karnavati Finance Limited

Raman P Morzaria
Whole-Time Director
DIN 00203310

Place: Jamnagar
Date: May 30, 2017

Jay R Morzaria
Managing Director
DIN 02338864

Pinak Soni
Company Secretary

KARNAVATI FINANCE LIMITED**Notes on Accounts & Significant Accounting Policies****1. Notes on Accounts****(a) Corporate information**

Karnavati Finance Limited, incorporated on December 5, 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 18 of the Non-Banking Financial Company - Non Systematically Important Non-Deposit taking (Reserve Bank) Directions, 2016 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 – noncurrent 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) Depreciation on fixed assets**

Depreciation on fixed assets is calculated on a written down value basis using the rates arrived at based on the useful lives under schedule II of the Companies Act, 2013

(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) 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.

(e) 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.

Further, Income on money transfer is recognized when the payment is made to beneficiaries of remittance.

(f) 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.

(g) 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.

Finance Charges

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 recognized 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.

Sale of Currency:

Revenue is recognized on delivery of the Foreign currency to the buyer.

(h) 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 values 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.

Note No.: 3 – Share Capital

a.	Particulars	As at March 31, 2017		As at March 31, 2016	
		No.	Amount	No.	Amount
	<u>Authorised Share Capital</u>				
	Equity Shares of Rs. 10 each	1 00 00 000	10 00 00 000	1 00 00 000	10 00 00 000
	<u>Issued, Subscribed & Paid up Share Capital</u>				
	Equity Shares of Rs. 10 each	83 60 000	8 36 00 000	83 60 000	8 36 00 000
	Total Share Capital		8 36 00 000		8 36 00 000

b. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period - Equity Shares				
Particulars	As at March 31, 2017		As at March 31, 2016	
	No.	Amount	No.	Amount
At the beginning of the period	83 60 000	8 36 00 000	83 60 000	8 36 00 000
Issued during the period				
Outstanding at the end of the period	83 60 000	8 36 00 000	83 60 000	8 36 00 000
c. Terms/ Rights attached to Equity Shares				
<p>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. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing General Meeting.</p> <p>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.</p>				
d. Details of shareholders holding more than 5% shares in the company				
Name	No.	% of total holding	No.	% of total holding
Raman Pragjibhai Morzaria	26 82 700	32.09%	26 82 700	32.09%
Kush R. Morzaria	13 25 100	15.85%	13 25 100	15.85%
Jay Ramanbhai Morzaria	10 03 600	12.00%	10 03 600	12.00%
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.				

Note No.: 4 – Reserves & Surplus

(Amount in Rs.)

	Particulars	As at March 31, 2017	As at March 31, 2016
a.	<u>Reserve Fund in terms of section 45IC(1) of the Reserve Bank Of India Act, 1934</u>		
	Balance as per last financial statement	9 01 006	1 64 623
	Add: set aside during the year	15 08 503	7 36 383
	Closing Balance	24 09 509	9 01 006
b.	<u>General Reserve</u>	15 000	15 000
c.	<u>Profit & Loss A/c</u>		
	Opening Balance	- 77 27 999	-1 06 73 532
	Add: Profit/(Loss) during the year	75 42 513	36 81 916
	Less: Depreciation	-	-
	Less: Transferred to Statutory Reserve Fund in terms of Section 45-1C of The Reserve Bank of India Act, 1934	- 15 08 503	- 7 36 383
	Closing Balance	- 16 93 989	- 77 27 999
	Total Reserve & Surplus	7 30 520	- 68 11 993

Note No.: 5 – Long Term Borrowings

(Amount in Rs.)

	Particulars	Non - Current Portion	Current Maturities	Non - Current Portion	Current Maturities
	Loan From Present & Previous Directors				
	Kamlesh G. Morzaria	-		2 00 000	
	Total Borrowings	-		2 00 000	
a.	The above loans are unsecured and interest free.				
b.	The above loans were repayable on demand.				

Note No.: 6 – Trade Payables

(Amount in Rs.)

	Particulars	As at March 31, 2017	As at March 31, 2016
	Payable for expenses	17 67 752	15 05 192
	Total Trade Payables	17 67 752	15 05 192

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.

Note No.: 7 – Other Current Liabilities

(Amount in Rs.)

	Particulars	As at March 31, 2017	As at March 31, 2016
	Statutory Dues	36 742	15 000
	Total Other Current Liabilities	36 742	15 000

Note No.: 8 – Short Term Provisions

(Amount in Rs.)

	Particulars	As at March 31, 2017	As at March 31, 2016
	Provision for Income Tax	20 13 014	11 99 487
	General Provision on Standard Assets	2 03 194	1 81 823
	Provision For Audit Fees	1 59 969	1 56 750
	Total Short Term Provisions	23 76 177	15 38 060

Note No.: 10 – Inventories

(Amount in Rs.)

	Particulars	As at March 31, 2017	As at March 31, 2016
	Foreign Currency stock	35 962	-
	Total Inventories	35 962	-

Note No.: 11 – Cash & Cash Equivalent

(Amount in Rs.)

	Particulars	As at March 31, 2017	As at March 31, 2016
	Balances with Bank		
	on Current Accounts	37 01 245	12 41 546
	Cash on Hand	8 10 041	96 989
	Total Cash & Cash Equivalent	45 11 286	13 38 535

Note No.: 9 – Fixed Assets

(Amount in Rs.)

Particulars	Tangible Fixed Assets				
	Furniture & Fixtures	Other Assets	Computer	Vehicle	TOTAL
Cost					
As at 31st March, 2015	10 43 868	66 549	62 964	8 19 000	19 92 381
Additions	31 500				31 500
Disposals	-	-	-	-	-
As at 31st March, 2016	10 75 368	66 549	62 964	8 19 000	20 23 881
Additions	-	-	12 000	-	12 000
Disposals	-	-	-	-	-
As at 31st March, 2017	10 75 368	66 549	74 964	8 19 000	20 35 881
Depreciation					
As at 31st March, 2015	2 08 263	18 680	62 964	6 01 874	8 91 781
Additions	98 111	12 687	-	47 072	1 57 870
Disposals	-	-	-	-	-
As at 31st March, 2016	3 06 374	31 367	62 964	6 48 946	10 49 651
Additions	1 00 983	12 652	897	46 945	1 61 477
Disposals	-	-	-	-	-
As at 31st March, 2017	4 07 357	44 019	63 861	6 95 891	12 11 128
Net Block					
At 31st March, 2016	7 68 994	35 182	-	1 70 054	974,230
As at 31st March, 2017	6 68 011	22 530	11,103	1 23 109	824,753

Note No.: 12 – Short Term Loans & Advances

(Amount in Rs.)

Particulars	Current		Non Current	
	Current	Non Current	Current	Non Current
Unsecured (including overdue loans)				
Standard Assets	5 07 98 514	-	4 54 55 672	-
Sub-Standard Assets	4 10 98 742	-	3 99 76 670	-
Doubtful Assets	36 24 908	-	67 90 933	-
	9 52 78 149	-	9 22 23 275	-
Less: Provision of Interest & Income Reversal	61 71 478	-	60 86 055	-
	8 91 06 671	-	8 61 37 220	-
Provisions for NPA	63 21 217	-	91 44 730	-
Net Loans Unsecured	8 27 85 454	-	7 69 92 490	-
Total Short Term Loans & Advances	8 27 85 454	-	7 69 92 490	-

Note No.: 13 – Other Current Assets

(Amount in Rs.)

Particulars	As at March 31, 2017	As at March 31, 2016
Other Current Assets	39 736	2 60 000
Total Other Current Assets	39 736	2 60 000

Note No.: 14 – Revenue From Operations

(Amount in Rs.)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Finance Charges	93 30 723	43 65 292
Interest Income	-	76 901
Processing Charges	93 30 723	44 42 193
Net Sales		
AED Sales	21 505	-

USD Sales	1 15 934	-
	1 37 439	-
Total Revenue From Operations	94 68 162	44 42 193

Note No.: 15 – Other Income

(Amount in Rs.)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Provision & Write Offs		
General Provision on Standard Asset Reversal/(Provision)	- 21 371	- 3 640
Amount Written Off	-	-
Provision for Non Performing Assets (as per RBI norms) Reversal/(Provision)	28 23 513	- 1 15 764
Other Income	-	19 02 465
Total Other Income	28 02 142	17 83 061

Note No.: 16 – Purchase of Stock-in-trade

(Amount in Rs.)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Purchase		
AED Sales	37 500	-
USD Sales	1 35 400	-
Total Purchase of Stock-in-trade	1 72 900	-

Note No.: 17 – Changes In Inventories Of Stock In Trade

(Amount in Rs.)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Opening Stock of Foreign Currency	-	-
Closing Stock of Foreign Currency	35 962	-
Net Changes In Inventories Of Stock In Trade	- 35 962	-

Note No.: 18 – Employee Benefit Expenses

(Amount in Rs.)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Directors Remuneration	6 00 000	3 00 000
Salary, Wages & Bonus	4 41 200	4 02 200
Staff Welfare Exp	8 860	42 490
Net Changes In Inventories Of Stock In Trade	10 50 060	7 44 690

Note No.: 19 – Finance Cost

(Amount in Rs.)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Interest Income on Income Tax	1 27 448	-
Total Finance Cost	1 27 448	-

Note No.: 20 – Other Expenses

(Amount in Rs.)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Auditor's Remuneration	1 71 750	1 71 750
ROC Fees	600	21 600
Other General & Admin Exp	9 52 955	7 60 626
Total Other Expenses	11 25 305	9 53 976
Payment to auditors includes		
Statutory Audit	1 03 050	1 03 050

Other matters	17 175	17 175
Taxation matters	51 525	51 525
Total	1 71 750	1 71 750

Note No.: 21 – Earning Per Share

(Amount in Rs.)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Net profit as per P & L	75 42 513	36 81 916
No. of Shares	83 60 000	83 60 000
Earning Per Shares	0.90	0.44

Note No.: 22 – Disclosure of Cash Deposited during Demonetization Period

(Amount in Rs.)

Particulars	Balance	Specified Bank Notes	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	8 02 919	-	8 02 919	8 02 919
(+) Permitted receipts	19 777	-	19 777	19 777
(-) Permitted payments	1 05 330	-	1 05 330	1 05 330
(-) Amount deposited in Banks	-	-	-	-
Closing cash in hand as on 30.12.2016	7 17 366	-	7 17 366	7 17 366

Note No.: 23 – Related Party Disclosure

(Amount in Rs.)

Name of Related Parties			
a.	Key Managerial Personnel:	1. Mr. Raman Morzaria 2. Mr. Jay Morzaria 3. Mr. Jay Somaiya 4. Mr. Kaushal Ruparel (up to April 13, 2016) 5. Ms. Hardika Mandavia (w.e.f. April 13, 2016)	
b.	Transaction with Related Parties	F.Y. 2016-17	F.Y. 2015-16
	Remuneration paid to Key Managerial personnel		
	Mr. Ramanbhai Morzaria	300,000	300,000
	Mr. Jay R Morzaria	300,000	-
	Rent:		
	Mr. Ramanbhai Morzaria	60,000	30,000
	Balance Payable		
	Key Managerial Personnel		
	Mr. Ramanbhai Morzaria	1 53 960	3 49 110
	Mr. Jay R Morzaria	2 50 000	-
	Relatives of Key Managerial Personnel		
	Mr. Kush Morzaria	-	-
	Mrs. Daxaben R. Morzaria	-	-
	Total	4 03 960	3 49 110

To,
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
 Dear Sir/Ma'am,

Sub: Updation of Shareholder Information

Ref: Karnavati Finance Limited (CIN: L65910MH1984PLC034724)

I/we request you to record the following information against my/our folio no.;

Folio Number		No of Shares Held	
Name of the Shareholder	1. 2.		
Address of The First Holder			
Email Id			
PAN		Telephone No(s)	
Specimen Signature(s)	1. 2.		
Attestation By Bank Under Their Stamp Name of the officer Authorization Code Number Contact Number			

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete/incorrect information, I/we would not hold the Company /RTA responsible. I/We understand that the above details shall be maintained till I/we hold the securities under above folio number. Pursuant to Section 101 of the Companies Act, 2013 read with Rule made thereunder, I also give consent to the company to send the Notices, Annual Reports etc. through electronically.

Place: _____

Date:

Signature of sole/ First Holder

Note:

1. Shareholders who hold the shares in demat mode are requested to update the details with their Depository Participant.
2. Members who hold shares in physical mode are requested to send this form duly filled and signed with their signature which shall be duly attested by their banker under their name, authorization code number, contact number and Account number with the bank.
3. Attach following documents along with form;
 - a) Attested copy of the PAN card.
 - b) Attested copy of Aadhar Card/Passport/ration Card/Driving Licence/Voter Id (any one) (If PAN card is not obtained)
 - c) Attested copy of latest utility Bill (Telephone/Electricity/Gas) (any one) (if the address is changed)
 - d) In case of death of any holder kindly send attested copy of the death certificate.

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**KARNAVATI FINANCE LIMITED
CIN: L65910MH1984PLC034724**

Regd. Office: Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (W) Mumbai - 400092;
Email: karnavatifinance@gmail.com

ATTENDANCE SLIP

Regd. Folio No./DP Id No./Client Id No.*	
No. of Shares held	
Name and Address of the First Shareholder (IN BLOCK LETTERS) (Applicable for investor holding shares in electronic form.)	
Name of the Joint holder (if any)	

I/we hereby record my/our presence at the 33rd Annual General Meeting of the Members of Karnavati Finance Limited held on Saturday September 16, 2017 at 04.00 p.m. at the registered office of the Company situated at Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (W) Mumbai- 400092.

Member's/Proxy's Name in Block Letters

Member's/Proxy's Signature

Notes: Please fill up this attendance slip and hand it over at the entrance of the venue of meeting. Members are requested to bring their copies of the Annual Report to the AGM.

REMOTE ELECTRONIC VOTING PARTICULARS

The e-voting facility is available at the link <https://www.evoting.nsdl.com>. The electronic voting particulars are set out as follows:

EVEN	USER ID	PASSWORD
107144		

The e-voting facility will be available during the following voting period:

Commencement of e-voting	End of e-voting
Wednesday, September 13, 2017 (09:00 A.M.)	Friday, September 15, 2017 (05:00 P.M.).

-----Please tear here-----

PROXY FORM

(Form No. MGT-11 - Pursuant to section 105(6) of the Companies Act, 2013 Rules made there under)

Name of the member(s)	
Registered Address	
E-mail Id	
Folio No./Client Id	

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

- Name: _____
Address: _____
E-mail Id: _____ Signature: _____ or failing him
- Name: _____
Address: _____
E-mail Id: _____ Signature: _____ or failing him
- 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 33rd Annual General Meeting of the Members of Karnavati Finance Limited to be held on Saturday September 16, 2017 at 04.00 p.m. at the registered office of the Company situated at Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (W) Mumbai - 400092 and/or any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution	Vote (Optional see Note 2) (Please mention no. of shares)		
		For	Against	Abstain
Ordinary businesses				
1.	To receive, consider and adopt audited financial statement of account for the financial year ended on March 31, 2017 and the reports of the Director's and the Auditor's thereon.			
2.	To appoint a Director in place of Mr. Raman Morzaria (DIN: 00203310), Whole-Time Director of the Company, who retires by rotation and being eligible, seeks re-appointment.			
3.	Ratification of Appointment of Statutory Auditor and to fix their remuneration			
4.	Revision in remuneration of Mr. Raman Morzaria (DIN 00203310) Whole-Time Director of the Company for his remaining period of appointment			
5.	Revision in remuneration of Mr. Jay Morzaria (DIN 02338864) Managing Director of the Company for his remaining period of appointment			

Signed this.....day of.....2017

Signature of shareholder

Signature of Proxy holder(s)

Note:

- This form, in order to be effective, should be duly stamped, completed, signed and deposited at the registered office of the Company, not less than 48 hours before the Annual General Meeting (on or before September 14, 2017 at 04:00 p.m.)
- It is optional to indicate your preference. If you leave the 'for', 'against' or 'abstain' column blank against any or all of the resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.

Affix Revenue Stamp of not less than Rs. 1

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