



# **KARNAVATI FINANCE LIMITED**

**36 th**

**ANNUAL REPORT**

**2019-2020**

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**CORPORATE INFORMATION**

KARNAVATI FINANCE LIMITED (CIN: L65910MH1984PLC034724)

**REGISTERED OFFICE**

705, Palm Spring Centre, Above Croma, Near New Infinity Mall, Link Road, Malad (West), Mumbai - 400064, Maharashtra.

**Contact No. :** 022 28809111**CORPORATE OFFICE**"Vraj", 05<sup>th</sup> Floor, Opp. Hotel President, Near Bhumi Press, Limda Lane, Jamnagar-361001, Gujarat.**Contact No. :** 0288 2663042**E-Mail ID:** karnavatifinance@gmail.com  
**Website:** [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com)**BOARD OF DIRECTORS**

Name	(DIN)	Designation
Mr. Jay Morzaria	02338864	Chairman & Managing Director
Mr. Raman Morzaria	00203310	Whole-Time Director
Mr. Kashyap Vyas	08747756	Non-Executive Director
Mrs. Brimda Bilimoria	08196034	Non-Executive (Independent) Director
Mr. Parth Maniar	07980886	Non-Executive (Independent) Director
Mrs. Vinita Parekh	08739757	Non-Executive (Independent) Director

**KEY MANAGERIAL PERSONNEL**

Name	Designation	Name	Designation
Mr. Kush Morzaria	Chief Financial Officer	Mr. Parth Maniar	Chairperson
Ms. Nitixa Ramanuj	Company Secretary & Compliance Officer	Mrs. Brimda Bilimoria	Member
		Mr. Jay Morzaria	Member

**AUDIT COMMITTEE****STAKEHOLDER'S RELATIONSHIP COMMITTEE**

Name	Designation	Name	Designation
Mr. Parth Maniar	Chairperson	Mr. Parth Maniar	Chairperson
Mrs. Brimda Bilimoria	Member	Mrs. Brimda Bilimoria	Member
Mr. Jay Morzaria	Member	Mrs. Vinita Ajaybhai Parekh	Member

**NOMINATION & REMUNERATION COMMITTEE****AUDITORS**

Statutory Auditor	Internal Auditor	Secretarial Auditor
<b>D G M S &amp; Co.</b> Chartered Accountants Office No. 10, Vihang Vihar, Opp. Gautam Park, Panchpakhdi, Thane (West) - 400602 <b>Mail ID:</b> bhiwandi.dma@gmail.com <b>Contact No.</b> 022 25452965	<b>M/S. Suresh Tejwani &amp; Co.</b> 109, 110 City Arcade, Near D.S.P. Bungalow, Tin Batti-361001, Jamnagar-361001, Gujarat. <b>Mail ID:</b> suresh.tejwani@gmail.com <b>Contact No. :</b> 0288 2556368	<b>Ms. Payal Dhamecha</b> Practicing Company Secretary S/1, 2 <sup>nd</sup> Floor, Olway House, Nr. Navneet House, Gurukul, Ahmedabad - 380 052 <b>Mail ID:</b> payald1314@gmail.com <b>Contact No. :</b> 082383 28985

**REGISTRAR & SHARE TRANSFER AGENT**

**Satellite Corporate Services Private Limited**  
Office no. 106 & 107, Dattani Plaza,  
East West Compound,  
Andheri Kurla Road, Safedpul  
Sakinaka, Mumbai-400072  
**E-Mail ID :** service@satellitecorporate.com  
**Contact No. :** 022 28520461/462

**BANKERS**

Corporation Bank  
ICICI Bank  
IndusInd Bank  
IDBI Bank

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 36<sup>th</sup> Annual General Meeting of the Members of Karnavati Finance Limited will be held on Tuesday, September 29, 2020 at 03:30 P.M. IST through video conferencing (VC)/Other Audio Visual Means (OAVM), to transact the following businesses;

**Ordinary Businesses:-**

1. To receive, consider and adopt audited financial statement of the Company for the financial year ended on March 31, 2020 and the reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. Jay Morzaria (DIN: 02338864), Managing Director of the Company, who retires by rotation and being eligible, seek re-appointment.

**Explanation:** Based on the terms of appointment, executive directors are subject to retirement by rotation. Mr. Jay Morzaria (DIN 02338864), who was appointed as Managing Director, and is the longest-serving member on the Board, retires by rotation and, being eligible, seeks re-appointment.

To the extent that Mr. Jay Morzaria (DIN: 02338864) is required to retire by rotation, he would need to be reappointed as such. Therefore, shareholders are requested to consider and if thought fit, to pass the following resolution as an ordinary resolution:

**"RESOLVED THAT**, pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, the approval of the members of the Company be, and is hereby accorded to the reappointment of Mr. Jay Morzaria (DIN: 02338864) as such, to the extent that he is required to retire by rotation."

**Special Businesses:-**

3. **To appoint Ms. Vinita Ajaybhai Parekh (DIN: 08739757) as Non-executive Independent Director on the board of the Company:**

**To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION.**

**"RESOLVED THAT**, pursuant to the provisions of Section 149, 150 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and the companies (Appointment and Qualifications of Directors) Rules, 2014 and the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force Ms. Vinita Ajaybhai Parekh (DIN: 08739757), who was appointed as an Additional (Non-Executive Independent) Director of the company with effect from May 06, 2020 and whose term expires at this AGM and in respect of whom the company has received a notice in writing under section 160(1) of the act from a member proposing her candidature for the office of director, be and is hereby appointed as Non-executive Independent Director of the company, not liable to retire by rotation, for a term of five consecutive years, that is, up to the period of May 05, 2025."

**"RESOLVED FURTHER THAT** the Executive Directors of the Company, either jointly or severally be and are hereby authorized to file the said resolution with the Registrar of Companies, Maharashtra, and to do all such acts, deeds and things as may be necessary, expedient and incidental thereto to give effect to the above resolution."

4. **To appoint Mr. Kashyap Bharatkumar Vyas (DIN: 08747756) as Non-executive Director on the board of the Company:**

**To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION.**

**"RESOLVED THAT**, pursuant to the provisions of Section 152 of the Companies Act, 2013 ("the Act") and the companies (Appointment and Qualifications of Directors) Rules, 2014 and the applicable provisions of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force Mr. Kashyap Bharatkumar Vyas (DIN: 08747756), who was appointed as an Additional (Non-Executive) Director of the company with effect from May 26, 2020 and whose term expires at this AGM and in respect of whom the company has received a notice in writing under section 160(1) of the act from a member proposing his candidature for the office of director, be and is hereby appointed as Non-Executive Director of the company, whose office shall be liable for retire by rotation."

**"RESOLVED FURTHER THAT** the Executive Directors of the Company, either jointly or severally be and are hereby authorized to file the said resolution with the Registrar of Companies, Maharashtra, and to do all such acts, deeds and things as may be necessary, expedient and incidental thereto to give effect to the above resolution."

5. **To appoint Mr. Vineshkumar Popatlal Makadia (DIN: 00362318) as Non-executive Director on the board of the Company:**

**To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION.**

**"RESOLVED THAT**, pursuant to the provisions of Section 152 of the Companies Act, 2013 ("the Act") and the companies (Appointment and Qualifications of Directors) Rules, 2014 and the applicable provisions of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force Mr. Vineshkumar Popatlal Makadia (DIN: 00362318), who qualifies for being appointed as a non-executive director and in respect of whom the company has received a notice in writing under section 160(1) of the act from a member proposing his candidature for the office of director, be and is hereby appointed as Non-Executive Director of the company subject to the approval of Reserve Bank of India, whose office shall be liable for retire by rotation."

**"RESOLVED FURTHER THAT** the Executive Directors of the Company, either jointly or severally be and are hereby authorized to file the said resolution with the Registrar of Companies, Maharashtra, and to do all such acts, deeds and things as may be necessary, expedient and incidental thereto to give effect to the above resolution."

6. **To increase the Borrowing Powers under Section 180(1) (c) of the Companies Act, 2013:**

**To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:**

**"RESOLVED THAT** in suppression of the resolution passed by the shareholders of the company in their duly convened Annual General Meeting held on September 6, 2014 authorizing the Board of Directors of the Company to borrow money from banks/financial institutions and pursuant to the provisions of Section 180(1)(c) and all other applicable provisions of the Companies Act, 2013, and the Rules made there under, including any statutory modification(s) thereto or re-enactment(s) thereof, for the time being in force, and in accordance with the Articles of Association of the Company, and subject to such other approvals, consents, sanctions and permissions, as may be necessary, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to borrow from time to time such sum or sums of money, by way of loans, issuance of bonds, notes, debentures or other securities whether convertible into equity/ preference shares or not, from banks, financial or other institution(s), investors, mutual fund(s), or any other persons including related parties, group companies, business associates etc., whether by way of cash credit, advance or deposits, loans, debentures or bill discounting or otherwise, whether secured or unsecured, as they may deem fit notwithstanding however, that the total borrowings exceed the aggregate of paid-up capital and free reserves of the company, provided however that the aggregate of amounts so borrowed and outstanding at any one time (apart from temporary loans obtained

from the company's bankers in the ordinary course of business) shall not exceed an amount of Rupees 50 Crores (Rupees Fifty Crores) exclusive of interest.

**"RESOLVED FURTHER THAT** the Board (including any Committee duly constituted by the Board of Directors or any authority as approved by the Board of Directors) be and is hereby authorized to do all such acts, deeds and things and to sign and execute all such deeds, documents and instruments as may be necessary, expedient and incidental thereto to give effect to this resolution.

**7. Restructuring of loans and extension in loan tenure on request of the customers:**

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

**"RESOLVED THAT** the approval of Members of the Company be and is hereby accorded to the Board of Directors for extending tenure of loan, on the request of the customers and the said extension shall include restructuring of the loan amount on case to case basis with the prior approval of board of directors or any committee made thereof.

**RESOLVED FURTHER THAT** the Board (including any Committee duly constituted by the Board of Directors or any authority as approved by the Board of Directors) be and is hereby authorized to do all such acts, deeds and things and to sign and execute all such deeds, documents and instruments as may be necessary, expedient and incidental thereto to give effect to this resolution.

**Registered Office**

705, Palm Spring Centre, Above Croma, Near New Infinity Mall,  
Link Road, Malad (West), Mumbai - 400064, Maharashtra.

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

**Place:** Jamnagar

**Date:** August 31, 2020

**Notes:**

**Jay Morzaria**  
**Managing Director**  
**DIN: 02338864**

- In view of the continuing Covid-19 pandemic, social distancing is a norm to be followed, the Government of India, Ministry of Corporate Affairs allowed conducting Annual General Meeting through Video Conferencing (VC) or Other Audio Visual Means (OAVM) and dispensed the personal presence of the members at the meeting. Accordingly, the Ministry of Corporate Affairs issued Circular No. 14/2020 dated April 8, 2020, Circular No. 17/2020 dated April 13, 2020, Circular No. 20/2020 dated May 5, 2020 and Circular No. 22/2020 dated June 15, 2020 prescribing the procedures and manner of conducting the Annual General Meeting through VC/ OAVM. In terms of the said circulars, the 36<sup>th</sup> Annual General Meeting (AGM) of the members will be held through VC/OAVM. Hence, members can attend and participate in the AGM through VC/OAVM only.

The detailed procedure for participation in the meeting through VC/OAVM is as per note no. 19 and available at the Company's website [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com). The deemed venue for the AGM shall be the Registered Office of the Company.

- The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("Act") setting out material facts concerning the special businesses is annexed hereto. The relevant details, pursuant to Regulations 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Secretarial Standard II on General Meetings issued by the Institute of Company Secretaries of India, in respect of Directors seeking appointment / re-appointment at this Annual General Meeting ("AGM") are also annexed.
- Though, pursuant to the provisions of the Act, a Member is entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf, since this AGM is being held pursuant to the Circular No. 14/2020 dated April 8, 2020, issued by the Ministry of Corporate Affairs, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
- Institutional/Corporate Shareholders (i.e. other than individuals/HUF, NRI, etc.) are required to send a scanned copy (PDF/JPEG Format) of its Board Resolution or governing body Resolution/Authorization etc., authorizing its representative to attend the Annual General Meeting through VC/OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through their registered email address to [krishivadvisory@gmail.com](mailto:krishivadvisory@gmail.com) with copies marked to the Company at [karnavatifinance@gmail.com](mailto:karnavatifinance@gmail.com) and to National Securities Depository Limited (NSDL) at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
- The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
- Since the AGM will be held through VC/OAVM, the route map of the venue of the Meeting is not annexed hereto.
- In line with the aforesaid Ministry of Corporate Affairs (MCA) Circulars and SEBI Circular dated May 12, 2020, the Notice of AGM along with Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Member may note that Notice and Annual Report 2019-20 has been uploaded on the website of the Company at [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com). The Notice can also be accessed from the websites of the Stock Exchange i.e. BSE Limited at [www.bseindia.com](http://www.bseindia.com) and the AGM Notice is also available on the website of NSDL i.e. [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- Those shareholders who have not yet registered their e-mail address are requested to get their e-mail addresses submitted, by following the procedure given below;
  - In case shares are held in physical mode, please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to [karnavatifinance@gmail.com](mailto:karnavatifinance@gmail.com).
  - In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to [karnavatifinance@gmail.com](mailto:karnavatifinance@gmail.com).
  - Alternatively member may send an e-mail request to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) in for obtaining User ID and Password by proving the details mentioned in Point (a) or (b) as the case may be.
  - It is clarified that for permanent submission of e-mail address, the shareholders are however requested to register their email address, in respect of electronic holdings with the depository through the concerned depository participants and in respect of physical holdings with the Company's Registrar and Share Transfer Agent, Satellite Corporate Services Private Limited ("SCSPL"), having its office at Office no. 106 & 107, Dattani Plaza, East West Compound, Andheri Kurla Road, Safedpulp, Sakinaka, Mumbai - 400 072 by following the due procedure.

- (e) Those shareholders who have already registered their e-mail address are requested to keep their e-mail addresses validated with their depository participants / the Company's Registrar and Share Transfer Agent, SCSPL to enable servicing of notices / documents / annual Reports electronically to their e-mail address.
9. It is clarified that for permanent submission of e-mail address, the shareholders are however requested to register their email address, in respect of electronic holdings with the depository through the concerned depository participants, by following the due procedure.
10. Members seeking any information with regard to the accounts or any matter to be placed at the AGM or who would like to ask questions or registered themselves as Speaker, are requested to write to the Company mentioning their name demat account number/folio number, email id, mobile number at karnavatifinance@gmail.com on or before September 19, 2020 so as to enable the management to keep the information ready. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
11. The Register of Directors' and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013, the Register of contracts or arrangements in which the Directors are interested under Section 189 of the Companies Act, 2013 and all other documents referred to in the Notice will be available for inspection in electronic mode.
12. In case of joint holders attending the AGM together, only holder whose name appearing first will be entitled to vote.
13. The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, September 23, 2020 to Tuesday, September 29, 2020 (both days inclusive) for the purpose of 36<sup>th</sup> AGM and same will be re-opened from Wednesday, September 30, 2020 onwards.
14. 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.
15. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from April 1, 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or Company's Registrars and Transfer Agents, SCSPL for assistance in this regard.
16. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held in electronic form and to SCSPL in case the shares are held in physical form.
17. 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. Members can contact their DP in case the shares are held in electronic form and to SCSPL in case the shares are held in physical form.
18. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company or 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.
19. **PROCESS AND MANNER FOR MEMBERS OPTING FOR VOTING THROUGH ELECTRONIC MEANS AND PARTICIPATING AT THE ANNUAL GENERAL MEETING THROUGH VC/OAVM:**
- i. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (as amended), and the Circulars issued by the Ministry of Corporate Affairs dated April 8, 2020, April 13, 2020, May 5, 2020 and SEBI Circular dated May 12, 2020, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with NSDL, as the Authorised e-voting agency for facilitating voting through electronic means. The facility of casting votes by a member using remote e-voting as well as e-voting system on the date of the AGM will be provided by NSDL.
- ii. The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, September 23, 2020 to Tuesday, September 29, 2020 (both days inclusive) for the purpose of 36<sup>th</sup> AGM and same will be re-opened from Wednesday, September 30, 2020 onwards. 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. Tuesday, September 22, 2020, shall be entitled to avail the facility of remote e-voting as well as e-voting system on the date of 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.
- iii. 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 i.e. Tuesday, September 22, 2020, shall be entitled to exercise his/her vote either electronically i.e. remote e-voting or e-voting system on the date of the AGM by following the procedure mentioned in this part.
- iv. The remote e-voting will commence on 9:00 A.M. on Saturday, September 26, 2020 and will end on 5:00 P.M. on Monday, September 28, 2020. During this period, the members of the Company holding shares as on the Cut-off date i.e. Tuesday, September 22, 2020 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.
- v. 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.
- vi. 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. Tuesday, September 22, 2020.
- vii. The Company has appointed CS Anand S 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 e-voting system on the date of the AGM, in a fair and transparent manner.

**INSTRUCTIONS FOR CASTING VOTES BY REMOTE E-VOTING**

The remote e-voting period begins on 9:00 A.M. on Saturday, September 26, 2020 and will end on 5:00 P.M. on Monday, September 28, 2020. The remote e-voting module shall be disabled by NSDL for voting thereafter.

**How do I vote electronically using NSDL e-Voting system?**

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

**Step 1. Log-in to NSDL e-Voting system at [www.evoting.nsdl.com](http://www.evoting.nsdl.com).**

**Step 2. Cast your vote electronically on NSDL e-Voting system.**

**Details on Step 1 is mentioned below:****How to Log-in to NSDL e-Voting website?**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: [www.evoting.nsdl.com](http://www.evoting.nsdl.com) either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.  
Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. cast your vote electronically.
4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your password details are given below:
  - a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
  - b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
  - c) How to retrieve your 'initial password'?
    - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
    - (ii) If your email ID is not registered, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or at [karnavatifinance@gmail.com](mailto:karnavatifinance@gmail.com) mentioning your demat account number/folio number, your PAN, your name and your registered address.
6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
  - a) Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

**Details on Step 2 is given below:****How to cast your vote electronically on NSDL e-Voting system?**

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of company for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

#### **GENERAL GUIDELINES FOR SHAREHOLDERS**

1. 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. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to krishivadvisory@gmail.com with copies marked to the Company at karnavatifinance@gmail.com and to National Securities Depository Limited (NSDL) at evoting@nsdl.co.in.
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password" or "Physical User Reset Password" option available on www.evoting.nsdl.com to reset the password.

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

#### **INSTRUCTIONS FOR SHAREHOLDERS/MEMBERS TO VOTE DURING THE ANNUAL GENERAL MEETING:**

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

#### **CONTACT DETAILS**

<b>Company</b>	<b>KARNAVATI FINANCE LIMITED</b> "Vraj", 05 <sup>th</sup> Floor, Opp. Hotel President, Near Bhumi Press, Limda Lane, Jamnagar-361001, Gujarat <b>Phone No.:</b> 0288 2663042; <b>E-Mail ID:</b> karnavatifinance@gmail.com; <b>Website:</b> www.karnavatifinancelimited.com
<b>Registrar and Transfer Agent</b>	<b>SATELLITE CORPORATE SERVICES PRIVATE LIMITED</b> Office no. 106 & 107, Dattani Plaza, East West Compound, Andheri Kurla Road, Safedpul, Sakinaka, Mumbai-400072 <b>E-Mail ID:</b> service@satellitecorporate.com; <b>Phone No.:</b> 022 28520461
<b>E-Voting Agency &amp; VC / OAVM</b>	<b>Email:</b> evoting@nsdl.co.in NSDL help desk 1800-222-990
<b>Scrutinizer</b>	<b>Mr. Anand S Lavingia</b> <b>Email:</b> krishivadvisory@gmail.com; <b>Tel No.:</b> +91 79 - 4005 1702

#### **INSTRUCTIONS FOR SHAREHOLDERS/MEMBERS TO ATTEND THE ANNUAL GENERAL MEETING THROUGH VC/OAVM:**

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access the same at <https://www.evoting.nsdl.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.
2. Members are encouraged to join the Meeting through Laptops for better experience.
3. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at karnavatifinance@gmail.com. The same will be replied by the company suitably.



## Annexure to Notice - Explanatory Statement

## Pursuant to Section 102 of the Companies Act, 2013 and Secretary Standard 2 on General Meetings

**Item No. 3****To appoint Ms. Vinita Ajaybhai Parekh (DIN: 08739757) as Non-executive Independent Director on the board of the Company: ORDINARY RESOLUTION**

Ms. Vinita Ajaybhai Parekh (DIN: 08739757) was appointed as an Additional (Non-Executive Independent) Director in accordance with the provisions of Section 161 of the Companies Act, 2013 by the Board of Directors at its Board Meeting held on May 6, 2020. Pursuant to the provisions of Section 161 of the Companies Act, 2013, Ms. Vinita Ajaybhai Parekh (DIN: 08739757) will hold office up to the date of the ensuing AGM. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member proposing the candidature of Ms. Vinita Ajaybhai Parekh (DIN: 08739757) for the office of Non-Executive Independent Director of the Company and to be appointed as such under the provisions of Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of Listing Regulations.

The Nomination and Remuneration Committee and the Board of Directors has, at their respective meetings held on August 29, 2020, considered and recommended the appointment of Ms. Vinita Ajaybhai Parekh (DIN: 08739757) as a Non-Executive Independent Director of the Company to hold office for a period up to May 5, 2025, not liable to retire by rotation. In the opinion of Nomination and Remuneration Committee and the Board, Ms. Vinita Ajaybhai Parekh (DIN: 08739757), the Non-Executive Independent Director proposed to be appointed, fulfills the conditions specified in the Companies Act, 2013 and the Rules made thereunder and Regulation 16(1)(b) of Listing Regulations and she is independent of the Management.

Ms. Vinita Ajaybhai Parekh (DIN: 08739757), aged 33 years, has completed her Inter CA (PE-II) from the renounced Institute of Chartered Accountants of India (ICAI) and having Bachelor Degree of Commerce from University of Mumbai. Further, she is holding various certificates in Finance and Insurance sector. Furthermore, she is currently practices as a financial advisor and also providing services in matters of Tax Planning, Retirement Planning and Wealth planning and possessing overall 7 years of experience in the same field.

The Company has received from Ms. Vinita Ajaybhai Parekh (DIN: 08739757) (i) consent in writing to act as director in Form DIR 2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, (ii) intimation in Form DIR 8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under Sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that she meets the criteria of independence as provided in Sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of Listing Regulations.

A copy of the draft letter for the appointment of Ms. Vinita Ajaybhai Parekh (DIN: 08739757) as Non-Executive Independent Director setting out the terms and conditions are uploaded on the website of the Company.

The resolution seeking the approval of members for the appointment of Ms. Vinita Ajaybhai Parekh (DIN: 08739757) as Non-Executive Independent Director of the Company to hold office for a period up to May 5, 2025, pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and Regulation 16(1)(b) of Listing Regulations and the Rules made thereunder is proposed by the Board of Directors. Further, she will not be liable to retire by rotation.

The Board recommends the matter and the resolution set out under Item No. 3 for the approval of the Members by way of passing Ordinary Resolutions.

None of the Directors or Key Managerial Personnel and their immediate relatives are concerned or interested, financially or otherwise, except to their shareholding, in the aforesaid resolution.

**Item No. 4****To appoint Mr. Kashyap Bharatkumar Vyas (DIN: 08747756) as Non-executive Director on the board of the Company: ORDINARY RESOLUTION**

The Board of Directors has, at its meeting held on May 26, 2020, appointed Mr. Kashyap Bharatkumar Vyas (DIN: 08747756) as Professional - Additional (Non-Executive) Director of the Company w.e.f. May 26, 2020 pursuant to Section 161 of the Companies Act, 2013.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. Kashyap Bharatkumar Vyas (DIN: 08747756) will hold office up to the date of the ensuing AGM. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member, proposing the candidature of Mr. Kashyap Bharatkumar Vyas (DIN: 08747756) for the office of Professional - Non-Executive Director, to be appointed as such under the provisions of Section 152 of the Companies Act, 2013 and under Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Mr. Kashyap, aged 28 years, has completed his Post Graduate Diploma in International Business Management from H.L. Centre for Professional Excellence. Further, he has completed his Bachelor of Commerce from Saurashtra University. He has an overall experience of 6 years in the field of sales and consulting services.

The Company has received from Mr. Kashyap Bharatkumar Vyas (DIN: 08747756) (i) consent in writing to act as director in Form DIR 2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014 and (ii) intimation in Form DIR 8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under Sub-section (2) of Section 164 of the Companies Act, 2013.

A copy of the draft letter for the appointment of Mr. Kashyap Bharatkumar Vyas (DIN: 08747756) as Non-Executive Director setting out the terms and conditions is available on the website of the Company on [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com) for inspection by the members.

The resolution seeking the approval of members is proposed for the appointment of Mr. Kashyap Bharatkumar Vyas (DIN: 08747756) as Professional - Non-Executive Director of the Company pursuant to Section 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He will be liable to retire by rotation.

The Nomination and Remuneration Committee and the Board recommends the resolution set forth in Item no. 4 for the approval of the members.

None of the Directors or Key Managerial Personnel and their immediate relatives are concerned or interested, financially or otherwise, except to their shareholding, in the aforesaid resolution.

**Item No. 5****To appoint Mr. Vineshkumar Popatlal Makadia (DIN: 00362318) as a Non-executive Director on the board of the Company: ORDINARY RESOLUTION**

The Board of Directors are intending to appoint Mr. Vineshkumar Popatlal Makadia (DIN: 00362318) as a non-executive director subject the approval of Reserve Bank of India, Board of Directors and any other statutory approval as required in this regards and the same has been communicated to the stock exchange on August 15, 2020.

In this regards, the company will make an application to the Reserve Bank of India in due time for appointment of Mr. Vineshkumar Popatlal Makadia (DIN: 00362318) and company shall appoint him only after receiving prior written approval from Reserve Bank of India (RBI) as required under Reserve Bank of India Master director having reference number DNBR (PD) CC.No. 065/03.10.001/2015-16 dated July 09, 2015.

Further, the Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member, proposing the candidature of Mr. Vineshkumar Popatlal Makadia (DIN: 00362318) for the office of Professional - Non-Executive Director, to be appointed as such under the provisions of Section 152 of the Companies Act, 2013 and under Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Mr. Vineshkumar Popatlal Makadia, aged 57 years, has an overall experience of seven years in the field of financing and has already served to our company as a director for a period of seven years from September 30, 2006 to July 03, 2014.

The Company has received from Mr. Vineshkumar Popatlal Makadia (DIN: 00362318) (i) consent in writing to act as director in Form DIR 2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014 and (ii) intimation in Form DIR 8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under Sub-section (2) of Section 164 of the Companies Act, 2013 (iii) Declaration that the proposed Director and the unincorporated bodies that he/she is associated with have complied with Section 45 S of RBI Act, 1934 (iv) Declaration that the Proposed Director is not involved in any criminal cases including under Section 138 of N I Act, 1881 (V) Declaration from the Proposed Director that he has not been on the Board of any company whose application for registration was rejected by the Bank or an NBFC whose certificate of registration was cancelled or it has been declared as vanishing company by RBI (VI) Declaration that the Proposed Director has not violated any provisions of Companies Act 1956 and 2013.

The resolution seeking the approval of members is proposed for the appointment of Mr. Vineshkumar Popatlal Makadia (DIN: 00362318) as Professional - Non-Executive Director of the Company pursuant to Section 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He will be liable to retire by rotation.

The Nomination and Remuneration Committee and the Board recommends the resolution set forth in Item no. 5 for the approval of the members.

None of the Directors or Key Managerial Personnel and their immediate relatives are concerned or interested, financially or otherwise, except to their shareholding, in the aforesaid resolution.

#### **Item No. 6**

#### **To increase the Borrowing Powers under Section 180(1) (c) of the Companies Act, 2013: SPECIAL RESOLUTION**

The members of the Company in their duly convened Annual General Meeting held on September 6, 2014 has approved by way of a Special Resolution under Section 180(1)(c) of the Companies Act, 2013, borrowings over and above the aggregate of paid up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of Rupees 20 Crores (Rupees Twenty Crores).

The Board of Directors of a Company shall not, except with the consent of Company by Special Resolution borrow money together with the money already borrowed, if any (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), exceeding the aggregate of the paid up capital and its free reserves as per the provisions of Section 180(1)(c) of the Companies Act, 2013 ("the Act") and its rules thereunder.

It is therefore, necessary for the members to pass a Special Resolution under Section 180(1)(c) of the Companies Act, 2013, as set out at Item No. 5 of the Notice, to enable the Board of Directors to borrow money upto Rs. 50 Crores (Rupees Fifty Crores) and inter alia, authorised the Board to secure its borrowing by mortgage / charge on any of the movable and/or immovable properties and/or the whole or any part of the undertaking(s) of the Company, if require so.

The Board recommends the Special Resolution as per the accompanying Notice, for approval by the Shareholders of the Company.

None of the Directors or Key Managerial Personnel and their immediate relatives are concerned or interested, financially or otherwise, except to their shareholding, in the aforesaid resolution.

#### **Item no. 7**

#### **Restructuring of loans and extension in loan tenure on request of the customers: ORDINARY RESOLUTION**

Due to Covid -19 Pandemic and as per RBI moratorium period the board of directors of the company has decided to provided certain relaxations to its customers, as, Majority of customers are regular paying their dues. So, in this pandemic situation rather than giving new loan to unknown customers of company and to minimize risk, we can increase the timeline of loan to the customers whoever demand after considering other situation/s in case to case basis thereby restructuring the loans of the customers.

The Board recommends the Ordinary Resolution as per the accompanying Notice, for approval by the Shareholders of the Company.

None of the Directors or Key Managerial Personnel and their immediate relatives are concerned or interested, financially or otherwise, except to their shareholding, in the aforesaid resolution.

#### **Registered Office**

705, Palm Spring Centre, Above Croma, Near New Infinity Mall,  
Link Road, Malad (West), Mumbai - 400064, Maharashtra.

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

**Place:** Jamnagar  
**Date:** August 31, 2020

**Jay Morzaria**  
**Managing Director**  
**DIN: 02338864**

**DETAILS OF DIRECTOR SEEKING APPOINTMENT/ RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING**

Disclosure under Regulation 36 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards-2 issued by ICSI for Item No. 2 and 3:

Particulars / Name	Mr. Jay Morzaria	Ms. Vinita Ajaybhai Parekh
<b>Date of Birth</b>	August 14, 1989	May 09, 1986
<b>Qualification</b>	B.Com & L.L.B	Inter CA (PE-II), B.Com, Certification in Mutual Fund and Insurance Sector
<b>Experience - Expertise in specific functional areas - Job profile and suitability</b>	<p>Mr. Jay Raman Morzaria aged 31 years is core promoter of our company and has been appointed as a Managing Director of our company with effect from July 01, 2014 and whose term of office expired on June 30, 2019 and was reappointment by the members of the company from July 01, 2019 as a Chairman &amp; Managing director for a further period of five years subject to retire by rotation.</p> <p>He is a commerce graduate and Law graduate from reputed NM Collage under Mumbai University. A calculated risk taker with deep technical and legal knowledge of the market, he started his career in real estate sector at a young age of 19.</p> <p>Mr. Jay Morzaria being a managing director of our company manages the day to day affairs of the company along with strategic planning regarding internal &amp; external risk about market vulnerabilities and other risk associated to market. He has helped the company to bring a positive worth applauding in competitive market.</p>	<p>Ms. Vinita, aged 33 years, has completed her Inter CA (PE-II) from the renounced Institute of Chartered Accountants of India (ICAI) and having Bachelor Degree of Commerce from University of Mumbai.</p> <p>Further, she is holding various certificates in Finance and Insurance sector.</p> <p>Furthermore, she is currently practices as a Financial advisor and also providing services in matters of Tax Planning, Retirement Planning and Wealth planning and possessing overall 7 years' experience in the same field.</p>
<b>No. of Shares held</b>	1157350 Equity Shares	--
<b>Terms &amp; Conditions</b>	No change in existing terms and conditions	As per Explanatory Statement for Item No. 3
<b>Remuneration Last Drawn</b>	--	--
<b>Remuneration sought to be paid</b>	No change in existing terms and conditions	--
<b>Number of Board Meetings attended during the Financial Year 2019-20</b>	6 out of 6	Not Applicable
<b>Date of Original Appointment</b>	September 15, 2010	May 06, 2020
<b>Date of Appointment in current terms</b>	July 01, 2019	May 06, 2020
<b>Directorships held in other public companies including deemed public companies</b>	--	--
<b>Memberships / Chairmanships of committees of public companies*</b>	Membership - 2 Committees	--
<b>Inter-se Relationship with other Directors.</b>	<p>Mr. Jay Morzaria is a son of Mr. Raman Morzaria (Whole-Time Director of the company)</p> <p>Mr. Jay Morzaria is a brother of Mr. Kush Morzaria (Chief Financial Officer of the company)</p>	No Relation

**Registered Office**  
705, Palm Spring Centre, Above Croma, Near New Infinity Mall,  
Link Road, Malad (West), Mumbai - 400064, Maharashtra.

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

Place: Jamnagar  
Date: August 31, 2020

**Jay Morzaria**  
Managing Director  
DIN: 02338864

**DETAILS OF DIRECTOR SEEKING APPOINTMENT/ RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING**

Disclosure under Regulation 36 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards-2 issued by ICSI for Item No. 4 and 5:

Particulars / Name	Mr. Kashyap Bhartkumar Vyas	Mr. Vineshkumar Popatlal Makadia
Date of Birth	March 12, 1992	April 07, 1962
Qualification	Post Graduate Diploma in International Business Management Bachelor of Commerce (B.Com)	HSC
Experience - Expertise in specific functional areas - Job profile and suitability	Mr. Kashyap, aged 28 years, has completed his Post Graduate Diploma in International Business Management from H.L. Centre for Professional Excellence. Further, he has completed his Bachelor of Commerce from Saurashtra University. He has an overall experience of 6 years in the field of sales and consulting services.	Mr. Vineshkumar Popatlal Makadia, aged 57 years, possesses seven years' experience for managing the affairs of Non-banking finance companies and he has served Karnavati Finance Limited for a period of seven years as a director from September 30, 2006 to July 03, 2014.
No. of Shares held	--	2
Terms & Conditions	As per Explanatory Statement for Item No. 4	As per Explanatory Statement for Item No. 5
Remuneration Last Drawn	--	--
Remuneration sought to be paid	--	--
Number of Board Meetings attended during the Financial Year 2019-20	Not Applicable	Not Applicable
Date of Original Appointment	May 26, 2020	Not Applicable
Date of Appointment in current terms	May 26, 2020	Not Applicable
Directorships held in other public companies including deemed public companies	--	--
Memberships / Chairmanships of committees of public companies*	--	--
Inter-se Relationship with other Directors.	No Relation	No Relation

\*Includes only Audit Committee and Stakeholders' Grievances and Relationship Committee.

**Registered Office**

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Link Road, Malad (West), Mumbai - 400064, Maharashtra.

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

Place: Jamnagar  
Date: August 31, 2020

**Jay Morzaria**  
Managing Director  
DIN: 02338864

**DIRECTOR'S REPORT**

To,

**The Shareholders,**

The directors have the pleasure in presenting 36<sup>th</sup> Annual Report of Your Company with the Audited Financial Statements of the Company for the financial year ended on March 31, 2020.

**FINANCIAL RESULTS***(Amount in Rupees)*

Particulars	F.Y. 2019-20	F.Y. 2018-19
Revenue From Operations	2,76,35,915	3,24,01,510
Other operation Income	2,500	-
<b>Total Revenue</b>	<b>2, 76,38,415</b>	<b>3,24,01,510</b>
Less: Total Expenses before Depreciation, Finance Cost & Tax	2,35,06,652	66,25,259
Operating Profits before Depreciation, Finance Cost & Tax	41,31,763	2,57,76,251
Less: Depreciation	1,26,187	1,44,796
Finance cost	26,10,102	1,57,63,274
<b>Profit/(Loss) Before Tax</b>	<b>13,95,474</b>	<b>98,68,181</b>
Less: Current Tax	3,27,932	26,54,325
Less: Deferred Tax Liability (Assets)	(7,479)	(8,319)
<b>Profit/(Loss) after Tax</b>	<b>10,75,021</b>	<b>72,22,175</b>

**YEAR AT A GLANCE****Financial Performance**

During the financial year 2019-20, The Company has earned total income of Rs. 2,76,38,415 from business activities as compared to Rs. 3,24,01,510 in previous year. The total revenue of the company is decreased by 14.71%.

During the financial year 2019-20, total 1 loan account was written off amounting to Rs. 2963 as the same was 100.00% bad debt.

The total Profit before tax for the financial year 2019-20 stood at Rs. 13,95,474 and the total net profit after tax for the financial year 2019-20 stood at Rs. 10,75,021.

The Directors of the Company are planning to expand the business of the Company in areas of providing loan against securities and opening of FFMC branches in various cities in the current year 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 2019-20 (Previous year - Nil).

**Net Profit Transfer to Reserve**

The Company has transferred Rs. 2,15,004.24 to Statutory Reserve Fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934.

**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.

**Review of Business Operations & Future Prospects**

The directors have taken various actions so as to expand the business of the company and they are in process of opening various branched of FFMC in the state of Gujarat as well as Maharashtra for expanding the activities of Full Fledged Money Changing in coming years. Further, they are also planning to open various branches of the company for the purpose of expanding the business of financing including personal financing and lending against securities thereby increasing the overall business of the company in a near future.

**SHARE CAPITAL**

During the year under review, the company has not issued any shares including equity shares, shares with differential voting rights, stock options, sweat equity etc. The company has not bought back any equity shares during the year 2019-20.

The paid up share capital of the company as on March 31, 2020 was Rs. 10.05 crores.

**Dematerialization of Shares**

The Company has entered into Tripartite Agreement with the depositories, National Securities Depository Limited (NSDL) and Central Depository Service (India) Limited (CDSL) for providing Demat facility to its Shareholders. For this purpose, the company has appointed Satellite Corporate Services Private Limited, as its registrar and Share Transfer Agent.

**BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****Constitution of Board**

The Constitution of the Board of Directors and other disclosure of the Board of Directors are given in the Corporate Governance Report.

**Board Meeting**

Regular meetings of the Board are held at least once in a quarter, inter-alia, to review the quarterly results of the Company. Additional Board meetings are convened, as and when required, to discuss and decide on various business policies, strategies and other businesses. The Board meetings are generally held at corporate office of the Company.

During the year under review, Board of Directors of the Company met 06 (six) times viz., April 05, 2019, May 27, 2019, June 28, 2019 August 13, 2019, November 13, 2019, and February 14, 2020, respectively.

The details of attendance of each Director at the Board Meeting and Annual General Meeting are given in the Corporate Governance Report.

**Independent Directors**

In terms of Section 149 of the Companies Act, 2013 and rules made there under and Listing Regulations, the Company has three Non-Promoter Independent Directors. In the opinion of the Board of Directors, all three Independent Directors of the Company meet all the criteria mandated by Section 149 of the Companies Act, 2013 and rules made there under and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and they are Independent of Management.

A separate meeting of Independent Directors was held on February 14, 2020 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 that is necessary for the board of directors to effectively and reasonably perform their duties.

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](http://www.karnavatifinancelimited.com).

The Company has received a declaration from the Independent Directors of the Company under Section 149(7) of Companies Act, 2013 and 16(1)(b) of Listing Regulations confirming that they meet criteria of Independence as per relevant provisions of Companies Act, 2013 for financial year 2020-21. The Board of Directors of the Company has taken on record the said declarations and confirmation as submitted by the Independent Directors after undertaking due assessment of the veracity of the same. In the opinion of the Board, they fulfill the conditions as Independent Directors and are independent of the Management. Further, all the Independent Directors have registered themselves with Independent Directors' Data Bank.

None of Independent Directors have resigned during the year.

**Information on Directors**

During the financial year 2019-20, the Board of Directors at its meeting held on June 28, 2019, on the recommendation of Nomination and Remuneration Committee, re-appointed Mr. Jay Morzaria as Chairman and Managing Director and Mr. Raman Morzaria as Whole-Time Director for a period of five (5) years w.e.f. July 1, 2019. The approval of the shareholders were obtained at their 35<sup>th</sup> Annual General Meeting held on September 25, 2019.

After, closure of financial year 2019-20, Ms. Vinita Ajaybhai Parekh was appointed as Additional (Non-Executive Independent) Director of the Company by the Board of Directors on May 6, 2020, effective from the date of allotment of a valid Director Identification Number by Ministry of Corporate Affairs to her. Ms. Vinita Ajaybhai Parekh had obtained the Director Identification Number on May 6, 2020 and she has been appointed as such since May 6, 2020. Furthermore, Mr. Kashyap Bharatkumar Vyas was appointed as Additional (Non-Executive) Director of the Company by the Board of Directors on May 26, 2020, effective from the date of allotment of a valid Director Identification Number by Ministry of Corporate Affairs to him. Mr. Kashyap Bharatkumar Vyas had obtained the Director Identification Number on May 26, 2020 and he has been appointed as such since May 26, 2020. In terms of provision of Section 161 of the Companies Act, 2013, Ms. Vinita Ajaybhai Parekh and Mr. Kashyap Bharatkumar Vyas hold office till the date of ensuing annual general meeting of the Company. The Board of Directors recommends their appointment as Non-Executive Independent Director and Non-Executive Director, respectively, on the board of the Company and resolution to that effect have been proposed for the approval of the members.

In accordance with the provisions of the Articles of Association and Section 152 of the Companies Act, 2013, Mr. Jay Ramanbhai Morzaria, Chairman & Managing 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") and Secretarial Standards-2 issued by ICSI, of the person seeking appointment/re-appointment as Directors are annexed to the Notice convening the thirty sixth annual general meeting.

**Key Managerial Personnel**

In accordance with Section 203 of the Companies Act, 2013, the Company has already appointed Mr. Jay Morzaria as Chairman and Managing Director of the Company, Mr. Kush Morzaria as Chief Financial Officer and Ms. Nitixa Ramanuj as Company Secretary and compliance officer of the Company. Further, there was no change in the Key Managerial Personnel of the Company during the financial year 2019-20.

**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 Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in the following manners;

- The performance of the board was evaluated by the board, after seeking inputs from all the directors, on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning etc.
- The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.
- The board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.
- 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. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

**Director's 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, 2020, 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, 2020 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.

**COMMITTEES OF BOARD**

The Board of Directors, in line with the requirement of the act and Listing Regulations, has formed various committees, details of which are given hereunder.

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholder's Grievance & Relationship Committee

The composition of each of the above Committees, their respective role and responsibility are detailed in the Report of Corporate Governance annexed to this Report.

**Audit Committee**

The Company has formed audit committee in line with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As at March 31, 2020, the Audit Committee comprised Mr. Parth Maniar (Non-Executive Independent) as Chairperson and Mrs. Brimda Bilimoria (Non-Executive Independent) and Mr. Jay Morzaria (Executive) as Members. Details on dates of meetings and attendance of Members are detailed in the Report of Corporate Governance annexed to this Report.

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

**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 behavior, 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 <http://www.karnavatifinancelimited.com/files/whistleblowerpolicy.pdf>.

**Nomination and Remuneration Policy**

Nomination and Remuneration Policy in the Company is designed to create a high performance culture. It enables the Company to attract motivated and retained manpower in competitive market, and to harmonize the aspirations of human resources consistent with the goals of the Company. The Company pays remuneration by way of salary, benefits, perquisites and allowances to its Executive Directors and Key Managerial Personnel. Annual increments are decided by the Nomination and Remuneration Committee within the salary scale approved by the members and are effective from April 1, of each year.

The Nomination and Remuneration Policy, as adopted by the Board of Directors, is placed on the website of the Company at <http://karnavatifinancelimited.com/files/NRC-Applicable-01.04.2019.pdf> and is annexed to this Report as **Annexure - A**.

**Remuneration of Directors**

The details of remuneration/sitting fees paid during the financial year 2019-20 to Executive Directors/Directors of the Company is provided in Form MGT-9 and Report on Corporate Governance which are the part of this report.

During the year under review, the non-executive directors of the company had no pecuniary relationship or transaction with the company.

**DEPOSITS**

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, 2020.

**PARTICULARS OF CONTRACTS OR ARRANGEMENT MADE WITH RELATED PARTY**

All transactions to be entered by the Company with related parties will be in the ordinary course of business and on an arm's length basis. However, there were three transaction which were not on arms' length basis. The detail of transaction entered with related parties is annexed to this Report as **Annexure - B**.

Further, there were no related party transactions with the Company's Promoters, Directors, Management or their relatives, which could have had a potential conflict with the interests of the Company.

Members may refer to the notes to the accounts for details of related party transactions entered as per Indian Accounting Standard - 24. The Board of Directors of the Company has, on the recommendation of the Audit Committee, adopted a policy to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Companies Act 2013, the Rules thereunder and the SEBI LODR Regulations.

The Policy on Materiality of and dealing with Related Party Transactions as approved by the Board is uploaded on the Company's website and can be accessed at the Web-link: <http://www.karnavatifinancelimited.com/files/Related-Party-Transaction-Policy.pdf>.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

##### A. Conservation of energy -

- i.) **The steps taken or impact on conservation of energy:** Company ensures that the operations are conducted in the manner whereby optimum utilisation and maximum possible savings of energy is achieved.
- ii.) **The steps taken by the Company for utilizing alternate sources of energy:** No alternate source has been adopted.
- iii.) **The capital investment on energy conservation equipment:** No specific investment has been made in reduction in energy consumption.

##### B. Technology absorption -

- i.) **The effort made towards technology absorption:** Not Applicable.
- ii.) **The benefit derived like product improvement, cost reduction, product development or import substitution:** Not Applicable
- iii.) **in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) -**
  - a. **The details of technology imported:** Nil.
  - b. **The year of import:** Not Applicable.
  - c. **Whether the technology has been fully absorbed:** Not Applicable.
  - d. **If not fully absorbed, areas where absorption has not taken place, and the reasons thereof:** Not Applicable.

iv.) **The expenditure incurred on Research and Development:** Nil

##### C. Foreign Exchange Earnings & Expenditure:

- i.) **Details of Foreign Exchange Earnings:** Nil
- ii.) **Details of Foreign Exchange Expenditure:** Nil

#### EXTRACTS 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, 2020 in Form MGT-9 is annexed to this Report as **Annexure - C**.

#### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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.

#### PARTICULAR OF EMPLOYEES

The ratio of the remuneration of each whole-time director to the median of employees' remuneration as per Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this Report as **Annexure - D**.

The statement containing top ten employees in terms of remuneration drawn and the particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Further, the report and the accounts are being sent to members excluding this annexure. In terms of Section 136 of the Act, the said annexure will be available for inspection in electronic form. Any shareholder interested in obtaining a copy of the same may write to Company Secretary.

#### INTERNAL FINANCIAL CONTROL SYSTEM AND THEIR ADEQUACY

During the year under review, the company has appointed M/s. Suresh Tejwani & Co, as an Internal Auditor to look after the internal financial control and their adequacy.

The details on Internal Financial Control and their adequacy are provided in Management Discussion and Analysis Report forming part of Annual Report 2019-20.

#### MATERIAL CHANGES & COMMITMENTS

There are no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statement relates and the date of this report.

Note: For better transparency, accountability and for good governance of listed entity, Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) had mandated certain disclosure including impact of covid-19 on the business and operations of the company by listed entity in a stipulated time frame. So, in line with the said circular company had made necessary compliances as required by SEBI and RBI to be compliant company in letter as well spirit too.

#### DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

To foster a positive workplace environment, free from harassment of any nature, we have institutionalized the Anti-Sexual Harassment Initiative (ASHI) framework, through which we address complaints of sexual harassment at the all workplaces of the Company. Our policy assures discretion and guarantees non-retaliation to complainants. We follow a gender-neutral approach in handling complaints of sexual harassment and we are compliant with the law of the land where we operate. The Company has setup an Internal Complaints Committee (ICC) for redressal of Complaints.

During the financial year 2019-20, the Company has received Nil complaints on sexual harassment, out of which Nil complaints have been disposed of and Nil complaints remained pending as of March 31, 2020.

#### NAMES OF THE COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR

There is no subsidiary, joint venture or associate company as on March 31, 2020 and hence the same is not applicable to the company.

#### RISK MANAGEMENT POLICY

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.

**PREVENTION OF INSIDER TRADING**

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company and the same is hosted on the website of the company i.e. [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com). The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. All the Board of Directors and designated employees have confirmed compliance with the Code.

**CORPORATE GOVERNANCE**

Your Company strives to incorporate the appropriate standards for corporate governance. As stipulated in Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Report on Corporate Governance and Certificate of the Practicing Company Secretary with regards to compliance with the conditions of Corporate Governance is annexed to the Board's Report as **Annexure - E**.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion and Analysis Report for the year under review, as stipulated under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented in a separate section forming part of this Annual Report.

**MAINTENANCE OF COST RECORD**

Since the company is not falling under prescribed class of Companies, our Company is not required to maintain cost record.

**STATUTORY AUDITOR & THEIR REPORT**

In terms of provisions of section 139 of the companies act, 2013 and companies (Audit and Auditors) Rules, 2014, M/s. D G M S & Co., Chartered Accountants (formerly known as M/s. Doshi Maru & Associates) were appointed as a statutory auditor of the company in 34<sup>th</sup> AGM for a period of 5 years till the conclusion of 39<sup>th</sup> AGM of the company subject to ratification of their appointment at every annual general meeting. However, in terms of provisions of companies Act (Amendments), 2017, the requirement for ratification of the auditors at every annual general meeting has been dispensed with.

The notes on financial statement referred to in the Auditor's Report are self-explanatory and do not call for any further comments. Further the Auditor's Report does not contain any qualification, reservation or adverse remark that requires clarification or justification.

**Reporting of frauds by auditors**

During the year under review, neither the statutory auditor nor the secretarial auditor has reported to the audit committee, under section 143 (12) of the Companies Act, 2013 any instances of fraud committed against the company by its officers or employees, the details of which would need to be mentioned in the Board's Report.

**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 Ms. Payal Dhamecha, Practicing Company Secretary, Ahmedabad to carry out the Secretarial Audit for the financial year ended on March 31, 2020. Secretarial Audit Report is annexed to the Board's Report as **Annexure - F-1**.

Further, as per Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and necessary amendments thereto, every listed entity and its material unlisted subsidiaries incorporated in India is required to submit Annual Secretarial Compliance Report to the concern stock exchange within 60 days from the closure of respective financial year regarding the status of compliances done by the listed entity as prescribed under SEBI (LODR) Regulations, 2015.

For, compliance of Regulation 24A of SEBI (LODR) Regulations, 2015, the company has appointed Mr. Anand Lavingia, Practicing Company Secretary for the purpose of availing Annual Secretarial Compliance Report and submitted the same with BSE Limited and the copy of the same is annexed to the Board's Report as **Annexure - F-2**.

**Secretarial Standard**

The company complies with all applicable mandatory secretarial standards issued by the Institute of Company Secretaries of India.

**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 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.

**APPRECIATIONS AND 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 endeavors.

**Registered Office**

705, Palm Spring Centre, Above Croma,  
Near New Infinity Mall, Link Road,  
Malad (West), Mumbai - 400064, Maharashtra.

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

**Place:** Jamnagar  
**Date:** August 31, 2020

**Jay Morzaria  
Managing Director  
DIN: 02338864**

**Raman Morzaria  
Whole-Time Director  
DIN: 00203310**

## NOMINATION &amp; REMUNERATION POLICY

**1. Preface:**

Pursuant to Section 178 of the Companies Act, 2013 and the Rules framed thereunder (as amended from time to time) (the "Act") and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) (the "SEBI Listing Regulations"), the Board of Directors of every listed company is required to constitute the Nomination and Remuneration Committee.

Karnavati Finance Limited ("the Company"), in order to attract motivated and retained manpower in competitive market, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 and the SEBI (Listing Regulations and Disclosure Requirements) Regulation, 2015 as amended from time to time, this policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated and recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.

**2. Objective:**

In order to comply with the requirements of Section 178 of the Act and Regulation 19 of the SEBI Listing Regulations and any other applicable provisions, the Nomination and Remuneration Committee of the Board of Directors of the Company (the "Committee") had formulated this policy (the "Policy").

The Key Objectives of the Nomination and Remuneration Policy would be:

- A. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive / Non-Executive) and recommend to the Board of Directors of the Company (the "Board"), policies relating to the remuneration (payable in whatever form) of the Directors, Key Managerial Personnel and other employees.
- B. To formulate criteria for evaluation of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- C. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- D. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- E. To devise a Policy on Board Diversity.
- F. To develop a succession plan for the Board and to regularly review the plan.
- G. To determine whether to extend or continue the term of appointment of the Independent Director(s), on the basis of the report of performance evaluation of Independent Directors.

**3. Definition:**

- a) "Act" means the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.
- b) "Board" means Board of Directors of the Company.
- c) "Director" means Directors of the Company.
- d) "Committee" means the Nomination and Remuneration Committee of the Company as constituted or re-constituted by the Board.
- e) "Independent Director" means a Director referred to in Section 149(6) of the Companies Act, 2013.
- f) "Key Managerial Personnel" means:
  - i. Executive Chairman or Chief Executive Officer and/or Managing Director;
  - ii. Wholetime Director;
  - iii. Chief Financial Officer;
  - iv. Company Secretary;
  - v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
  - vi. such other officer as may be prescribed
- g) "Senior Management" shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include Company Secretary and Chief Financial Officer.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

**4. Policy on Appointment and removal of Directors, KMPs and Senior Management:****1) Appointment criteria and qualifications:**

- i. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management and recommend to the Board his / her appointment.
- ii. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has the discretion to decide whether qualifications, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- iii. The Company shall not recommend or appoint or continue the employment of any person as the Managing Director, Whole-time director or Manager within the meaning of the Act, who has attained the age of 70 (seventy) years. Provided that the appointment of such a person who has attained the age of 70 (seventy) years shall be made with the approval of the Shareholders by passing a special resolution, based on the explanatory statement annexed to the notice for the Meeting of the Shareholders for such motion indicating the justification for appointment or extension of appointment beyond the age of 70 (seventy) years.

**2) Tenure of Employment:****a) Managing Director/Whole-time Director/ Executive Director:**

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding 5 (five) years at a time. No re-appointment shall be made earlier than 1 (one) year before the expiry of term.

**b) Independent Director:**

- i. An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.
- ii. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of 3 (three) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- iii. At the time of appointment of Independent Director(s) it should be ensured that number of Boards on which such Independent Director serves is restricted to 7 (seven) listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act or the SEBI Listing Regulations.

**c) Evaluation:**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management at regular intervals (yearly).

The evaluation of performance of the Board, its Committees and Individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

The evaluation of independent directors shall be done by the entire board of directors which shall include -

- (a) performance of the directors; and
- (b) fulfillment of the independence criteria as specified in these regulations and their Independence from the management:

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

**d) Removal:**

Due to reasons for any disqualification mentioned in the Act or under any other applicable law, rules and regulations, thereunder, the Committee may recommend, to the Board with reasons to be recorded in writing, removal of a Director, KMP or Senior Management, subject to the provisions and compliance of the said Act, such other applicable law, rules and regulations.

**e) Retirement:**

The Directors, KMP and Senior Management shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

**5. Policy on remuneration of Director, KMP and Senior Management Personnel:**

- i. The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the Shareholders of the Company and Central Government, wherever required.
- ii. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down as per the provisions of the Act.
- iii. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director or as laid down as per the provisions of the Act.

**1) Remuneration to Whole-time/ Executive/ Managing Director, KMP and Senior Management Personnel;**

- i. The Whole-time / Executive / Managing Director / KMP and Senior Management shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including but not limited to, employer's contribution to Provident Fund (P.F.), Superannuation Fund, Pension Scheme, medical expenses, club fees, leave travel allowance, etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the Shareholders and Central Government, wherever required.
- ii. Minimum Remuneration:  
If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time / Executive / Managing Director in accordance with the provisions of Section 197 of the Act and Schedule V to the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- iii. Provisions for excess remuneration:  
If any Whole-time / Executive / Managing Director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

**2) Remuneration to Non- Executive / Independent Director:**

- i. Remuneration / Commission:

The remuneration / commission shall be in accordance with the statutory provisions of the Act and the Rules made thereunder for the time being in force.

- ii. Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of the Board or Committee thereof. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Act, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

- iii. Limit of Remuneration/Commission:

Remuneration/ Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

- iv. Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

**6. Membership:**

- a) The Committee shall comprise of at least (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent Directors.

- b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act and the SEBI Listing Regulations.
- c) The quorum for the Meeting of the Nomination and Remuneration Committee shall either be two members or one third of the total strength of the Committee, whichever is higher (including at least one independent director in attendance).
- d) Membership of the Committee shall be disclosed in the Annual Report.
- e) Term of the Committee shall be continued unless terminated by the Board of Directors.

**7. Chairperson:**

- a) Chairperson of the Committee shall be an Independent Director.
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- d) Chairman of the Nomination and Remuneration Committee meeting could be present at the annual general meeting or may nominate some other member to answer the shareholders' queries.

**8. Frequency of Meetings:**

The Nomination and Remuneration Committee shall meet at least once a year.

**9. Committee Members' interests:**

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

**10. Secretary:**

The Company Secretary of the Company shall act as Secretary of the Committee.

**11. Duties of the Nomination & Remuneration Committee:**

***Duties with respect to Nomination:***

The duties of the Committee in relation to nomination matters include:

- Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- Ensuring that on appointment to the Board, Independent Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- Identifying and recommending Directors who are to be put forward for retirement by rotation.
- Determining the appropriate size, diversity and composition of the Board;
- Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- Recommend any necessary changes to the Board; and
- Considering any other matters, as may be requested by the Board.

***Duties with respect to Remuneration:***

The duties of the Committee in relation to remuneration matters include:

- to consider and determine the remuneration policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- to recommend and approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company.
- to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- to consider any other matters as may be requested by the Board.

**12. Minutes of Committee Meeting:**

Proceedings of all Meetings must be minuted and signed by the Chairperson of the Committee at the subsequent Meeting. Minutes of the Committee Meetings will be tabled at the subsequent Board and Committee Meeting.

**13. Deviations from this Policy:**

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

**14. Amendment:**

This updated policy shall be effective from April 1, 2019.

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.



## 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	RPT-2
Name(s) of the related party and nature of the relationship	Mr. Jay Morzaria, Chairman & Managing Director of the company	Mr. Jay Morzaria, Chairman & Managing Director of the company
Nature of Contracts/ Arrangements/ Transactions	Receipt of Interest Amount	Payment of Interest Amount
Duration of the contracts/arrangements/ transactions	F.Y. 2019-20	F.Y. 2019-20
Salient terms of the Contracts or arrangements or transactions including the value, if any	The transactions were entered into between the company and Mr. Jay Morzaria, Managing Director of the company. As per the terms of mutual understating between board of directors and Mr. Jay Morzaria; Mr. Jay Morzaria shall pay monthly Interest at @ 7% on the loan amount given by the company to him till the final repayment of all outstanding dues to the company by him. During the year under review, the company has received total Interest of Rs. 16,523/- from him.	The transactions were entered into between the company and Mr. Jay Morzaria, Managing Director of the company. As per the terms of mutual understating between board of directors and Mr. Jay Morzaria; the company shall pay monthly Interest at @ 7% on the loan amount given by Mr. Jay Morzaria from time to time till the final repayment of all outstanding dues to him. During the year under review, the Company has paid total Interest of Rs. 1,74,958/- to him.
Justification for entering into transactions	The company being a non-banking finance company is engaged in providing financial services and being its ordinary course of business the company has given loan to Mr. Jay Morzaria Managing Director of the company and on that amount company has received an interest of Rs. 16,523/- From him.	The company is engaged in the business of financing, so for smooth functioning of operation of companies business, company requires more funding for further lending the same to its customers and thereby increasing its business activities. So, the company is taking loan from its director in normal course of business activities.
Date of approval by the board	May 27, 2019	May 27, 2019
Amount paid as advance, if any	N.A.	N.A.
Date on which the resolution was passed in general meeting as required under first proviso to section 188	N.A.	N.A.

Particulars	RPT-3	RPT-4	RPT-5
Name(s) of the related party and nature of the relationship	Mr. Raman Morzaria, Whole-Time Director of the company	Mr. Raman Morzaria, Whole-Time Director of the company	Mr. Raman Morzaria, Whole-Time Director of the company
Nature of Contracts/ Arrangements/ Transactions	Leave and License Agreement (Payment of Rent Amount)	Receipt of Interest Amount	Payment of Interest Amount
Duration of the contracts/arrangements/ transactions	November 1, 2017 to October 31, 2020	F.Y. 2019-20	F.Y. 2019-20
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 and conditions of agreement; the company shall pay monthly Rent of Rs. 50,000/- from November 01, 2017 onwards for the remaining period of agreement to Raman Morzaria. (The Board of the company in its board meeting	The transactions were entered into between the company and Mr. Raman Morzaria, Whole-Time Director of the company. As per the terms of mutual understating between board of directors and Mr. Raman Morzaria, Whole-Time Director; Mr. Raman Morzaria, Whole-Time Director shall pay monthly Interest at @ 9% on the loan amount given by the company to him till the final	The transactions were entered into between the company and Mr. Raman Morzaria, Whole-Time Director of the company. As per the terms of mutual understating between board of directors and Mr. Raman Morzaria, Whole-Time Director; the company shall pay monthly Interest at @ 9% on the loan amount given by Mr. Raman Morzaria, Whole-Time Director from time to

	held on November 01, 2017 approved the revision in rent). During the year under review, the company has Paid total Rent of Rs. 6,00,000/- to him.	repayment of all outstanding dues to the company by him. During the year under review, the company has received total Interest of Rs. 8,668/- from him.	time till the final repayment of all outstanding dues to him. During the year under review, the Company has paid total Interest of Rs. 99,573/- to him.
Justification for entering into transactions	The company's majority operations are carried out from its corporate office situated at 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.	The company being a non-banking finance company is engaged in providing financial services and being its ordinary course of business the company has given loan to Mr. Raman Morzaria, Whole-Time Director of the company and on that amount company has received an interest of Rs. 8,668/- From him.	The company is engaged in the business of financing, so for smooth functioning of operation of companies business, company requires more funding for further lending the same to its customers and thereby increasing its business activities. So, the company is taking loan from its director in normal course of business activities.
Date of approval by the board	November 01, 2017 & May 27, 2019	May 27, 2019	May 27, 2019
Amount paid as advance, if any	N.A.	N.A.	N.A.
Date on which the resolution was passed in general meeting as required under first proviso to section 188	N.A.	N.A.	N.A.

**B. Details of Material Contracts or arrangements or transactions at arm's length basis:**

Particulars	RPT-2
Name(s) of the related party and nature of the relationship	Mr. Kush Morzaria, Chief Financial Officer of the company
Nature of Contracts/ Arrangements/ Transactions	Payment of Salary
Duration of the contracts/arrangements/ transactions	F.Y. 2019-20
Salient terms of the Contracts or arrangements or transactions including the value, if any	The company has appointed Mr. Kush Morzaria as Chief Financial Officer of the company as required under section 203 of the companies act, 2013. The company is paying salary of Rupees 25,000/- per month to him. During the year under review, the company has paid total salary of Rs. 1,75,000/- to him.
Date of approval by the board, if any	March 01, 2018 and May 27, 2019
Amount paid as advance, if any	N.A.

**Registered Office**

705, Palm Spring Centre, Above Croma,  
Near New Infinity Mall, Link Road,  
Malad (West), Mumbai - 400064, Maharashtra.

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

**Place:** Jamnagar  
**Date:** August 31, 2020

**Jay Morzaria**  
**Managing Director**  
**DIN: 02338864**

**Raman Morzaria**  
**Whole-Time Director**  
**DIN: 00203310**

## FORM MGT - 9 - EXTRACT OF ANNUAL RETURN

As on the financial year ended March 31, 2020

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

## 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	:	Public Company limited by shares/ Indian Non-Government Company
Address of the Registered Office and contact details	:	705, Palm Spring Centre, Above Croma, Near New Infinity Mall, Link Road, Malad (West), Mumbai - 400064; Tel : +91-22- 28809111; Email: karnavatifinance@gmail.com; Web: www.karnavatifinancelimited.com
Whether listed Company	:	Yes
Name, address and contact details of Registrar and Transfer Agent, if any	:	Satellite Corporate Services Private Limited Office no. 106 & 107, Dattani Plaza, East West Compound, Andheri Kurla Road, Safedpul, 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 Products / Services	NIC Code of the Product / Service	% to total turnover of the Company
Finance Charges	64990 (Other financial service activities, except insurance and pension funding)	100.00%

## 3) Particulars of Holding, Subsidiary and Associate Companies:

SR. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% 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 at the beginning of year				No. of Shares held at the end of year				% Change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
<b>A. Promoters</b>										
(1) Indian										
a) Individual/ HUF	5859408	-	5859408	58.30	5864408	-	5864408	58.35	0.05	
b) Central Govt.	-	-	-	-	-	-	-	-	-	
c) State Govt.	-	-	-	-	-	-	-	-	-	
d) Bodies Corporate	23900	-	23900	0.24	23900	-	23900	0.24	-	
e) Banks/FI	-	-	-	-	-	-	-	-	-	
f) Any other	-	-	-	-	-	-	-	-	-	
<b>Sub-Total (A)(1):</b>	<b>5883308</b>	<b>-</b>	<b>5883308</b>	<b>58.54</b>	<b>5888308</b>	<b>-</b>	<b>5888308</b>	<b>58.59</b>	<b>0.05</b>	
<b>(2) Foreign</b>										
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-	
b) Other - Individuals	-	-	-	-	-	-	-	-	-	



Category of Shareholders	No. of Shares held at the beginning of year				No. of Shares held at the end of year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(2):</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoters (A) = (A)(1)+(A)(2)</b>	<b>5883308</b>	<b>-</b>	<b>5883308</b>	<b>58.54</b>	<b>5888308</b>	<b>-</b>	<b>5888308</b>	<b>58.59</b>	<b>0.05</b>
<b>B. Public Share Holding</b>									
<b>(1) Institutions</b>									
a) Mutual Funds/UTI	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Company	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-Total (B)(1):</b>	-	-	-	-	-	-	-	-	-
<b>(2) Non-Institution</b>									
<b>a) Bodies Corporate</b>									
i. Indian	162625	-	162625	1.62	83127	-	83127	0.83	(0.79)
ii. Overseas	-	-	-	-	-	-	-	-	-
<b>b) Individuals</b>									
i. Individual Shareholders holding nominal share capital up to Rs. 1 lakh	76238	600	76838	0.76	363567	400	363967	3.62	2.86
i. Individual Shareholders holding nominal share capital in excess of Rs. 1 lakh	2224770	210000	2434770	24.23	2196225	210000	2406225	23.94	(0.28)
<b>c) Others (specify)</b>									
NRI (Reparable/Non Reparable basis)	1000	-	1000	0.01	1000	-	1000	0.01	-
LLP	375128	-	375128	3.73	375128	-	375128	3.73	0.00
HUF	1025986	90000	1115986	11.10	842245	90000	932245	9.28	(1.83)
Clearing Members	345	-	345	-	-	-	-	-	0.00
<b>Sub-Total (B)(2):</b>	<b>3866092</b>	<b>300600</b>	<b>4166692</b>	<b>41.46</b>	<b>3861292</b>	<b>300400</b>	<b>4161692</b>	<b>41.41</b>	<b>(0.05)</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>3866092</b>	<b>300600</b>	<b>4166692</b>	<b>41.46</b>	<b>3861292</b>	<b>300400</b>	<b>4161692</b>	<b>41.41</b>	<b>(0.05)</b>
<b>C. Shares held by Custodian for GDRs &amp;</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Category of Shareholders	No. of Shares held at the beginning of year				No. of Shares held at the end of year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
ADRs									
<b>Grand Total (A+B+C)</b>	<b>9749400</b>	<b>300600</b>	<b>10050000</b>	<b>100.00</b>	<b>9749400</b>	<b>300400</b>	<b>10050000</b>	<b>100.00</b>	<b>0.00</b>

### II. Shareholding of Promoters & Promoters Group:

Name	Shareholding at beginning of year		Date wise Increase/ Decrease in Shareholding*			Cumulative Shareholding during the year		Shareholding at end of year		% change in shareholding during the year
	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	2929208	29.15	20-12-19	5000	Buy	2934208	29.20	2934208	29.20	0.05
Jay R Morzaria	1157350	11.52	-	-	-	-	-	1157350	11.52	-
Kush Ramanbhai Morzaria	1478850	14.71	-	-	-	-	-	1478850	14.71	-
Daxaben R Morzaria	294000	2.93	-	-	-	-	-	294000	2.93	-
Midas Impex Pvt Ltd	23900	0.24	-	-	-	-	-	23900	0.24	-

#### Notes:

1. Date wise Increase/ Decrease in Shareholding is taken on the basis of Disclosure submitted by the Promoter.
2. No Equity Shares have been pledged or encumbered by any of the Shareholders belonging to Promoter of Promotes' Group.

### III. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Name	Shareholding at beginning of year		Date wise Increase/Decrease in Shareholding*			Cumulative Shareholding during the year		Shareholding at end of year	
	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
Maheshkumar Kantilal Shah	423750	4.22	-	-	-	-	-	423750	4.22
Theeta Trading LLP	375128	3.73	-	-	-	-	-	375128	3.73
Nikhil M Shah HUF	373750	3.72	03-05-19	-114203	Sell	259547	2.58	251418	2.50
			08-11-19	-8129	Sell	251418	2.50		
Mr. Bhavesh Mandaliya	400	0.00	08-11-19	173484	Buy	173884	1.73	180270	1.79
			15-11-19	-400	Sell	173484	1.73		
			22-11-19	-1400	Sell	172084	1.71		
			29-11-19	-200	Sell	171884	1.71		
			13-12-19	299	Buy	172183	1.71		
			20-12-19	2402	Buy	174585	1.74		
			27-12-19	-500	Sell	174085	1.73		
			10-01-20	190	Buy	174275	1.73		

Name	Shareholding at beginning of year		Date wise Increase/Decrease in Shareholding*			Cumulative Shareholding during the year		Shareholding at end of year	
	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
			28-02-20	5995	Buy	180270	1.79		
Mr. Dilip Bhagat	150000	1.49	-	-	-	-	-	150000	1.49
Mr. Pravin J Dadlika	0	0	08-11-19	130000	Buy	130000	1.29	130000	1.29
Mrs. Nitaben B. Mandaliya	3515	0.03	08-11-19	-2290	Sell	1225	0.01	120397	1.20
			15-11-19	120000	Buy	121225	1.21		
			13-12-19	-200	Sell	121025	1.20		
			20-12-19	145	Buy	121170	1.21		
			27-12-19	-1010	Sell	120160	1.20		
			31-12-19	-500	Sell	119660	1.19		
			10-01-20	-400	Sell	119260	1.19		
			17-01-20	1075	Buy	120334	1.20		
			24-01-20	60	Buy	120397	1.20		
Mr. Ashok Lavti	120000	1.19	-	-	-	-	-	120000	1.19
Mr. Mitesh Lavti	110000	1.09	-	-	-	-	-	110000	1.09
Sheetal Chetan Tanna	100000	1.00	-	-	-	-	-	100000	1.00
Chetan Manilal Tanna	100000	1.00	-	-	-	-	-	100000	1.00
Jayshree Manish Tanna	100000	1.00	-	-	-	-	-	100000	1.00
Manish Manilal Tanna	100000	1.00	-	-	-	-	-	100000	1.00
Mr. Prakash Lavti	100000	1.00	-	-	-	-	-	100000	1.00
Mr. Jamanbhai Faldu	90000	0.90	18-10-19	-90000	Sell	-	-	-	-
M/s. Jamanbhai Faldu HUF	90000	0.90	18-10-19	-90000	Sell	-	-	-	-
Mr. Paras Varia	90000	0.90	-	-	-	-	-	90000	0.90
Ms. Hetal Faldu	80000	0.80	08-11-19	-80000	Sell	-	-	-	-
Ms. Kalpanaben Patel	80000	0.80	-	-	-	-	-	80000	0.80
NNM Securities Private Limited	130000	1.29	08-11-19	-130000	Sell	-	-	0	0

\* The trading in the shares of the Company took place on almost daily basis, therefore the date wise increase/ decrease in Shareholding of top ten Shareholders are taken on the basis of weekly BenPoze.

#### IV. Shareholding of Directors and Key Managerial Personnel:

Name	Shareholding at beginning of year		Date wise Increase/Decrease in Shareholding*			Cumulative Shareholding during the year		Shareholding at end of year	
	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. Jay R Morzaria	1157350	11.52	-	-	-	-	-	1157350	11.52

Name	Shareholding at beginning of year		Date wise Increase/Decrease in Shareholding*			Cumulative Shareholding during the year		Shareholding at end of year	
	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	2929208	29.15	20-12-19	5000	Buy	2934208	29.20	2934208	29.20
Mr. Parth Maniar	-	-	-	-	-	-	-	-	-
Mrs. Brimda Bilimoria	-	-	-	-	-	-	-	-	-
Mr. Kush Morzaria	1478850	14.71	-	-	-	-	-	1478850	14.71
Ms. Nitixa Ramanuj	-	-	-	-	-	-	-	-	-

**Note:** Date wise Increase/ Decrease in Shareholding is taken on the basis of Disclosure submitted by the Director. Further, no transactions have been executed by any other Directors and Key Managerial Personnel based on weekly BenPose of the Company and confirmation given by them.

## 5) Indebtedness

(Amount in Rupees)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>A. Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	-	16,02,92,892	-	16,02,92,892
ii) Interest due but not paid*	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total A (i+ii+iii)</b>	-	<b>16,02,92,892</b>	-	<b>16,02,92,892</b>
<b>B. Change in Indebtedness during the financial year</b>				
Additions	21,31,380	-	-	21,31,380
Reduction	-	4,94,71,970	-	(4,97,71,970)
<b>Net Change B</b>	<b>21,31,380</b>	<b>(4,94,71,970)</b>	-	<b>(4,73,40,590)</b>
<b>C. Indebtedness at the end of the financial year</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid*	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total C (i+ii+iii)</b>	<b>21,31,380</b>	<b>11,08,20,922</b>	-	<b>11,29,52,302</b>

## 6) Remuneration of Directors and Key Managerial Personnel

## A) Remuneration to Managing Director, Whole-time Directors and/or Manager

(Amount in Rupees)

Particulars of Remuneration	Mr. Jay Morzaria Managing Director	Mr. Raman Morzaria Whole-Time Director	Total Amount
<b>Gross salary</b>			
(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961	6,00,000	6,00,000	<b>12,00,000</b>
(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-	-

Particulars of Remuneration	Mr. Jay Morzaria Managing Director	Mr. Raman Morzaria Whole-Time Director	Total Amount
(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
<b>Stock option</b>	-	-	-
<b>Sweat Equity</b>	-	-	-
<b>Commission</b>	-	-	-
as % of profit	-	-	-
others (specify)	-	-	-
<b>Others, please specify</b>	-	-	-
<b>Total (A)</b>	6,00,000	6,00,000	12,00,000
<b>Ceiling as per the Act</b>	In term of Schedule V to the Companies Act, 2013		84,00,000

**B) Remuneration to other Directors**

(Amount in Rupees)

Particulars of Remuneration	Mr. Parth Maniar	Mrs. Brimda Bilimoria	Total Amount
<b>a) Independent Director</b>			
(i) Fees for attending board/ committee meeting.	-	-	-
(ii) Commission	-	-	-
(iii) Other, specify	-	-	-
<b>Total (a)</b>	-	-	-
<b>b) Other Non-Executive Directors</b>			
(i) Fees for attending board/ committee meeting.	-	-	-
(ii) Commission	-	-	-
(iii) Other, specify	-	-	-
<b>Total (b)</b>	-	-	-
<b>Total (B)</b>	-	-	-
<b>Total Managerial Remuneration (A+B)</b>	-	-	12,00,000
<b>Overall Ceiling as per the Act</b>	In term of Schedule V to the Companies Act, 2013		84,00,000

**C) Remuneration to Key Managerial Personnel**

(Amount in Rupees)

Particulars of Remuneration	Mr. Kush Morzaria Chief Financial Officer	Ms. Nitixa Ramanuj Company Secretary	Total Amount
<b>Gross salary</b>			
(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	1,75,000	3,90,000	5,65,000
(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	-	-	-
<b>Stock option</b>	-	-	-
<b>Sweat Equity</b>	-	-	-

Particulars of Remuneration	Mr. Kush Morzaria Chief Financial Officer	Ms. Nitixa Ramanuj Company Secretary	Total Amount
Commission	-	-	-
as % of profit	-	-	-
others (specify)	-	-	-
Others, please specify	-	-	-
<b>Total</b>	1,75,000	3,90,000	5,65,000

## 7) Penalties / Punishment/ Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/ NCLT/ Court)	Appeal made if any (give details)
<b>A. Company</b>					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment					
Compounding					
<b>B. Directors</b>					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment					
Compounding					
<b>C. Other Officers in Default</b>					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment					
Compounding					

**Registered Office**

705, Palm Spring Centre, Above Croma,  
Near New Infinity Mall, Link Road,  
Malad (West), Mumbai - 400064, Maharashtra.

For and on behalf of Board of Directors  
Karnavati Finance Limited

Place: Jamnagar  
Date: August 31, 2020

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) **The ratio of remuneration of each director to the median remuneration of employees for the financial year and 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	Ratio against median employee's remuneration	Percentage Increase
1.	Mr. Jay Morzaria	Managing Director	Remuneration	9.25 : 1.00	-
2.	Mr. Raman Morzaria	Whole-Time Director	Remuneration	9.25 : 1.00	-
3.	Mr. Kush Morzaria	Chief Financial Officer	Salary	-	-
4.	Ms. Nitixa Ramanuj	Company Secretary	Salary	-	30.00%

None of the Non-Executive Directors of the Company including Independent Directors were paid any kind of remuneration / sitting fees.

- b) **The percentage increase in the median remuneration of employees in the financial year:** The average median remuneration of employees was decreased by 13.50% over previous year.
- c) **The number of permanent employees on the rolls of the company :** 10 Employees
- d) **Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:** The Average 10.66% decrease was made in salary of employees whereas remuneration of executive directors were remained unchanged. There was no decrease in the remuneration of Employees as compared to last year, however, the same has been decreased due to resignations of employees.

The board of directors of the company affirmed that remuneration of the entire key managerial personnel of the company are as per the remuneration policy of the company.

**Registered Office**

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

Place: Jamnagar  
Date: August 31, 2020

**Jay Morzaria  
Managing Director  
DIN: 02338864**

**Raman Morzaria  
Whole-Time Director  
DIN: 00203310**

## REPORT ON CORPORATE GOVERNANCE

Pursuant to Regulation 27 and Para-C of Schedule - V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; report contains the details regarding corporate governance system and mechanism of Karnavati Finance Limited ("the Company").

## COMPANY'S POLICY ON CORPORATE GOVERNANCE

The company's policy on corporate governance is based on transparency, accountability and adaptability and ethical corporate citizenship. The company remain committed to uplift and develop its stakeholders and believes that stakeholders i.e. shareholders, suppliers, customers, employees and society are the core and key part of the company and they contribute for development of the company directly or indirectly.

The company has established and developed such policy and taken such action so that it becomes good and standard model of Corporate Governance. In this behalf company follows each and every Regulation of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Companies Act, 2013 and other applicable Laws with its letter and spirit.

## BOARD OF DIRECTORS

At the helm of the Company's Corporate Governance practice is its Board. The Board provides strategic guidance and independent views to the Company's senior management while discharging its fiduciary responsibilities. The Board also provides direction and exercises appropriate control to ensure that the Company is managed in a manner that fulfills stakeholder's aspirations and societal expectations.

## Constitution of Board

The Company has a balanced board with optimum combination of Executive and Non-Executive Directors, including independent Directors, which plays a crucial role in Board processes and provides independent judgment on issues of strategy and performance. As on date of this report, board comprises of 6 (Six) Directors out of which 2 (Two) Directors are Executive Directors, 1 (One) Director is Non-Executive Director and remaining 3 (Three) are Non-Executive Independent Directors.

Independent Directors are non-executive directors as defined under Regulation 16(1)(b) of the SEBI Listing Regulations as amended from time to time. The maximum tenure of the Independent Directors is in compliance with the Companies Act, 2013. All Independent Directors have confirmed that they meet the criteria as mentioned under Regulation 16(1)(b) of the SEBI Listing Regulations as amended from time to time and Section 149 of the Companies Act, 2013. The present strength of the Board reflects judicious mix of professionalism, competence and sound knowledge which enables the Board to provide effective leadership to the Company.

None of the Directors is a Director in more than ten Public Limited Companies. Further, none of the Directors on the Company's Board is a Member of more than ten Committees and Chairman of more than five Committees (Committees being, Audit Committee and Stakeholder's Grievance & Relationship Committee) across all the companies in which he/she is a Director. All the Directors have made necessary disclosures regarding Committee positions held by them in other companies and do not hold the office of Director in more than ten public companies as on March 31, 2020 / date of appointment. 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 three Listed Company and none of the Director of the Company is holding position as Independent Director in more than seven Listed Company. None of the Directors is Director in more than seven listed companies.

The composition of the Board is in conformity with the Regulation 17 of the SEBI Listing Regulations. As on date of this report, the Board comprised following Directors;

Name of Director	Category Cum Designation	Date of Appointment at current Term	Total Directorship in other Companies~	Total Directorship in other Listed Companies	No. of Committee^		No. of Shares held as on March 31, 2020	Inter-se Relation between Directors
					in which Director is Members	in which Director is Chairman		
Mr. Jay Morzaria	Promoter Chairman & Managing Director	July 1, 2019	6	-	2	-	1157350 Equity Shares	Son of Mr. Raman Morzaria
Mr. Raman Morzaria	Promoter Whole-Time Director	July 1, 2019	6	-	-	-	2934208 Equity Shares	Father of Mr. Jay Morzaria
Mr. Kashyap Vyas	Non-Promoter Non-Executive Director	May 26, 2020	-	-	-	-	-	No Relation
Mrs. Birmda Bilimoria	Non-Promoter Independent Director	August 13, 2018	-	-	2	-	-	No Relation
Mr. Parth Maniar	Non-Promoter Independent Director	September 20, 2018	-	-	-	2	-	No Relation
Ms. Vinita Parekh	Non-Promoter Independent Director	May 6, 2020	-	-	-	-	-	No Relation

^ Committee includes Audit Committee and Shareholders' Grievances Committee across all Public Companies including our Company.



~ excluding Section 8 Company, Struck off Company, Amalgamated Company, LLPs and our Company.

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. A Certificate from Mr. Anand Lavingia, Practicing Company Secretary, Ahmedabad as stipulated under Regulation 34 read with Schedule V of the SEBI LODR Regulations, is attached as an **Annexure - E1** to this Report.

#### Relationship between Directors inter-se

None of the above Directors bear inter-se relation with other Director except, Mr. Raman Morzaria and Mr. Jay Marzaria who are father and son.

#### Board Meeting

Regular meetings of the Board are held at least once in a quarter, inter-alia, to review the quarterly results of the Company. Additional Board meetings are convened, as and when required, to discuss and decide on various business policies, strategies and other businesses. The Board meetings are generally held at registered office of the Company.

During the year under review 6 (Six) Board meetings were held viz. April 05, 2019; May 27, 2019; June 28, 2019; August 13, 2019; November 13, 2019 and February 14, 2020. 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	Mrs. Brimda Bilimoria	Mr. Parth Maniar
No. of Board Meeting held	6	6	6	6
No. of Board Meeting eligible to attend	6	6	6	6
Number of Board Meeting attended	6	6	6	6
Presence at the previous AGM	Yes	Yes	Yes	Yes

During the year under review, the Board of Directors has not passed any resolutions through circulation that are required to be reported under the provisions of companies act, 2013.

#### Independent Directors

In terms of Section 149 of the Companies Act, 2013 and rules made there under and Listing Regulations, the Company has three Non-Promoter Non-Executive Independent Directors. In the opinion of the Board of Directors, all three Independent Directors of the Company meet all the criteria mandated by Section 149 of the Companies Act, 2013 and rules made there under and Listing Regulations and they are Independent of Management.

A separate meeting of Independent Directors was held on February 14, 2020 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 that is necessary for the board of directors to effectively and reasonably perform their duties.

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](http://www.karnavatifinancelimited.com).

The Company has received a declaration from the Independent Directors of the Company under Section 149(7) of Companies Act, 2013 and 16(1)(b) of Listing Regulations confirming that they meet criteria of Independence as per relevant provisions of Companies Act, 2013 for financial year 2020-21. The Board of Directors of the Company has taken on record the said declarations and confirmation as submitted by the Independent Directors after undertaking due assessment of the veracity of the same. In the opinion of the Board, they fulfill the conditions for appointment as Independent Directors and are independent of the Management.

None of Independent Directors have resigned during the year.

#### Training to Board Members - Familiarization Programme

The Board is equipped to perform its role through inputs from various sources from time to time. Directors are fully briefed on all matters concerning the business and operation of the Company, risk assessment and minimization procedures and new initiatives proposed by the Company. The Board members regularly interact with the management in order to obtain any information that they may require. The company has adopted the Familiarization Programme which is placed on the website of the company at <http://www.karnavatifinancelimited.com/files/Familiarization-Programme-for-Independent-Director.pdf>.

#### Code of conduct for the Board of Directors and senior management personnel:

In terms of Regulation 17(5) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has adopted the Code of Conduct for the Board of Directors and Senior Management Personnel of the Company. The compliance of the said code has been affirmed by them annually. The Code of Conduct also includes the duties of Independent Directors. A copy of the Code has been put up on the Company's website and same may be accessed at <http://www.karnavatifinancelimited.com/files/coc.pdf>.

A declaration signed by the Managing Director of the Company is attached with this report.

#### Key Board qualifications, expertise and attributes

The KFL board comprises qualified members who bring in the required skills, competence and expertise that allow them to make effective contributions to the board and its committees. The board members are committed to ensuring that the KFL Board is in compliance with the highest standard of corporate governance.

In the opinion of board and the board governance, Nomination and Remuneration committee, the following is a list of core skills/expertise/competencies required in the context of the company's business and which are available with the board.

<b>Financial</b>	Leadership of a financial firm or management of the finance function of an enterprise, resulting in proficiency in complex financial management, capital allocation, and financial reporting processes, or experience in actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions.
<b>Gender, ethnic,</b>	Representation of gender, ethnic, geographic, cultural, or other perspectives that expand the Board's

<b>national, or other diversity</b>	understanding of the needs and viewpoints of our customers, partners, employees, governments, and other stakeholders
<b>Leadership</b>	Extended leadership experience for a significant enterprise, resulting in a practical understanding of organizations, processes, strategic planning, and risk management. Demonstrated strengths in developing talent, planning succession, and driving change and long-term growth
<b>Functional and managerial experience</b>	Knowledge and skills in accounting and finance, business judgment, general management practices and processes, crisis response and management, industry knowledge, macro-economic perspectives, human resources, labour laws, international markets, sales and marketing, and risk management.
<b>Personal values</b>	Personal characteristics matching the Company's values, such as integrity, accountability, and high performance standards.
<b>Strategy and Planning</b>	Appreciation of long-term trends, strategic choices and experience in guiding and leading management teams to make decisions in uncertain environments.
<b>Corporate governance</b>	Experience in developing and implementing good corporate governance practices, maintaining board and management accountability, managing stakeholders' interests and Company's responsibilities towards customers, employees, suppliers, regulatory bodies and the communities in which it operates.

In terms of the requirement of the Listing Regulations, the Board has identified the core Skills/expertise/competencies of the Directors in the context of the Company's business for effective functioning and as available with the Board. These are as follows

Skills/ expertise/ competencies	Mr. Jay Morzaria	Mr. Raman Morzaria	Mr. Kashyap Vyas	Mrs. Brimda Bilimoria	Mr. Parth Maniar	Ms. Vinita Parekh
<b>Financial</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Gender, ethnic, national, or other diversity</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Leadership</b>	Yes	Yes	-	-	Yes	Yes
<b>Functional and managerial experience</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Personal values</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Strategy and Planning</b>	Yes	Yes	-	Yes	Yes	Yes
<b>Corporate governance</b>	Yes	Yes	Yes	Yes	Yes	Yes

#### COMMITTEES OF BOARD

The terms of reference of Board Committees are determined by the Board from time to time. Presently the Company has 3 (Three) committees i.e. Audit Committee, Nomination and Remuneration Committee and Stakeholder's Relationship Committee.

All the decisions pertaining to the constitution of the Committees, appointment of members, and fixing of terms of reference for committee members are taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during the financial year and the related attendance, are provided in detailed hereunder.

There were no instances during the financial year 2019-2020, wherein the Board had not accepted recommendations made by any committee of the Board.

#### A. Audit Committee

The Company has formed audit committee in line with the provisions Section 177 of the Companies Act, 2013 and Regulation 18 of Listing Regulations for the purpose of assisting the Board in fulfilling its overall responsibilities of monitoring financial reporting processes, reviewing the Company's established systems and processes for internal financial controls, governance and reviewing the Company's statutory and internal audit activities.

During the year, the Committee carried out its functions as per the powers and roles given under Regulation 18 read with Part C of Schedule II of SEBI LODR Regulations, 2015 and Companies Act, 2013. The terms of reference of Audit Committee has been revised as per SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, through circular resolution passed by the Board of Directors on March 30, 2019 which is applicable from April 1, 2019 briefed hereunder;

#### Role of Committee:

- 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;
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - Matters required being 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.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - 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 utilised for purposes other than those stated in the offer document / prospectus / 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. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
  8. Approval or any subsequent modification of transactions of the Company with related parties;
  9. Scrutiny of inter-corporate loans and investments;
  10. Valuation of undertakings or assets of the Company, 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. Establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed;
  19. Approval of appointment of CFO (i.e., the Whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
  20. Reviewing the Management letters/ letters of Internal Control weaknesses issued by Statutory Auditor;
  21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee;
  22. reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of the provision and
  23. The audit committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company.

**Review of Information by the 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;
5. The appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the Audit Committee and
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).
  - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).
7. Review and monitor the auditors' independence and performance, and effectiveness of audit process;
8. Examination of the financial statement and auditors' report thereon;
9. Approval or any subsequent modification of transactions of the Company with related parties;
10. Scrutiny of inter-corporate loans and investment;
11. Valuation of undertakings or assets of the Company, wherever it is necessary;
12. Evaluation of internal financial controls and risk management systems;
13. Monitoring the end use of funds raised through public offers and related matters;
14. Any other matters as prescribed by law from time to time.

**Powers of Committee:**

The Committee-

1. May call for comments of auditors about internal control system, scope of audit, including observations of auditors and review of financial statement before their submission to board;
2. May discuss any related issues with internal and statutory auditors and management of the Company;
3. To investigate into any matter in relation to above items or referred to it by Board;

4. To obtain legal or professional advice from external sources and have full access to information contained in the records of the Company;
5. To seek information from any employee;
6. To secure attendance of outsiders with relevant expertise, if it considers necessary;
7. Any other power as may be delegated to the Committee by way of operation of law.

**Composition of Committee, Meeting and Attendance of each Member at Meetings:**

Audit Committee meeting is generally held once in quarter for the purpose of recommending the quarterly / half yearly / yearly financial result and the gap between two meetings did not exceed one hundred and twenty days. 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, 2019; August 13, 2019; November 13, 2019 and February 14, 2020 respectively.

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

Name of Members	Category	Designation in Committee	Number of meetings during the financial year 2019-20		
			Held	Eligible to attend	Attended
Mr. Parth Maniar	Independent & Non-Executive Director	Chairperson	4	4	4
Mrs. Brimda Bilimoria	Independent & Non-Executive Director	Member	4	4	4
Mr. Jay Morzaria	Executive Director	Member	4	4	4

The Company Secretary of the Company acts as a Secretary to the Committee. The Constitution of the Audit Committee is in line with the provisions of Section 177 of the Companies Act, 2013 read with Regulation 18 of the SEBI (LODR) Regulations, 2015.

The Statutory Auditors and Internal Auditors of the Company are invited in the meeting of the Committee wherever requires. Chief Financial Officer of the Company is a regular invitee at the Meeting.

Mr. Parth Maniar, the Chairman of the Committee had attended last Annual General Meeting of the Company held on September 25, 2019.

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

**B. Shareholder Relationship Committee**

The Company has constituted Stakeholder's Grievance & Relationship responsible for the Redressal of Shareholders, Debenture holders and other security holders grievances including non-receipt of Annual reports, non-receipt of declared dividend, Transfer/Transmission/Demat of Securities/Issue of Duplicate Certificates, etc. The Committee also oversees the performance of the Registrar & Transfer agents of the Company relating to the investors' services and recommends measures for improvement.

**Terms of Reference:**

1. Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares;
2. Redressal of shareholder and investor complaints like transfer of Shares, non-receipt of balance sheet, non-receipt of declared dividends etc.,
3. Issue duplicate/split/consolidated share certificates;
4. Allotment and listing of shares;
5. Dematerialization/Rematerialization of Share
6. Review of cases for refusal of transfer / transmission of shares and debentures;
7. Reference to statutory and regulatory authorities regarding investor grievances and to otherwise ensure proper and timely attendance and redressal of investor queries and grievances;
8. Review of measures taken for effective exercise of voting rights by the shareholder.
9. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
10. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / Annual Reports / statutory notices by the shareholders of the company.
11. The chairperson of Stakeholder Relationship Committee is required to be present at the AGM to answer the queries of all the securities holder.
12. Such other matters as may be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

The Committee is also responsible for the Redressal of Shareholders, Debenture holders and other security holders grievances including non-receipt of Annual reports, non-receipt of declared dividend, Transfer/Transmission/Demat of Securities/Issue of Duplicate Certificates, etc. The Committee also oversees the performance of the Registrar & Transfer agents of the Company relating to the investors' services and recommends measures for improvement.

**Composition of Committee, Meetings and Attendance of each Member at Meetings:**

During the year under review, Stakeholder's Grievance & Relationship Committee met 4 (Four) times viz on May 27, 2019, August 13, 2019, November 13, 2019 and February 14, 2020 respectively.

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

Name of Members	Category	Designation in Committee	Number of meetings during the financial year 2019-20		
			Held	Eligible to attend	Attended
Mr. Parth Maniar	Independent & Non-	Chairperson	4	4	4

Name of Members	Category	Designation in Committee	Number of meetings during the financial year 2019-20		
			Held	Eligible to attend	Attended
	Executive Director				
Mrs. Brimda Bilimoria	Independent & Non-Executive Director	Member	4	4	4
Mr. Jay Morzaria	Executive Director	Member	4	4	4

**Name and Designation of Compliance Officer**

Ms. Nitixa Ramanuj, Company Secretary of the Company is acting as the Compliance Officer.

**Complaint**

Number of complaints outstanding as on April 1, 2019	Nil
Number of complaints received from the Investors from April 1, 2019 to March 31, 2020	Nil
Number of complaints solved to the satisfaction of the Investors from April 1, 2019 to March 31, 2020	Nil
Number of complaints pending as on March 31, 2020	Nil

**C. Nomination and Remuneration Committee:**

The Company has formed Nomination and Remuneration committee in line with the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of Listing Regulations. The terms reference of Nomination and Remuneration committee has been revised as per SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, through circular resolution passed by the Board of Directors on March 30, 2019 which is applicable from April 1, 2019 briefed hereunder;

**Terms of reference:**

1. 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;
2. formulation of criteria for evaluation of performance of independent directors and the board of directors;
3. devising a policy on diversity of board of directors;
4. 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.
5. 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.
6. recommend to the board, all remuneration, in whatever form, payable to senior management.  
Explanation: Senior Management means personnel who are members of the core management team excluding BOD comprising all members of management one level below the executive directors, including functional heads.
7. Other terms of reference as prescribed under Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

**Composition of Committee, Meeting and Attendance of each Member at Meetings:**

Nomination and Remuneration Committee meeting is generally held at least once in a year. Additional meetings are held for the purpose of recommending appointment/re-appointment of Directors and Key Managerial Personnel and their remuneration. During the year under review, Nomination and Remuneration Committee met 3 (Three) times viz. on June 28, 2019, August 13, 2019 and February 14, 2020 respectively.

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

Name of Members	Category	Designation in Committee	Number of meetings during the financial year 2019-20		
			Held	Eligible to attend	Attended
Mr. Parth Maniar	Independent & Non-Executive Director	Chairperson	3	3	3
Mrs. Brimda Bilimoria	Independent & Non-Executive Director	Member	3	3	3
Mr. Jay Morzaria	Executive Director	Member	3	3	3

**Performance Evaluation:**

Criteria on which the performance of the Independent Directors shall be evaluated are placed on the website of the Company and may be accessed at link <http://www.karnavatifinancelimited.com/files/performanceevaluationpolicy.pdf>.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

**Remuneration of Directors:**

The Company has not entered into any pecuniary relationship or transactions with Non-Executive Directors of the Company.

Further, criteria for making payment, if any, to non-executive directors are provided under the Nomination and Remuneration Policy of the Company which is hosted on the website of the Company viz: <http://www.karnavatifinancelimited.com/files/nominationRemunerationPolicy.pdf>.

During the year under review, the Company has paid remuneration to Executive Directors of the Company, details of which are as under;

Sr. No.	Name of Directors	Designation	Component of payment	Remuneration paid (Rs.)	Tenure
1.	Mr. Jay Morzaria	Chairman & Managing Director	Fixed Salary	6,00,000	5 years - Appointed as a chairman & Managing Director w.e.f. July 1, 2019 for a period of 5 years the same was approved by the members of the company in their meeting held on September 25, 2019
2.	Mr. Raman Morzaria	Whole-Time Director	Fixed Salary	6,00,000	5 years - Appointed as Whole-Time Director w.e.f. July 1, 2019 for a period of 5 years the same was approved by the members of the company in their meeting held on September 25, 2019

The remuneration of the Directors is decided by the Nomination and Remuneration Committee based on the performance of the Company in accordance with the Nomination and Remuneration Policy within the limit approved by the Board or Members.

Apart from sitting fees, Non-Executive Directors do not receive any other consideration except in their professional capacity. Further, no sitting fees was paid to the Non-Executive Directors for attending Board/Committee Meetings. Sitting Fees paid to Directors does not require the approval of Shareholders and Central Government.

During the year under review, no non-executive directors was paid any Sitting Fees.

#### GENERAL BODY MEETINGS

##### Annual General Meetings

Financial Year	Date	Location of Meeting	No. of Special Resolutions passed
2018-19	September 25, 2019 (Wednesday) at 10.00 A.M.	Registered office of the company: 705, Palm Spring Centre, Above Croma, Near New Infinity Mall, Link Road, Malad (West), Mumbai - 400064, Maharashtra.	1. Re-appointment of Mr. Raman Morzaria (DIN: 00203310) as a whole-time director of the company 2. Re-appointment of Mr. Jay Morzaria (DIN: 02338864) as a chairman & managing director of the company
2017-18	September 20, 2018 (Thursday) at 10.00 A.M.	Registered office of the company : Unit No. 2, Sagar Deep Darshan Co-Operative Housing Society Limited, S. V. Road, Borivali (West), Mumbai-400092, Maharashtra	--
2016-17	September 16, 2017 (Saturday) at 04:00 P.M.	Registered office of the company : Unit No. 2, Sagar Deep Darshan Co-Operative Housing Society Limited, S. V. Road, Borivali (West), Mumbai-400092, Maharashtra	--

##### Passing of Special Resolution through Postal Ballot

The Company has not passed/proposed any Special Resolutions through Postal Ballot during the year under reference. Further, no special resolution is proposed to be conducted through postal ballot.

#### MEANS OF COMMUNICATION

##### a. Financial Results

The quarterly, half-yearly and annual results are published in widely circulating national and local dailies such as "The Financial Express" in English and "Lakshadweep" in Marathi language and are displayed on the website of the Company [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com).

##### b. Website

The Company's website [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com) contains a separate dedicated section namely "Investors" where shareholders information is available. The Annual Report of the Company is also available on the website of the Company [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com) in a downloadable form.

During the year under review, the Company has not made any presentations to institutional investors or to the analysts. Further, the result of the Company has not been displayed on any official news releases.

#### General Shareholders Information

##### Date, Time and Venue of 36<sup>th</sup> Annual General Meeting

**Day and Date:** Tuesday, September 29, 2020

**Time:** 03:30 P.M. IST

**Mode of AGM:** Through VC/OAVM

##### Financial Year

12 months period starting from April 1 and ends on March 31 of subsequent year. This being financial year 2019-20 was started on April 1, 2019 and ended on March 31, 2020.

##### Financial Calendar

(Tentative and subject to change for the financial year 2020-21)

Quarter ending	Release of Results
June 30, 2020	Second week of September, 2020*
September 30, 2020	Second week of November, 2020
December 31, 2020	Second week of February, 2021
March 31, 2021	End of May, 2021
Annual General Meeting for the year ending March 31, 2021	End of September, 2021

\*Due to COVID 19 Pandemic, SEBI vide circular number SEBI/HO/CFD/CMD1/CIR/P/2020/140 dated July 29, 2020 extended the timeline for submission of quarterly results for the period ended on June 30, 2020 up to the date of September 15, 2020.

#### Dividend Payment Date

To conserve the resources for future prospect and growth of the company, your Directors regret to declare Dividend for the Financial Year 2019-20 (Previous year - Nil).

#### Book closure date

The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, September 23, 2020 to Tuesday, September 29, 2020 (both days inclusive) for the purpose of Thirty Sixth AGM and same will be re-opened from Wednesday, September 30, 2020 onwards.

#### Listing on Stock Exchanges

BSE Limited, 25th Floor, P J Towers, Dalal Street, Fort, Mumbai - 400 001

Listing fees for the financial year 2020-21 has been paid to BSE Limited.

#### Stock Code/Symbol

BSE Limited (Scrip Code - 538928; Scrip ID - KARNAVATI)

#### Market Price Data

The monthly high/low and the volumes of the company's shares Traded on stock exchange and the monthly high/low of the said exchanges are as follows:

Month	Karnavati Finance Limited			S & P BSE SENSEX	
	High Price	Low Price	No. of Shares	High Price	Low Price
April, 2019	31.65	31.00	75145	39487.45	38460.25
May, 2019	35.15	30.35	108086	40124.96	36956.10
June, 2019	34.90	30.40	23152	40312.07	38870.96
July, 2019	33.00	25.10	26461	40032.41	37128.26
August, 2019	30.00	23.35	762	37807.55	36102.35
September, 2019	27.85	24.70	338	39441.12	35987.80
October, 2019	27.80	26.45	356459	40392.22	37415.83
November, 2019	27.50	24.50	188971	41163.79	40014.23
December, 2019	31.50	26.25	32349	41809.96	40135.37
January, 2020	38.90	29.20	9844	42273.87	40476.55
February, 2020	33.45	32.00	7601	41709.30	38219.97
March, 2020	33.40	31.75	459	39083.17	25638.90

#### Registrar and Transfer Agents

##### Satellite Corporate Services Private Limited

Office no. 106 & 107, Dattani Plaza, East West Compound, Andheri Kurla Road, Safedpul, Sakinaka, Mumbai-400072, Maharashtra.

E-Mail ID: service@satellitecorporate.com; Contact No. : 022 28520461/462

#### Share Transfer System

Transfers in physical form are lodged with the Company/Transfer Agent. The Transfer Agent has complete computerized facility for processing the transfer. After verification of the transfers lodged in physical form, the transfer agent prepares a statement of transfer(s) and accordingly approves the transfer(s). The share certificate(s) duly transferred are sent by the transfer agent to the transferee, which completes the transaction. In case of any complaint from shareholder(s) for delay in transfer, the matter is actively followed up by the Company with the transfer agent and the same is resolved to the satisfaction of the shareholder(s).

#### Distribution of Shareholding (As on March 31, 2020)

On the basis of number of shares held:

No. of Shares	No. of Shareholders		No. of Shares				% of Total
	Number	% of Total	Physical	NSDL	CDSL	Total	

No. of Shares	No. of Shareholders		No. of Shares				% of Total	
	Number	% of Total	Physical	NSDL	CDSL	Total		
Up to 2500	490	83.62	400	13322	67959	81681	0.81	
2501	5000	9	1.53	0	4878	31750	36628	0.36
5001	10000	34	5.80	0	127484	189583	317067	3.15
10001	20000	8	1.37	0	60000	77204	137204	1.37
20001	30000	8	1.37	120000	20005	69092	209097	2.08
30001	40000	7	1.19	80000	34645	152090	266735	2.66
40001	50000	6	1.02	100000	141715	50000	291715	2.90
50001	100000	11	1.88	0	89160	895742	984902	9.80
100001 and Above	13	2.22	0	1500563	6224408	7724971	76.87	
<b>Total</b>	<b>586</b>	<b>100.00</b>	<b>300400</b>	<b>1991772</b>	<b>7757828</b>	<b>10050000</b>	<b>100.00</b>	

**On the Category of Shareholders:**

No. of Shares	Shareholders		Number of Shares held	
	Number	% of Total	Number	% of Total
Resident Individuals	524	89.42	2770192	27.56
Corporate Promoter Under Same Management	1	0.17	23900	0.24
Bodies Corporate	9	1.54	83127	0.83
Promoter	2	0.34	4091558	40.71
Promoter Relatives	2	0.34	1772850	17.64
LLP	1	0.17	375128	3.73
N.R.I. (Non-Repatriation)	1	0.17	1000	0.01
Hindu Undivided Family	46	7.85	932245	9.28
<b>Total</b>	<b>586</b>	<b>100.00</b>	<b>10050000</b>	<b>100.00</b>

**Dematerialization of shares and Liquidity (as on March 31, 2020)**

Mode	No. of Shares	Percentage
Demat		
NSDL	1991772	19.82%
CDSL	7757828	77.19%
Physical	300400	2.99%

The shares are almost actively traded on BSE Limited. For those shareholders who hold the shares in physical form may contact Depository Participant.

**Outstanding GDRs/ADRs/Warrants or any Convertible instruments conversion date and likely impact on equity**

The company has not issued any GDRs/ADRS/Warrants or any Convertible instruments till date. Hence, there are no outstanding GDRs/ADRS/Warrants or any convertible instruments.

**Plant Location**

The company, being engaged in service sector business, does not have any plant or factory.

**Address for Correspondence**

All enquiries, clarifications and correspondence should be addressed to the Compliance Officer at the following address:

Ms. Nitixa Ramanuj (Company Secretary)

Karnavati Finance Limited

**Corporate Office:** "Vraj", 5<sup>th</sup> Floor, Opp. Hotel President, Near Bhumi Press, Limda Lane, Jamnagar-361001, Gujarat.

**Contact No.** 0288 2663042 **E-Mail ID:** karnavatifinance@gmail.com

**For transfer/dematerialization of shares, change of address of members and other queries:****Satellite Corporate Services Private Limited**

Office no. 106 & 107, Dattani Plaza, East West Compound, Andheri Kurla Road, Safedpul, Sakinaka, Mumbai-400072, Maharashtra. Sakinaka, Mumbai-400072

**E-Mail ID:** service@satellitecorporate.com; **Contact No. :** 022 28520461/462

**CREDIT RATINGS AND ANY REVISION THERETO:**



The Company has not issued any debt instruments and does not have any fixed deposit programme or any scheme or proposal involving mobilization of funds in India or abroad during the financial year ended March 31, 2020. The Company has not obtained any credit rating during the year.

#### **DISCLOSURE**

##### **Subsidiary Companies**

The Company does not have any subsidiary companies.

##### **Material Related Party Transactions**

During the year 2019-20, there were two transactions which materially significant related party transactions which does not have any potential conflict with the interests of the Company at large for which necessary approval of the Members has been obtained. All transactions entered into with Related Parties during the financial year were in the ordinary course of business and on an arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013.

During the year 2019-20, there was no materially significant related party transaction that may have potential conflict with the interests of the Company at large. Attention of members is drawn to the disclosure of transactions with the related parties set out in Notes to Accounts - Note No. 27, forming part of the Annual Report.

The Board has approved a policy for related party transactions which has been uploaded on the Company's website. The policy is uploaded on the website of the Company <http://www.karnavatifinancelimited.com/files/Related-Party-Transaction-Policy.pdf>.

Further as per Regulation 23(9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2018 (Amendment), the listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosure of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchange and publish the same on its website. The company has duly submitted the details of Related Party Transactions for the year ended on March 31, 2020.

##### **Compliances**

There were neither any instances of non-compliance by the Company nor there were any penalties or strictures imposed on the Company by the Stock Exchange(s) or SEBI or any statutory authority, on any matter related to Capital Markets, during the last three years.

##### **Risk Management**

Business risk evaluation and management is an ongoing process within the Company. During the year under review, the Management reviewed the risk management and minimization procedure adopted by the Company covering the business operations of the Company.

##### **Proceeds from public issues, rights issues, preferential issues etc.**

During the year under review, the Company has not raised any proceeds from public issue, right issue, preferential issues, etc.

##### **CEO/ CFO Certification**

In terms of Regulation 17(8) read with part B of Schedule II of SEBI LODR Regulations, the Certification by CFO has been obtained and the said certification has been placed before the Board Members of the Company for perusal.

##### **Accounting treatment**

In the preparation of the financial statements, the Company has followed the Accounting Standards referred to in Section 133 of the Companies Act, 2013. The significant accounting policies which are consistently applied are set out in the Notes to the Financial Statements.

##### **Whistle Blower**

The Company has established a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethic policy. The said mechanism also provides for adequate safeguards against victimization of director(s)/Employee(s) who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The details of establishment of such mechanism have been disclosed in the Board's Report. Further, the Policy on Vigil Mechanism is available on the website of the Company at <http://www.karnavatifinancelimited.com/files/whistleblowerpolicy.pdf>.

##### **Details of Compliance with mandatory requirements and adoption of non-mandatory requirements**

The Company has complied with the applicable mandatory requirements as specified under Regulation 15 of SEBI LODR Regulations. The Company has not adopted any non-mandatory requirements.

##### **Total fees paid to Statutory Auditors of the Company**

Total fees of Rs. 1,50,000/- (Rupees One Lakh Fifty Thousands only) plus GST for financial year 2019-20, for all services, was paid by the Company to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

##### **Disclosure relating to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has in place an effective mechanism for dealing with complaints relating to sexual harassment at workplace. The details relating to the number of complaints received and disposed of during the financial year 2019-2020 are prescribed under Board's Report forming part of this Annual Report.

##### **Annual Secretarial Compliance Report**

SEBI vide its Circular No. CIR/CFD/CMD1/27/2019 dated 8th February, 2019 read with Regulation 24(A) of the Listing Regulations, directed listed entities to conduct Annual Secretarial compliance audit from a Practicing Company Secretary of all applicable SEBI Regulations and circulars/guidelines issued thereunder. The said annual Secretarial Compliance report is in addition to the Secretarial Audit Report by Practicing Company Secretaries under Form MR - 3 and is required to be submitted to Stock Exchanges within 60 days of the end of the financial year.

Accordingly, the Company has availed the services of Mr. Anand Lavingia (CP No. 11410), Practicing Company Secretary for providing this certification. The Company is publishing the said annual Secretarial Compliance Report, on voluntary basis and the same has been annexed as **Annexure - F-2** to the Board's Report forming part of this Annual Report.

##### **Compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Listing Regulations**

Sr. No.	Particulars	Regulation Number	Compliance status (Yes/No/NA)
1	Independent director(s) have been appointed in terms of specified criteria of 'independence' and/or 'eligibility'	16(1)(b) & 25(6)	Yes
2	Board composition	17(1), 17(1A) & 17(1B)	Yes
3	Meeting of Board of directors	17(2)	Yes
4	Quorum of Board Meeting	17(2A)	Yes
5	Review of Compliance Reports	17(3)	Yes
6	Plans for orderly succession for appointments	17(4)	Yes
7	Code of Conduct	17(5)	Yes
8	Fees/compensation	17(6)	Yes
9	Minimum Information	17(7)	Yes
10	Compliance Certificate	17(8)	Yes
11	Risk Assessment & Management	17(9)	Yes
12	Performance Evaluation of Independent Directors	17(10)	Yes
13	Recommendations of Board	17(11)	Yes
14	Maximum number of Directorship	17A	Yes
15	Composition of Audit Committee	18(1)	Yes
16	Meeting of Audit Committee	18(2)	Yes
17	Composition of nomination & remuneration committee	19(1) & (2)	Yes
18	Quorum of Nomination and Remuneration committee meeting	19(2A)	Yes
19	Meeting of Nomination and Remuneration Committee	19(3A)	Yes
20	Composition of Stakeholder Relationship Committee	20(1), 20(2) & 20(2A)	Yes
21	Meeting of Stakeholder Relationship Committee	20(3A)	Yes
22	Composition and role of risk management committee	21(1),(2),(3),(4)	NA
23	Meeting of Risk Management Committee	21(3A)	NA
24	Vigil Mechanism	22	Yes
25	Policy for related party Transaction	23(1) (1A), (5), (6), (7) & (8)	Yes
26	Prior or Omnibus approval of Audit Committee for all related party transactions	23(2), (3)	Yes
27	Approval for material related party transactions	23(4)	Yes
28	Disclosure of related party transactions on consolidated basis	23(9)	Yes
29	Composition of Board of Directors of unlisted material Subsidiary	24(1)	NA
30	Other Corporate Governance requirements with respect to subsidiary of listed entity	24(2), (3), (4), (5) & (6)	NA
31	Annual Secretarial Compliance Report	24A	Yes
32	Alternate Director to Independent Director	25(1)	NA
33	Maximum Tenure	25(2)	Yes
34	Meeting of independent directors	25(3) & (4)	Yes

Sr. No.	Particulars	Regulation Number	Compliance status (Yes/No/NA)
35	Familiarization of independent directors	25(7)	Yes
36	Declaration from Independent Directors	25(8) & (9)	Yes
37	D & O Insurance for Independent Directors		NA
38	Memberships in Committees	26(1)	Yes
39	Affirmation with compliance to code of conduct from members of Board of Directors and Senior management personnel	26(3)	Yes
40	Disclosure of Shareholding by Non-Executive Directors	26(4)	Yes
41	Policy with respect to Obligations of directors and senior management	26(2) & 26(5)	Yes

**Compliance Certificate of the Auditors**

A Certificate from the Auditors of the Company Mr. Anand Lavingia, Practicing Company Secretary, Ahmedabad confirming the compliance with the conditions of Corporate Governance as stipulated under Clause E of Schedule V of the SEBI LODR Regulations is attached as an **Annexure - E-2** to this Report.

**Registered Office**

705, Palm Spring Centre, Above Croma, Near New Infinity Mall, Link Road, Malad (West), Mumbai - 400064, Maharashtra.

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

**Place:** Jamnagar

**Date:** August 31, 2020

**Jay Morzaria  
Managing Director  
DIN: 02338864**

**DECLARATION**

I, Jay Morzaria, Chairman & Managing Director of Karnavati Finance Limited hereby declare that as of March 31, 2020, all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct and Ethics for Directors and Senior Management Personnel laid down by the Company.

**Registered Office**

705, Palm Spring Centre, Above Croma, Near New Infinity Mall, Link Road, Malad (West), Mumbai - 400064, Maharashtra.

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

**Place:** Jamnagar

**Date:** August 31, 2020

**Jay Morzaria  
Managing Director  
DIN: 02338864**

**Annexure - E-1****CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

(pursuant to Regulation 34(3) and Schedule V Para C Clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,  
The Members of,  
**KARNAVATI FINANCE LIMITED**  
705, Palm Spring Centre, Above Croma,  
Near New Infinity Mall, Link Road,  
Malad (West), Mumbai - 400064, Maharashtra.

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Karnavati Finance Limited having CIN: L65910MH1984PLC034724 and having registered office at 705, Palm Spring Centre, Above Croma, Near New Infinity Mall, Link Road, Malad (West), Mumbai - 400 064, Maharashtra (hereinafter referred to as "the Company"), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub Clause (10)(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No.	Name of Directors	Director Identification Number	Date of Appointment in the Company*
1.	Mr. Jay Morzaria	02338864	15/09/2010
2.	Mr. Raman Morzaria	00203310	29/09/2001
3.	Mrs. Birmda Bilimoria	08196034	13/08/2018

Sr. No.	Name of Directors	Director Identification Number	Date of Appointment in the Company*
4.	Mr. Parth Maniar	07980886	20/09/2018

\* As per website of Ministry of Corporate Affairs.

It shall be noted that ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification.

This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**Date:** August 26, 2020  
**Place:** Ahmedabad

**Anand Sureshbhai Lavingia**  
**Practicing Company Secretary**  
**ACS No.: 26458 COP No.: 11410**  
**UDIN: A026458B000616454**

Annexure - E-2

**CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE**

**(Refer Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)**

To,

The Members of

**KARNAVATI FINANCE LIMITED**

705, Palm Spring Centre, Above Croma,  
Near New Infinity Mall, Link Road,  
Malad (West), Mumbai - 400064, Maharashtra

We have examined all the relevant records of Karnavati Finance Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("SEBI (LODR) Regulations, 2015) for the financial year ended March 31, 2020. We have obtained the record available on the website of the stock exchanges and all such other information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

In our opinion and to the best of our information and according to the explanations and information furnished to us and available on the website of the stock exchanges, we certify that the Company has complied with all the mandatory requirements of Corporate Governance as stipulated in Regulations 17 to 27, Regulation 46 and Parts A, B, C and D of Schedule II except Regulations 21, 24, 25(1), 25(6) and 25(10) which were not applicable to the Company. As regards Discretionary Requirements specified in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company not adopted any non-mandatory requirements.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance.

This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**Date:** August 26, 2020  
**Place:** Ahmedabad

**Anand Sureshbhai Lavingia**  
**Practicing Company Secretary**  
**ACS No.: 26458 COP No.: 11410**  
**UDIN: A026458B000616476**

**SECRETARIAL AUDIT REPORT**  
**Form No. MR-3**  
**For the financial year ended March 31, 2020**  
**[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**

705, Palm Spring Centre, Above Croma,

Near New Infinity Mall, Link Road,

Malad (West), Mumbai - 400064, Maharashtra

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that, in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2020, 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, 2020 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 and circulars/ guidelines/Amendments issued there under;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and circulars/ guidelines/Amendments issued there under;
  - c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circulars/ guidelines/Amendments issued there under; and
  - d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and circulars/ guidelines/Amendments issued there under.
- v. The Revised Secretarial Standards issued by the Institute of Company Secretaries of India;

During the period under review the Company has complied with the provisions of the Act, Rules made there under, Regulations, guidelines etc. mentioned above;

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

- i. Reserve Bank of India Act, 1934;
- ii. Master Direction - Know Your Customer (KYC) Direction, 2016;
- iii. KYC & PML Policy on securities formulated in terms of prevention of Money Laundering Act, 2002;
- iv. Prevention of Money Laundering Act, 2002;
- v. Guidelines on Fair Practice Code for NBFCs;
- vi. Master Circular - Fair Practices Code;
- vii. Master Direction - Money Changing Activities; and
- viii. Master Direction - Non-Banking Financial Company - Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016.

I have relied on the representation made by the Company and its officers for system and mechanism framed by the Company for compliances of the aforesaid specific applicable acts, regulations, guidelines and direction to the company. However, the Company has not submitted the credit information in respect of Customers to Credit Information Bureau (India) Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited. Moreover, the Company has not shared the KYC and other information of Customers to Central KYC Records Registry.

During the Period under review, provisions of the following Acts, Rules, Regulations and Standards were not applicable to the Company,

- i. 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; - 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and circulars/ guidelines/Amendments issued there under;

- iii. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and circulars/guidelines/Amendments issued there under;
- iv. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and circulars/guidelines/Amendments issued there under;
- v. The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 and circulars/guidelines/Amendments issued there under; and
- 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, Independent Directors and Woman Director. The changes in the composition of the Board of Directors / re-appointments of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

I further report that -

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

Place: Ahmedabad  
Date: August 28, 2020

Signature:  
Name of Practicing Company Secretary: Payal Dhamecha  
ACS No. : 47303 C P No. : 20411  
UDIN: A047303B000630017

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

**Annexure I**

To,

**The Members,**

**KARNAVATI FINANCE LIMITED**

705, Palm Spring Centre, Above Croma,  
Near New Infinity Mall, Link Road,  
Malad (West), Mumbai - 400064, 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  
Date: August 28, 2020

Signature:  
Name of Practicing Company Secretary: Payal Dhamecha  
ACS No. : 47303 C P No. : 20411  
UDIN: A047303B000630017

**ANNUAL SECRETARIAL COMPLIANCE REPORT OF KARNAVATI FINANCE LIMITED  
for the year ended on March 31, 2020**

I, Anand Sureshbhai Lavingia, Practicing Company Secretary, has examined:

- (a) all the documents and records made available to us and explanation provided by Karnavati Finance Limited ("the Company" or "the listed entity"),
- (b) the filings/ submissions made by the listed entity to the stock exchanges,
- (c) website of the listed entity and
- (d) all other document/ filing, as may be relevant, which has been relied upon to make this certification,

for the year ended on March 31, 2020 ("Review Period") in respect of compliance with the provisions of:

- (a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
- (b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");
- (c) The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include:
  - i. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - ii. Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - iii. Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - iv. Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
  - v. and circulars/ guidelines/Amendments issued thereunder,

and based on the above examination, I hereby report that, during the Review Period;

- (a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder to the extent applicable and in the manner prescribed. Further, additional noting on a matter specified below which is not a violation of any applicable provision to the Company;

Sr. No.	Compliance Requirement (Regulations/ circulars / guidelines including specific clause)	Deviations	Observations/ Remarks of the Practicing Company Secretary
1.	Nil	Nil	Nil

- (b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder insofar as it appears from my examination of those records.

- (c) The following are the details of actions taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder:

Sr. No.	Action taken by	Details of violation	Details of action taken E.g. fines, warning letter, debarment, etc.	Observations/ remarks of the Practicing Company Secretary, if any.
1.	Nil	Nil	Nil	Nil

- (d) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Observations of the Practicing Company Secretary in the previous reports	Observations made in the secretarial compliance report for the year ended	Actions taken by the listed entity, if any	Comments of the Practicing Company Secretary on the actions taken by the listed entity
1.	The Promoter has executed transactions on various dates - February 21, 2019 to February 27, 2019 for which he made three disclosures to the Company on April 4, 2019 (delay in compliance from the side of promoter). <b>The necessary disclosures under Regulation 7(2) of the Securities And Exchange Board of India (Prohibition Of Insider Trading) Regulations, 2015 should have been made to the Company within two trading days by the Promoter.</b>	March 31, 2019	The Company has notified about the receipt of said Disclosure to the Stock Exchange on April 4, 2019 i.e. on the same day of receipt of Disclosures from Promoter. Further, the Company has also informed the Promoters to disclose the details of transaction in the shares of the Company on the same day on which the transaction is executed so that necessary disclosure may be submitted to the Stock Exchange in the prescribed time.	The Promoters of the Company shall take due care to disclose the details of acquisition / Disposal of Shares of the Company to the Company within the prescribed time under the Securities And Exchange Board of India (Prohibition Of Insider Trading) Regulations, 2015.

I further report that, during the review period, following regulations issued by the Securities and Exchange Board of India were not applicable to the Company, since there were no such instances occurred during the review period that requires the compliance under the said regulations;

- (a) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
- (b) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (c) Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (d) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (e) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (f) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013 and
- (g) and circulars/ guidelines/Amendments issued thereunder.

**Place:** Ahmedabad

**Date:** June 29, 2020

**Anand Sureshbhai Lavingia**  
**Practicing Company Secretary**

**ACS No.:**26458

**C P No.:**11410

**UDIN:** A026458B000396399



**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****BACKGROUND**

Karnavati Finance Limited (KFL) is a Non-Banking Finance Company ("NBFC"), holding a Certificate of Registration from the Reserve Bank of India ("RBI"). The KFL is non-deposit accepting NBFC engaged in financial services. The market for this activity offers high potential for growth. The company is giving loan including personal loan, business loan, vehicle loan and loan against property to individuals as well as non-individual customers and also providing services of money changing via. FFMC License and is operating from Mumbai having its corporate office in Jamnagar.

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-productivity 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 interface and increasing profitability and competitiveness) other reforms have opened up the banking and insurance sectors to private and foreign players.

Non-Banking Financial Companies (NBFC) are an integral part of the Indian Financial system, augmenting competition and diversification in the financial sector and complementing the banking system. The Indian NBFC sector has been providing credit to customers in the underserved and unbanked areas. Their channeling the savings and investments of customers and the subsequent capital formation is necessary for India's economic growth and development. Their ability to innovate products in conformity with the needs of their clients is well established.

**GLOBAL ECONOMY**

The global economy grew 2.9% in 2019 compared to 3.6% in 2018, clearly showing weakness in the global business environment. The global trade grew at a mere 0.9% in 2019 due to trade tensions and slower economic growth.

The Covid-19 pandemic has struck a devastating blow to an already fragile global economy. Lockdowns and other restrictions needed to address the public health crisis, together with spontaneous reductions in economic activity by many consumers and producers, constitute an unprecedented combination of adverse shocks that is causing deep recessions in many advanced economies as also in emerging markets and developing economies. Governments in many countries have taken fiscal and monetary policy action on unprecedented scales in response to the pandemic to support demand and economic activities.

According to the International Monetary Fund (IMF), the global economy is expected to shrink by over 3% in 2020, the steepest slowdown since the Great Depression of 1930s.

Uncertainty about the length and depth of this health crisis propelled economic and financial crisis. Very well respected studies have suggested that emerging market and developing economies could suffer output losses of 3-8 percent in the short term.

**INDIAN ECONOMY**

India emerged as the 5<sup>th</sup> largest world economy in 2019, overtaking the UK and France with a Gross Domestic Product (GDP) of \$ 2.94 trillion. India jumped 14 places to 63 in the World Bank's Ease of Doing Business ranking, riding on reforms in several areas and a substantial bump up from the insolvency law rolled out in 2016. The country climbed 79 positions in the past 5 years and was among the top 10 performers for the third year running. RBI has taken number of measures to ensure efficient liquidity in the system since the beginning of 2019-20. We note that it has slashed policy rate (Repo Rate) from 6.25% in the beginning of the year to 4.4% at the closing of the fiscal and now at 4% in ongoing fiscal so far. We also note that this time transmission of rate cuts has happened in a large way and helped across all industries and borrowers.

The Indian Economy was not immune to the slowdown. The Indian economy was affected across all four key growth engines of our economy faltered to stimulate any growth. We note that three of our four growth engines - private consumption, private investment and exports have slowed down significantly led by variety of reasons. Consumption, the biggest contributor of growth by subdued, pointing to fragile consumer sentiment and purchasing ability. Similarly, private investments and exports have remained muted owing to soft demand, global uncertainties around trade and investments and geopolitical tensions. The fourth engine, government consumption and investment, has been moderated because of limited elbow room the government has for counter cyclical spending as the budget deficit remains under pressure. Further, an unexpected COVID-19 outbreak engulfed India too and resulted in nationwide lockdown starting 25<sup>th</sup> March 2020 has dashed hope of any early recovery on economy, which have wide ramification in current fiscal.

As per Central Statistics Organization (CSO) second advance estimates, the GDP growth was retained at 5% in 2019-20 and however final numbers are likely to be worse than expectations due to sharp contraction in economic activities in March due to COVID-19. As per Moody's (global rating company), India's GDP growth rate for 2020-2021 is expected to be at zero mainly led by steep deterioration in business activities and sharp contractions in consumption trend due to disruption led by COVID-19. However, on a positive note, it has forecasted India's GDP growth rate to bounce back to 6.6% in 2021-22.

Notably, having remained in beginning in first half of 2019-20, a surge in food prices and vegetables prices, resulted in surge in retail inflation with CPI averaging 4.8% in 2019-20 versus 3.4% in 2018-19. Going forward, likely reduction in food prices, decreasing core inflation and stabilization in fuel prices are expected to result in softening of CPI numbers in subsequent months. RBI has set up the objectives of achieving the medium term target for CPI of 4% within a band of plus or minus 2%. While supporting growth, while it has set an inflation target of 5.4% - 5.0% for the first half of FY2021 and 3.2% for third quarter of FY2021.

Central government has increased its borrowing target by over 50% in current fiscal to Rs. 12 trillion (US\$ 160 billion) up from the previously budgeted Rs. 7.8 lakh crore to cushion to the blow from the new coronavirus pandemic. Given the borrowing target of Rs. 12 trillion, it is estimated that government is targeting a fiscal deficit of 5.5-6% for current fiscal.

The government rationalized the corporate tax rate to 22% from 30%, subject to the condition that companies will not avail of any exemptions/incentive. Further in order to boost the fresh investment, new companies incorporated on or after October 01, 2019 and making fresh investment in manufacturing the tax rate for them has been cut to 15% from 25%.

The government collected Rs. 15 lakhs crore as net tax revenue in 2019-20 as against Rs. 13.2 lakh crore collected in 2018-19, while direct tax collection stood at Rs. 11.7 lakh crore as against estimated Rs. 13.4 lakh crore in 2018-19. For, 2020-21, the gross direct tax collections are budgeted to increase by 12.7% as per union budget as against 2.9% growth achieved in 2018-19. Further, capital

expenditure for 2020-21 is pegged at Rs. 4.12 lakh crore as against Rs. 3.49 lakh crore incurred in 2019-20 and fiscal deficit was targeted at 3.5% in 2020-21 which will be difficult to be achieved given the disruptions in economy.

#### INDUSTRY STRUCTURE AND DEVELOPMENTS

Non-banking finance companies (NBFCs), an integral component of the Indian lending ecosystem, could see a major impact of COVID-19 on their liquidity position and asset liquidity in the financial year 2020-21 due to complete halt of economic activity due to massive lockdown. Before the coronavirus outbreak, RBI and the government took several measures to support NBFCs since August 2019, especially after credit crisis and confidence crisis in the NBFC sector, due to default by some major financial institutions in Infra sector. The COVID-19 pandemic clipped the recovery. Small and medium sized NBFCs are most at risk due to disruption caused by the COVID-19 pandemic. The central bank has sought to cushion borrowers and lenders against the coronavirus outbreak effect, allowing companies a six month grace period on loan repayments. In last 2 months, several measures have been taken by RBI and Finance Ministry to boost liquidity and economy as follows;

#### Measures taken by RBI

**Repo Rate and Reverse Repo Rate:** Significant reduction of repo rate by 75 bps in March and further 40 in May to 4%. Similarly, the reverse repo rate has also been reduced to 3.35%.

**CRR:** Reduction of Cash Reserve Ratio (CRR) by 1% to 3% applicable from March 28, inject Rs. 1, 37, 000 crore.

**Loan Moratorium:** In March, RBI Governor announced that lenders could give a moratorium of 3 months from March 2020 to May 2020 which was further extended by 3 months in May 2020 from June 2020 to August 2020 on repayment of all term loans. Those accounts that have availed the moratorium facility, the period of moratorium will be excluded from the 90 days NPA classification norms of RBI.

**TLTRO 1.0 & 2.0:** Introduction of long term repo operation (LTRO) facility infusing Rs. 1,50,000 crore worth of liquidity into the economy through banks by launching the Targeted Long Term Repo Operations (TLTRO) (1.0) and (2.0) facilities. Given that the primary beneficiaries of TLTRO 1.0 turned out to be public sector entities and large corporates, the RBI also launched TLTRO 2.0 for further amount of Rs. 50,000 crore to cater to the non-banking finance and micro finance sector.

**Special re-finance facility:** Special re-finance facility of Rs. 50,000 crore to NABARD (Rs. 25,000 crore) for re-financing regional rural banks, cooperative banks and micro finance institutions, SIDBI (Rs. 15,000 crore) for on lending/re-financing and NHB (Rs. 10,000 crore) for supporting housing financing.

#### Measures taken under Economic Stimulus Package (Atmanirbhar Bharat)

**Rs. 30,000 crore special liquidity scheme for NBFCs/HFCs/MFIs:** Under this scheme, investment is to be made in primary & secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs. Securities shall be fully guaranteed by central government.

**Rs. 45,000 crore Partial Credit Guarantee Scheme 2.0 for NBFC:** Existing PCG scheme to be extended to cover borrowings such as primary issuance of bonds/CPs. Government to provide 20% first loss sovereign guarantee to PSBs, AA and below rated papers including unrated papers to be eligible for investment. This scheme will result in the liquidity of Rs. 45,000 crore.

**Rs. 3,00,000 crore collateral free automatic loans to MSMEs,** government to give 100% credit guarantee cover to banks and NBFCs on principal and interest for additional loans up to 20% of the outstanding as on 29<sup>th</sup> February 2020 with Banks/NBFCs/Fls. The said scheme aims to extend additional funding to eligible borrowers in order to help them through the liquidity crunch faced by them due to the crisis.

**Credit linked subsidy scheme for MIG under PMAY(U) extended up to March 2021:** This scheme is aimed at achieving government's objective of housing for all. The extension is action-oriented reform for the revival of affordable housing segment ensuring job creation, and stimulus to demand and boosting the supply chain.

#### OPPORTUNITIES AND THREATS

##### OPPORTUNITIES:

- Diversified portfolio products across personal finance, business finance and mortgage finance (Loan against property)
- Opening of financial sector in India along with Introduction of Innovative products
- Strong relationship with public, private as well as banks, institutions and investors
- Focus on MSME segments traditionally not served by banks
- Large untapped rural and urban markets.
- Enhanced digital solutions for business and collections

##### THREATS:

- Slower economic activity and weak rural demand could lead to high credit costs due to COVID-19 pandemic
- Increased competition across the company's product segments from captive finance companies and small finance banks
- Inadequate availability of bank finance and upsurge in borrowing cost
- External risks associated with liquidity stress, political uncertainties, fiscal slippage concerns, etc.
- Growing number of Fintech companies.
- Attraction and retention of human capital

#### FINANCIAL PERFORMANCE

KFL's net income from operations for the financial year ended March 31, 2020 is Rs. 2,76,35,915/- as against 3,24,01,510/- in the previous year. The working of Karnavati Finance Limited (KFL) for the year under review resulted in profit of Rs. 10,75,021/- as against profit of 72,22,175/- (after tax) in the previous year.

#### RESOURCES AND LIQUIDITY

During the year under review, KFL has not raised any funds from the market by way of allotment of shares/bonds/warrants/debentures, or by raising public deposits etc.

#### PORTFOLIO

KFL's investment portfolio stood at Rs. 23,98,39,219.25/- as on March 31, 2020. KFL's strategy for its portfolio is to focus on asset quality and asset mix to achieve good returns.

#### OUTLOOK

India continues to be one of the fastest growing economies in the world and this is expected to continue in financial year 2019-20, as per the latest economic survey, finance sector being the key growth sectors of the economy. The Outlook of the Company for the year ahead is to drive profitable growth. Non-Banking Financial Companies are competing with the banks in providing financial services and has been playing a complementary role with other financial institutions in the Indian Economy.

The Management of KFL is concentrating on the core area of investment and finance. Capital market is improving and KFL will explore the opportunities available in the Capital Market and other financial areas. The persistent challenges in the operating environment resulted in higher delinquency levels for the NBFCs.

**RISK MANAGEMENT**

As in the case of any lending entity, the entire proposition of the Company - providing finance to various segments of the economy is on the fundamentals of managing the risk rather than avoiding it. With proper operational systems in place, the Company successfully manages these risks which also help in achieving the desired outcome, while fixing responsibility and accountability. The Board is responsible for monitoring and reviewing of the risk and taking steps to mitigate the same.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has an internal control system to commensurate with the size, scale and complexity of its operations and nature to ensure smooth business operation to provide reasonable assurance that all assets are safeguarded and protected from any kind of loss or misuse, transactions are authorized, recorded and reported properly and that all applicable statutes and corporate policies are duly complied with.

**SUBSIDIARY COMPANY**

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

**HUMAN RESOURCES**

The Company takes pride in the commitment, competence and dedication of its employees in all areas of the business. The Company is committed to nurturing, enhancing and retaining its top talent through superior learning and organizational development. This is a critical pillar to support the organization's growth and its sustainability in the long run. The Company also has zero tolerance for harassment of women at workplace. The overall industrial relations atmosphere continued to be cordial.

**SEGMENT-WISE OR PRODUCT WISE PERFORMANCE**

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

**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 AUDITORS' 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, 2020, and the Statement of Profit and Loss for the period then ended, the Cash flow Statement for the year ended March 31, 2020 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 standalone 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 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, that were operating effectively for ensuring 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

That Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditors' responsibility**

Our objectives are to obtain reasonable assurance about whether the Statement as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion. Forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the financial results represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view of in conformity with the:

- (a) In the case of Balance sheet, of the State of Affairs of the Company as at March 31, 2020; and
- (b) In the case of Statement of profit and loss, of the Profit for the Year ended on March 31, 2020; and
- (c) Its cash flow statement for the year ended March 31, 2020.
- (d) Statement of changes in the equity for the year ended March 31, 2020.

**Basis for Opinion**

We conducted our audit in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters How addressed in Audit	How addressed in Audit
<p>Indian Accounting Standards (Ind-AS) as specified under Section 133 of the Act, read with relevant rules there under have been made mandatorily applicable for specified Non-Banking Finance Companies applicable with effect from April 1st, 2019 and consequently these standalone financial statements have been prepared by the management in compliance with the Ind AS framework. As against the provisioning norms earlier prescribed by Reserve Bank of India and adopted by the company in prior years, Ind-AS 109 (Financial Instruments) requires the Company to recognise Expected credit Loss (ECL) on financial assets, which involves application of significant judgement and estimates including use of key assumptions such as probability of default and loss given default</p> <p>Refer Note 29 to the Financial Statements</p>	<p>We have evaluated the management's process and tested key controls around the determination of expected credit loss allowances, including controls relating to:</p> <ul style="list-style-type: none"> <li>- The identification of events leading to a significant increase in risk and credit impairment events; and</li> <li>- The determination of the impaired credit loss allowances and the key assumptions including probability of default and loss given default on a forward looking basis having regard to historical experiences.</li> </ul> <p>We understood and assessed the appropriateness of the impairment methodology developed and used by the management at the entity level. This included assessing the appropriateness of key judgements. We tested the accuracy of key data inputs and calculations used in this regard.</p> <p>We found that these key controls as above, were designed, implemented and operated effectively, and therefore have placed reliance on these key controls for the purposes of our audit of ECL and impairment loss allowances</p>

**Emphasis of Matters**

We draw attention to note 31 to the Ind AS financial statements, which describes the uncertainty caused by Novel Coronavirus (COVID-19) pandemic with respect to the Company's estimates of impairment of loans to customers and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

We would like to draw emphasis on the matter of Contingent Liability on Inter Corporate Loan which arises through the pass through transaction on NIM basis entered by the Company, consequent to asset under pass through arrangement becoming NPA on account of dispute in transaction. Loss likely to arise is to the extent of interest liability on account of negative outcome of litigation. Our opinion is not modified in respect of this matter.

**Information Other than the Financials Statements and Auditor's Report thereon (Other Information)**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Corporate Overview, Board's Report, Management Discussion and Analysis Report and Report on Corporate Governance in the Annual Report of the Company for the financial year 2019-20, but does not include the financial statements and our auditor's report thereon. The reports containing the other information as above are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the reports containing the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Report on other Legal and Regulatory Requirements**

- (1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the **Annexure 1**, statement on the matters specified in paragraphs 3 and 4 of the order to the extent applicable.
- (2) As required by Section 143(3) of the Act, we report that:
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
  - c) The Balance Sheet and Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the balance sheet and statement of profit and loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in section 133 of the Act read with rule 7 of Companies (Accounts) Rules, 2014; and
  - e) On the basis of written representations received from the directors as at March 31<sup>st</sup>, 2020, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at March 31<sup>st</sup>, 2020, from being appointed as a director in terms of subsection (2) of section 164 of the Companies Act, 2013.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate Report in "**Annexure 2**" to this report.
  - g) With respect to the matters to be included in the Auditor's Report in accordance with section 197 (16) of the Act, in our opinion and to the best of our information and according to the explanations given to us the remuneration paid/provided by the company to its directors during the year is in accordance with the provisions of section 197 of the Act.:
  - h) With respect to the matters to be included in the auditors 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 has disclosed impact of pending litigations on its financial positions in its financial statements.
- ii. The Company has not entered into any long-term contracts including derivative contracts, requiring provision under applicable laws or accounting standards, for material foreseeable losses.
- iii. There is no amounts which required to be transferred, to the Investor Education and Protection Fund by the Company.

**FOR D G M S & Co.**  
**(Chartered Accountants)**  
**Reg No. :112187W**

**Date : July 30, 2020**  
**Place : Jamnagar**

**Hiren Jayantilal Maru**  
**Partner**  
**M. No. : 115279**  
**UDIN: 20115279AAAACH4006**

**Annexure 1 to the Independent Auditor's Report of even date on financial statements of Karnavati Finance Limited**

- i. (a)The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.  
(c) The title deed of immovable property is held in the name of the company.
- ii. The Company has inventory of foreign currency and it is measured as per the RBI Exchange Rate as on 31<sup>st</sup> March 2020.
- iii. According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms, limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- iv. According to the information and explanations given to us, the company has not granted any loans, investments, guarantees, and security covered under the provisions of section 185 and 186 of the Companies Act, 2013 and hence this clause is not applicable to the company.
- v. According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply
- vi. To the best of our knowledge and according to the information and explanations given to us, the Central Government of India has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act for any services rendered by the company.
- vii. (a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues.  
(b) According to the information and explanations given to us, there are no dues outstanding of income tax, sales tax, customs duty, service tax, excise duty, cess and goods and service tax on account of any dispute.
- viii. The Company has not defaulted in repayment of loans or borrowing to a financial institutions or banks.
- ix. Managerial Remuneration had been paid by the company during the year in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to Companies Act.
- x. According to the information and explanations given to us and the records of the Company examined by us, all the transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 and the details have been disclosed in financial statements, as required by the applicable accounting standards.
- xi. The company has not entered into any non- cash transactions with Directors or persons connected with them.
- xii. In our opinion, the company is Non-Banking Finance Company registered under section 451A of the Reserve Bank of India Act, 1934 vide certificate of registration no. 13.00064 dated February 24, 1998.

**FOR D G M S & Co.**  
**(Chartered Accountants)**  
**Reg No. :112187W**

**Date : July 30, 2020**  
**Place : Jamnagar**

**Hiren Jayantilal Maru**  
**Partner**  
**M. No. : 115279**  
**UDIN: 20115279AAAACH4006**

**Annexure 2 to The Independent Auditor's Report of Even Date on the Financial Statements 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 31<sup>st</sup> March, 2020 in conjunction with our Audit of the standalone financial statements of the company for the period 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, 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 Those Standards and the Guidance Note require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**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 authorizations of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 controls over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance may with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the company , has in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2020, based on the internal financial 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 Institute of Chartered Accountants of India.

**FOR D G M S & Co.**  
**(Chartered Accountants)**  
**Reg No. :112187W**

**Date : July 30, 2020**  
**Place : Jamnagar**

**Hiren Jayantilal Maru**  
**Partner**  
**M. No. : 115279**  
**UDIN: 20115279AAAACH4006**

**AUDITORS' REPORT**

**Pursuant to Non-Banking Financial Companies Auditor's Report (Reserve Bank) Direction, 2016**

**To,**

**The Board of Directors**

**Karnavati Finance Limited**

**Mumbai.**

We have audited the Balance Sheet of Karnavati Finance Limited as at 31<sup>st</sup> March, 2020, and the annexed statement of Profit and Loss of the Company for the period ended on that date and report that:

Pursuant to the Non - Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008 issued by Reserve Bank of India and on the basis of books and records of KARNAVATI FINANCE LIMITED and the information provided to us during the course of audit, we place our observations on the matters specified in Paragraph 3 and 4 of the aforementioned directions.

A.

- i. Since the Company is a NBFC Company, it has been register as Non-Banking Finance Company (NBFC) under Section 45 IA of Reserve Bank of India Act - 1934.
- ii. The Company has obtained a valid Certificate of Registration.
- iii. The Company is entitled to continue to hold such Certificate of Registration in term of its principal business criteria as on 31st March 2020.
- iv. The Company is meeting the required Net Owned Fund of NBFC - Investment and Credit Finance

B.

- i. The Board has passed a resolution for non - acceptance of any public deposits.
- ii. The Company has not accepted deposits in compliance with the provisions and the directions, circulars and guidelines issued by the Central Government from time to time as applicable to a NBFC company.
- iii. The Company is NBFC - Investment and Credit Finance is a financial institution carrying on as its principal business - providing of finance whether by making loans or advance or otherwise for any activity other than its own and the acquisition of securities.
- iv. The Company has complied with the Prudential Norms on income recognition, asset classification as provided. The provisions of prudential norms on income recognition, accounting standards, asset classification, provisioning for bad & doubtful debts and concentration of credit / investments as specified in the directions issued by the Reserve Bank of India in terms of the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016 are not applicable to the Company.
- v. Submission of Yearly return on prudential norms as specified in Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016 is applicable to the Company.
- vi. The Company has not opened any branches / offices nor has appointed any agents during the period under review.

**FOR D G M S & Co.  
(Chartered Accountants)  
Reg No. :112187W**

**Date : July 30, 2020  
Place : Jamnagar**

**Hiren Jayantilal Maru  
Partner  
M. No. : 115279  
UDIN: 20115279AAAACH4006**



KARNAVATI FINANCE LIMITED  
CIN NO. L65910MH1984PLC034724  
BALANCESHEET AS AT MARCH 31, 2020

(Amount in Rupees)

Particulars	Note No.	AS AT 31 March 2020		AS AT 31st MARCH 2019		AS AT 01st April 2018	
		3	4	5	6	7	8
<b>I ASSETS</b>							
<b>1 Financial Assets</b>							
A Cash and cash equivalents	3		3,078,483		4,459,365		4,407,488
B Bank Balances other than cash and cash equivalents	4				-		
C <u>Receivables</u>	5						
(i) Trade receivables		25,000		25,000		-	
(ii) Other receivables			25,000	-	25,000		-
D Loans	6		239,839,219		286,034,987		261,591,158
E Investments							
F Other Financial assets	7		557,629		1,845,893		2,488,569
<b>2 Non-Financial Assets</b>							
A Inventories	8		19,233		16,598		16,598
B Current tax assets (net)							
C Deffered tax assets (net)			354,881		347,402		339,083
D Property, plant and equipment	9		377,670		497,860		642,654
E Intangible assets							
F Other non - financial assets							
<b>TOTAL</b>			<b>244,252,115</b>		<b>293,227,105</b>		<b>269,485,550</b>
<b>II LIABILITIES AND EQUITY</b>							
<b>1 Liabilities</b>							
<b>A Financial liabilities</b>	10						
A <u>Payables</u>							
(I) <u>Trade payables</u>							
(i) Total Outstanding dues of micro enterprises and small enterprises		20,855					
(ii) Total Outstanding dues of creditor other than micro enterprises and small enterprises		4,094,153	4,115,008		3,014,891		2,960,374
(II) <u>Other payables</u>							
(i) Total Outstanding dues of micro enterprises and small enterprises							
(ii) Total							

	Outstanding dues of creditor other than micro enterprises and small enterprises							
B	Debt Securities							
C	Borrowings (other than debt securities)	11		112,952,302		160,292,892		145,174,836
D	Deposits							
E	Subordinate debts							
F	Other Financial Liabilities	12		-		-		
<b>B</b>	<b>Non - financial liabilities</b>							
	Current tax liabilities (net)							
	Provisions	13		777,565		3,553,575		3,075,086
	Other non - financial liabilities	14		526,012		1,559,540		691,223
<b>2</b>	<b>Equity</b>							
A	Equity Share Capital	15	100,500,000		100,500,000		100,500,000	
B	Other Equity	16	25,381,228	125,881,228	24,306,207	124,806,207	17,084,031	117,584,031
	<b>TOTAL</b>			<b>244,252,115</b>		<b>293,227,105</b>		<b>269,485,550</b>

The Schedules referred to herein above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

**For D G M S & Co. [FRN: 0112187W]**  
Chartered Accountants

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

**Hiren J. Maru**  
Partner  
[M. No. 115279]  
UDIN: 20115279AAAACH4006

**Nitixa Ramanuj**  
Company Secretary  
PAN: BVBPR8851B

**Kush R Morzaria**  
Chief Financial Officer  
PAN: BAJPM1377E

**Raman P Morzaria**  
Whole Time Director  
DIN: 00203310

**Jay R Morzaria**  
Managing Director  
DIN: 02338864

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date: 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

KARNAVATI FINANCE LIMITED  
CIN NO. L65910MH1984PLC034724  
PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2020

(Amount in Rupees)

	Particulars	Refer Note No.	For the year ended 31st March 2020	For the year ended 31st March 2019
	<b>Revenue From Operations</b>			
A	Interest Income	17	276,35,915	324,01,510
B	Fees and commission income		-	-
C	Net gain on Fair Value Changes		-	-
D	Sale of Services		2,500	
I.	<b>Total Revenue From Operations</b>		<b>276,38,415</b>	<b>324,01,510</b>
II.	<b>Other income</b>		-	-
III.	<b>Total Revenue (I + II)</b>		<b>276,38,415</b>	<b>324,01,510</b>
	<b>Expenses:</b>			
A	Finance costs	18	26,10,102	157,63,274
B	Fees and commission Expenses		-	-
C	Net Loss on Fair Value Changes		-	-
D	Purchases of Stock-in-Trade	19	-	-
E	Changes in inventories of finished goods work-in-progress and Stock-in-Trade	20	(2,634)	-
F	Employee benefits expense	21	32,40,907	27,84,891
G	Depreciation and amortization expense	22	1,26,187	1,44,796
H	Other expenses	23	202,68,379	38,40,368
IV.	<b>Total expenses</b>		<b>262,42,941</b>	<b>225,33,329</b>
V.	<b>Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>13,95,474</b>	<b>98,68,181</b>
VI.	<b>Exceptional items</b>		-	-
VII.	<b>Profit before extraordinary items and tax (V - VI)</b>		<b>13,95,474</b>	<b>98,68,181</b>
VIII.	<b>Extraordinary Items</b>		-	-
IX.	<b>Profit before tax (VII- VIII)</b>		<b>13,95,474</b>	<b>98,68,181</b>
X	<b>Tax expense:</b>			
	(1) Current tax		3,27,932	26,54,325
	(2) Deferred tax		(7,479)	(8,319)
	(3) Prior Period Income Tax written off		-	-
XI	<b>Profit (Loss) for the period from continuing operations (VII-VIII)</b>		<b>10,75,021</b>	<b>72,22,175</b>
	Profit/(loss) from discontinuing operations		-	-
	Tax expense of discontinuing operations		-	-
XII	<b>Profit/(loss) from Discontinuing operations (after tax)</b>		-	-
XIII	<b>Profit (Loss) for the period (XI + XII)</b>		<b>10,75,021</b>	<b>72,22,175</b>
	<b>Other Comprehensive Income</b>			
(A)	(i) Items that will not be reclassified to profit or loss		-	-
	(ii) Income Tax on items that will not be		-	-

		reclassified to profit or loss			
		<b>Subtotal (A)</b>			-
	(B)	(i) Items that will be reclassified to profit or loss			-
		(ii) Income Tax on items that will be reclassified to profit or loss			-
		<b>Subtotal (B)</b>			-
<b>XIV</b>		<b>Other Comprehensive Income (A+B)</b>			-
<b>XV</b>		<b>Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit and Loss and Other Comprehensive Income For the period)</b>		10,75,021	72,22,175
<b>XVI</b>		<b>Earnings per equity share:</b>			
		(1) Basic		0.11	0.72
		(2) Diluted		-	-

The Schedules referred to herein above form an integral part of the Profit & Loss Account.

This is the Statement of Profit & Loss Account referred to in our report of even date.

**For D G M S & Co. [FRN: 0112187W]**  
Chartered Accountants

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

**Hiren J. Maru**  
Partner  
[M. No. 115279]  
UDIN: 20115279AAAACH4006

**Nitixa Ramanuj**  
Company Secretary  
PAN: BVBPR8851B

**Kush R Morzaria**  
Chief Financial Officer  
PAN: BAJPM1377E

**Raman P Morzaria**  
Whole Time Director  
DIN: 00203310

**Jay R Morzaria**  
Managing Director  
DIN: 02338864

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date: 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

KARNAVATI FINANCE LIMITED  
CIN NO. L65910MH1984PLC034724  
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2020

(Amount in Rupees)

PARTICULAR	For the year ended 31 <sup>st</sup> March 2020	For the year ended 31 <sup>st</sup> March 2019
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Taxation	13,95,474	98,68,181
<u>Adjustment For :</u>		
Audit Fees	1,50,000	1,90,000
Depreciation	1,26,187	1,44,796
Reversal of NPA Provision	-	-
Written Off	2,966	1,15,922
NPA Provision	145,34,142	14,90,324
General Provision on Standard Assets	3,89,701	76,717
Finance Cost	26,10,102	15,763,274
Operating Profit before change in Working Capital	192,08,572	276,49,214
<b>Movement in Working Capital</b>		
Decrease/-Increase in Loan Advance	316,61,626	(244,43,828)
Decrease/-Increase in Inventory	(2,636)	-
Decrease/-Increase in Current Assets	-	(25,000)
Decrease/-Increase in other Current Assets	12,88,264	(10,00,680)
Decrease/-Increase in Current Liabilities	11,00,117	54,517
Decrease/-Increase in Other Current Liabilities	(38,09,538)	8,68,317
Movement in Working Capital	302,37,833	(245,46,674)
<b>Net Cash Generation From Operation</b>	494,46,405	31,02,540
Direct Tax Paid	(8,70,596)	(22,92,322)
<b>Net Cash From Operating Activities</b>	485,75,809	8,10,218
<b>Cash Flow From Investing Activates</b>		
Purchase of Fixed Assets	(6,000.00)	-
<b>Net Cash Flow from Investing Activates</b>	(6,000.00)	-
<b>Cash Flow from Financial Activities</b>		
-Decrease/Increase in Long Term Borrowings	(473,40,590)	151,18,056
Decrease/-Increase in Long Term Advances	-	(1,13,123)
Finance Cost	(26,10,102)	(157,63,274)
Issue of Share Capital	-	-
<b>Net Cash From Financial Activities</b>	(499,50,692)	(7,58,341)
Net Increase/Decrease in Cash & Cash Equivalent	(13,80,882)	51,877
Cash at the Beginning of Year	44,59,365	44,07,488
Cash at the End of Year	30,78,483	44,59,365
This is the Cash Flow Statement referred to in our report of even date.		

For D G M S & Co. [FRN: 0112187W]  
Chartered Accountants

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

Hiren J. Maru  
Partner  
[M. No. 115279]  
UDIN: 20115279AAAACH4006

Nitixa Ramanuj  
Company Secretary  
PAN: BVBPR8851B

Kush R Morzaria  
Chief Financial Officer  
PAN: BAJPM1377E

Raman P Morzaria  
Whole Time Director  
DIN: 00203310

Jay R Morzaria  
Managing Director  
DIN: 02338864

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

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Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

KARNAVATI FINANCE LIMITED

CIN NO. L65910MH1984PLC034724

STATEMENT OF CHANGES IN EQUITY AS ON 31<sup>ST</sup> MARCH, 2020

## Equity Share Capital

Equity Shares of Rs. 10/- each issued, subscribed and fully paid up

Particulars	Number of Shares	Amount
As at April 01, 2018	100,50,000.00	10,05,00,000.00
Issue of shares during the year	-	
As at March 31, 2019	100,50,000.00	10,05,00,000.00
Issue of shares during the year	-	
As at March 31, 2020	100,50,000.00	10,05,00,000.00

## Other Equity

Particulars	Reserves and Surplus				Other Comprehensive Income	Total Other Equity
	Securities premium	Retained Earnings	General Reserve	Reserve fund as per RBI Act		
<b>Balance as at 1 April 2018</b>	101,40,000.00	32,76,820.06	15,000.00	36,52,211.26		170,84,031.32
Changes in accounting policy/ prior period errors						-
Restated Balance at the beginning of the reporting period						-
Profit after tax		72,22,175.48				72,22,175.48
Other Comprehensive Income (Net of tax)						-
Transfer to reserve fund in terms of section 45-IC(1) of the RBI Act, 1934		(14,44,435.10)		14,44,435.10		-
Any other changes (to be specified)						-
<b>Balance as at 31st March 2019</b>	<b>101,40,000.00</b>	<b>90,54,560.44</b>	<b>15,000.00</b>	<b>50,96,646.36</b>	<b>-</b>	<b>243,06,206.79</b>
Changes in accounting policy/ prior period errors						-
Restated Balance at the beginning of the reporting period						-
Profit after tax		10,75,021.21				10,75,021.21
Other Comprehensive Income (Net of tax)						-
Transfer to reserve fund in terms of section 45-IC(1) of the RBI Act, 1934		(2,15,004.24)		2,15,004.24		-
Any other changes (to be specified)						-
<b>Balance as at 31st March 2020</b>	<b>101,40,000.00</b>	<b>99,14,577.41</b>	<b>15,000.00</b>	<b>53,11,650.60</b>	<b>-</b>	<b>253,81,228.00</b>

**KARNAVATI FINANCE LIMITED**  
**CIN NO. L65910MH1984PLC034724**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**1. NOTES TO ACCOUNTS****Corporate Information**

Karnavati Finance Limited, incorporated on 05-12-1984 is a Non-banking Finance Company registered with Reserve Bank of India engaged in business of financing. The company has its registered office at 705, Palm Spring Centre, Above Croma, Near New Infinity Mall, Link Road, Malad (West), Mumbai - 400064 and Its Administrative & Corporate Office at "Vraj" 5<sup>th</sup> Floor, Near Teen Batti, Limda Lane, Jamnagar - 361001.

The Company is Non - deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI) with effect from 24<sup>th</sup> February 1998, with Registration No. A-13.00064. RBI, vide the circular - 'Harmonisation of different categories of NBFCs' issued on 22 February 2019, with a view to provide NBFCs with greater operational flexibility and harmonization of different categories of NBFCs into fewer categories based on the principle of regulation by activity, merged the three categories of NBFCs viz. Asset Finance Companies (AFC), Loan Companies (LCs) and Investment Companies (ICs) into a new category called NBFC - Investment and Credit Company (NBFC-ICC). Accordingly, the Company has been reclassified as NBFC - Investment and Credit Company (NBFC-ICC).

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 MSMED Act, 2006 is Rs. 20,855. No Interest has been paid under MSMED Act, 2006 during the year.

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 Indian Accounting Standards (IND - AS) as per Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Companies Act, 2013 (the Act) along with other relevant provisions of the Act and the Master Direction - Non-Banking Financial Company - Non Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions') issued by RBI. The financial statements have been prepared on a going concern basis. The Company uses accrual basis of accounting except in case of significant uncertainties.

For all periods up to and including the year ended 31 March 2019, the Company had prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 and the NBFC Master Directions (hereinafter referred as 'Previous GAAP'). These financial statements for the year ended 31 March 2020 are the first the Company has prepared in accordance with IND - AS. The Company has applied IND - AS 101 'First-time Adoption of Indian Accounting Standards', for transition from previous GAAP to IND - AS.

Further the company follows prudential norms for Income Recognition, asset 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.

**2.1.****a. IND AS - 1 Presentation of Financial Statement : -**

The Company presents its Balance Sheet in order of liquidity.

The Company generally reports financial assets and financial liabilities on a gross basis in the Balance Sheet. They are offset and reported net only when Ind AS specifically permits the same or it has an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event. Similarly, the Company offsets incomes and expenses and reports the same on a net basis when permitted by Ind AS specifically unless they are material in nature.

**Critical accounting estimates and judgments**

The preparation of the Company's financial statements requires Management to make use of estimates and judgments. In view of the inherent uncertainties and a level of subjectivity involved in measurement of items, it is possible that the outcomes in the subsequent financial years could differ from those on which the Management's estimates are based.

**b. IND AS - 101 First time adoption of IND AS: -**

These are the Company's first financial statements prepared in accordance with Ind AS.

The Company has prepared its Ind AS compliant financial statements for year ended on 31 March 2020, the comparative period ended on 31 March 2019 and an opening Ind AS Balance Sheet as at 1 April 2018 (the date of transition), as described in the summary of significant accounting policies.

**c. IND AS - 10 Events After the Reporting Period: -**

Effects of, events occurred after Reporting Period and having material effect on financial statements are reflected in the accounts at appropriate places.

**d. IND AS - 8 Accounting Policies, Changes in Accounting Estimates & Errors: -**

Material items of prior period, non-recurring and extra ordinary items are shown separately, If any.

**e. IND AS - 115 Revenue from contract with customer :-****Interest income**

The Company recognises interest income using Effective Interest Rate (EIR) on all financial assets subsequently measured at amortised cost or fair value through other comprehensive income (FVOCI). EIR is calculated by considering all costs and incomes

attributable to acquisition of a financial asset or assumption of a financial liability and it represents a rate that exactly discounts estimated future cash payments/receipts through the expected life of the financial asset/financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The Company recognises interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The Company recognises interest income on the amortised cost net of impairment loss of the financial asset at EIR. If the financial asset is no longer credit-impaired the Company reverts to calculating interest income on a gross basis.

Delayed payment interest (penal interest) levied on customers for delay in repayments/nonpayment of contractual cash flows is recognised on realisation.

Interest on financial assets subsequently measured at fair value through profit or loss (FVTPL) is recognised at the contractual rate of interest.

#### **Other revenue from operations**

The Company recognises revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from contracts with customers'. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognizes revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

#### **Taxes**

Incomes are recognised net of the Goods and Services Tax/Service Tax, wherever applicable.

#### **Expenditures**

##### **Finance costs**

Borrowing costs on financial liabilities are recognised using the EIR

##### **Fees and commission expenses**

Fees and commission expenses which are not directly linked to the sourcing of financial assets, such as commission/incentive incurred on value added services and products distribution, recovery charges and fees payable for management of portfolio etc., are recognised in the Statement of Profit and Loss on an accrual basis.

#### **Taxes**

Expenses are recognised net of the Goods and Services Tax/Service Tax, except where credit for the input tax is not statutorily permitted.

#### **f. IND AS - 109 Financial Instruments :-**

##### **(A) Financial Assets**

###### **I. Initial recognition and measurement**

All financial assets are recognised initially at fair value when the parties become party to the contractual provisions of the financial asset. In case of financial assets which are not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets, are adjusted to the fair value on initial recognition.

###### **II. Subsequent Measurement**

The Company classifies its financial assets into various measurement categories. The classification depends on the contractual terms of the financial assets' cash flows and the Company's business model for managing financial assets.

###### **a) Financial Assets measured at amortised cost**

A financial asset is measured at Amortised Cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### **b) Financial Assets measured at fair value through other comprehensive income (FVOCI)**

A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### **c) Financial Assets measured at fair value through profit or loss (FVTPL)**

A financial assets which is not classified in any of the above categories are measured at FVTPL.

##### **(B) Financial liabilities**

###### **a) Initial recognition and measurement**

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

###### **b) Subsequent Measurement**

Financial Liabilities are subsequently carried at amortized cost using the effective interest method.

##### **(C) Derecognition of Financial assets and Financial liabilities**

###### **a) Financial Assets**



The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

**b) Financial Liability**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

**(D) Offsetting**

Financial assets and financial liabilities are generally reported gross in the balance sheet. Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously in all the following circumstances:

- a) The Normal Course of business
- b) The Event of Default
- c) The Event of insolvency or bankruptcy of the company and/or its counterparties

**(E) Impairment of Financial assets**

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' model (ECL), for evaluating impairment of financial assets other than those measured at Fair value through profit and loss.

**1) Overview of the Expected Credit Loss (ECL)**

Expected Credit Loss, at each reporting date, is measured through a loss allowance for a financial asset:

- At an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.
- At an amount equal to 12 month expected credit losses if the credit risk on that financial instrument has not increased significantly since initial recognition.

Lifetime expected credit losses means expected credit losses that result from all possible default events over the expected life of a financial asset.

12-month expected credit losses means the portion of Lifetime ECL that represent the ECLs that result from default events on financial assets that are possible within the 12 months after the reporting date.

The Company performs an assessment, at the end of each reporting period, of whether a financial assets credit risk has increased significantly since initial recognition. When making the assessment, the change in the risk of a default occurring over the expected life of the financial instrument is used instead of the change in the amount of expected credit losses

Based on the above process, the company categorizes its loans into three stages as described below:

**For Non - Impaired financial assets**

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a significant increase in credit risk (SICR) since initial recognition. A 12- Month ECL provision is made for stage 1 financial assets. In assessing whether credit risk has increased significantly, the company compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a significant increase in credit risk since initial recognition. The company recognises lifetime ECL for stage 2 financial assets. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then entities shall revert to recognizing 12 months ECL Provision.

**For impaired financial assets:**

Financial assets are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flow of a loan or a portfolio of loans. The company recognizes lifetime ECL for impaired financial assets.

**2) Estimation of Expected Credit Loss**

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

**Probability of Default (PD)** - The Probability of default is an estimate of the likelihood of default over a given time horizon.

The Company uses historical information where available to determine PD. Considering the different products and schemes, the Company has bifurcated its loan portfolio into various pools. For certain pools where historical information is available, the PD is calculated considering fresh slippage of past years. For those pools where historical information is not available, the PD/default rates as stated by external reporting agencies is considered.

**Exposure at Default (EAD)** - The Exposure at default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

**Loss Given Default (LGD)** - The Loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.

**g. IND AS - 16 Property, Plant and Equipment :-**

Property, plant and equipment are carried at historical cost of acquisition less accumulated depreciation and impairment losses, consistent with the criteria specified in Ind AS 16 'Property, Plant and Equipment'.

**Depreciation on property, plant and equipment**

- a) Depreciation is provided on a pro-rata basis for all tangible assets on straight line method over the useful life of assets, except buildings which is determined on written down value method.
- b) Useful lives of assets are determined by the Management by an internal technical assessment except where such assessment suggests a life significantly different from those prescribed by Schedule II - Part C of the Companies Act, 2013 where the useful life is as assessed and certified by a technical expert.
- c) Depreciation on leasehold improvements is provided on straight line method over the primary period of lease of premises or 5 years whichever is less.
- d) Depreciation on addition to assets and assets sold during the year is being provided for on a pro rata basis with reference to the month in which such asset is added or sold as the case may be.
- e) Assets having unit value up to Rs. 5,000 is depreciated fully in the financial year of purchase of asset.
- f) An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included under other income in the Statement of Profit and Loss when the asset is derecognised.
- g) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**h. IND AS 21 - The effects of changes in foreign exchange rates :-**

The Company's financial statements are presented in Indian Rupee, which is also the Company's functional currency

**Initial recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**Conversion**

Foreign currency monetary items are re-translated using the exchange rate prevailing at the reporting date. Nonmonetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

**Exchange differences**

All exchange differences are accounted in the Statement of Profit and Loss.

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transactions.

Any income or expenses on account of exchange difference either on settlement or on Balance sheet Valuation is recognized in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

**i. IND AS - 24 Related Party Disclosure :-**

The Disclosures of Transaction with the related parties as defined in the related parties as defined in the Accounting Standard are given in notes to account.

**j. IND AS - 33 Earnings Per Share :-**

Basic earnings per share are calculated by dividing the net profit or loss 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 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 the events such as bonus issue, right issue that have changed the number of equity shares.

**k. IND AS - 12 Income Taxes :-**

**Current Tax:-**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) prescribed therein. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in OCI or directly in other equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred Taxes:**

Deferred tax is provided using the Balance Sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets, if any, are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised either in OCI or in other equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**I. IND AS - 37 Provisions Contingent liabilities and contingent assets :-**

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. The Company also discloses present obligations for which a reliable estimate cannot be made. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

**m. IND AS - 108 Operating Segments**

The Company is engaged in the business segment of Financing, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated and to assess its performance, and for which discrete financial information is available. Further other business segments do not exceed the quantitative thresholds as defined by the Ind AS 108 on "Operating Segment". Hence, there are no separate reportable segments, as required by the Ind AS 108 on "Operating Segment".

**n. Cash and Cash Equivalents**

Cash and cash equivalents comprise of cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts if any, as they are considered an integral part of the Company's cash management.

**o. Significant accounting judgements, estimates and assumptions**

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. 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 or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

**i) Business Model Assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**ii) Effective Interest Rate (EIR) Method**

The Company's EIR methodology, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, probable fluctuations in collateral value as well as expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

**iii) Impairment of loans portfolio**

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

**iv) Defined employee benefit assets and liabilities**

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the

complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**v) Fair Value Measurement**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**For D G M S & Co. [FRN: 0112187W]  
Chartered Accountants**

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

**Hiren J. Maru**  
Partner  
[M. No. 115279]  
UDIN: 20115279AAAACH4006

**Nitixa Ramanuj**  
Company Secretary  
PAN: BVBPR8851B

**Kush R Morzaria**  
Chief Financial Officer  
PAN: BAJPM1377E

**Raman P Morzaria**  
Whole Time Director  
DIN: 00203310

**Jay R Morzaria**  
Managing Director  
DIN: 02338864

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date: 30<sup>th</sup> July 2020  
Place: Jamnagar

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Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

## NOTE No. 3 : CASH &amp; CASH EQUIVALENTS

(Amount in Rupess)

3	CASH & CASH EQUIVALENTS	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Cash In Hand	10,30,920.44	15,40,177.44	1,26,509.44
	Balance with Banks (of the nature of Cash & Cash Equivalent)	20,47,562.65	29,19,187.18	42,80,978.67
	Fixed Deposits with Banks (Maturity of Less than 12 Months)	-	-	-
	EEFC A/c	-	-	-
	<b>TOTAL</b>	<b>30,78,483.09</b>	<b>44,59,364.62</b>	<b>4,407,488.11</b>

## NOTE No. 4 : Bank Balance Other Than Cash &amp; Cash Equivalent

(Amount in Rupess)

4	Bank Balance Other Than Cash & Cash Equivalent	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Embarked Balance With Bank	-	-	-
	Balances with Bank to the extent held as margin money or security against the borrowings, guarantees or any other commitments	-	-	-
	Repatriation restrictions, if any	-	-	-
	<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTE No. 5 : TRADE RECEIVABLES

(Amount in Rupess)

5	TRADE RECEIVABLES	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	(A) Trade Receivable			
	Considered Good - Secured	25,000.00	25,000.00	-
	Considered Good - Unsecured	-	-	-
	Others	-	-	-
	(B) Other Receivable	-	-	-
	<b>TOTAL</b>	<b>25,000.00</b>	<b>25,000.00</b>	<b>-</b>

## NOTE No. 6 : Loans

(Amount in Rupess)

6	Loans	As on 31 <sup>st</sup> March 2020			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
<b>A)</b>	<b>Secured Loan</b>				
	i) Mortgage Loan	-	-	15,472,314.00	15,472,314.00
	ii) Business Loan	-	-	19,245,010.60	19,245,010.60
	iii) Personal Loan	-	-	-	-
	iv) Education Loan	-	-	-	-
	<b>Total (A) - Gross</b>	-	-	34,717,324.60	34,717,324.60
	Less :- Impairment Loss Allowance	-	-	(3,167,544.46)	(3,167,544.46)
	<b>Total (A) - Net</b>	-	-	31,549,780.14	31,549,780.14
<b>B)</b>	<b>Unsecured Loan</b>				
	i) Mortgage Loan	-	-	-	-

6	Loans	As on 31 <sup>st</sup> March 2020			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
	ii) Business Loan	-	-	174,565,804.41	174,565,804.41
	iii) Personal Loan	-	-	69,838,053.39	69,838,053.39
	iv) Education Loan	-	-	52,156.00	52,156.00
	<b>Total (B) - Gross</b>	-	-	244,456,013.80	244,456,013.80
	Less :- Impairment Loss Allowance	-	-	(36,166,574.69)	(36,166,574.69)
	<b>Total (B) - Net</b>	-	-	208,289,439.11	208,289,439.11
	<b>TOTAL (A) + (B)</b>	-	-	<b>239,839,219.25</b>	<b>239,839,219.25</b>

6	Loans	As on 31 <sup>st</sup> March 2019			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
<b>A)</b>	<b><u>Secured Loan</u></b>				
	i) Mortgage Loan	-	-	2,19,92,597.00	2,19,92,597.00
	ii) Business Loan	-	-	-	-
	iii) Personal Loan	-	-	-	-
	iv) Education Loan	-	-	-	-
	<b>Total (A) - Gross</b>	-	-	2,19,92,597.00	2,19,92,597.00
	Less :- Impairment Loss Allowance	-	-	(54,981.49)	(54,981.49)
	<b>Total (A) - Net</b>	-	-	2,19,37,615.51	2,19,37,615.51
<b>B)</b>	<b><u>Unsecured Loan</u></b>				
	i) Mortgage Loan	-	-	-	-
	ii) Business Loan	-	-	16,37,21,902.00	16,37,21,902.00
	iii) Personal Loan	-	-	11,65,57,969.00	11,65,57,969.00
	iv) Education Loan	-	-	-	-
	<b>Total (B) - Gross</b>	-	-	28,02,79,871.40	28,02,79,871.40
	Less :- Impairment Loss Allowance	-	-	(1,61,82,500.30)	(1,61,82,500.30)
	<b>Total (B) - Net</b>	-	-	26,40,97,371.11	26,40,97,371.11
	<b>TOTAL (A) + (B)</b>	-	-	<b>28,60,34,986.61</b>	<b>28,60,34,986.61</b>

6	Loans	As On 01 <sup>st</sup> April 2018			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
<b>A)</b>	<b><u>Secured Loan</u></b>				
	i) Mortgage Loan	-	-	1,00,01,578.00	1,00,01,578.00

6	Loans	As On 01 <sup>st</sup> April 2018			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
	ii) Business Loan	-	-	-	-
	iii) Personal Loan	-	-	-	-
	iv) Education Loan	-	-	-	-
	<b>Total (A) - Gross</b>	-	-	1,00,01,578.00	1,00,01,578.00
	Less :- Impairment Loss Allowance	-	-	(25,003.95)	(25,003.95)
	<b>Total (A) - Net</b>	-	-	99,76,574.06	99,76,574.06
	<b>B) Unsecured Loan</b>				
	i) Mortgage Loan	-	-	-	-
	ii) Business Loan	-	-	18,07,85,757.00	18,07,85,757.00
	iii) Personal Loan	-	-	8,23,69,107.00	8,23,69,107.00
	iv) Education Loan	-	-	-	-
	<b>Total (B) - Gross</b>	-	-	26,31,54,864.00	26,31,54,864.00
	Less :- Impairment Loss Allowance	-	-	(1,15,40,279.73)	(1,15,40,279.73)
	<b>Total (B) - Net</b>	-	-	25,16,14,584.28	25,16,14,584.28
	<b>TOTAL (A) + (B)</b>	<b>0</b>	<b>0</b>	<b>26,15,91,158.33</b>	<b>26,15,91,158.33</b>

## NOTE No. 7 : Other Financial Assets

(Amount in Rupess)

7	Other Financial Assets	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Security Deposits		2,000.00	2,000.00
	Advance Given	-	-	-
	Other Advances	-	-	-
	<b>Others Financial Assets</b>	-	-	-
	Income Tax refundable	1,71,680.00	1,71,680.00	70,860.00
	Advance Tax	-	8,29,000.00	20,52,918.00
	TDS credit	3,49,229.00	6,61,702.00	2,94,403.00
	GST Credit	36,720.00	1,81,510.94	68,387.66
	<b>TOTAL</b>	<b>5,57,629.00</b>	<b>18,45,892.94</b>	<b>24,88,568.66</b>

## NOTE No. 8 : Inventories

(Amount in Rupess)

8	Inventories	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Foreign Currency Stock	19,232.73	16,598.00	16,598.40
	<b>TOTAL</b>	<b>19,232.73</b>	<b>16,598.00</b>	<b>16,598.40</b>

## NOTE No. 9 : FIXED ASSETS

(Amount in Rupess)

Sr. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS ON 01/04/2019	ADDITIONS DURING THE PERIOD	DEDUCTION DURING THE PERIOD	AS ON 31/03/2020	AS ON 01/04/2019	DEPRECIATION FOR THE PERIOD	ON DELETIONS PERIOD	UPTO 31/03/2020	AS ON 31/03/2020	AS ON 31/03/2019
	<b>TANGIBLE ASSETS :</b>										
	<b>OWN ASSETS:</b>										
1	<b>Furniture &amp; Fixtures</b>										
	Furniture	1,075,368	-	-	1,075,368	641,226	114,993		756,219	319,146	434,142
2	<b>Motor Vehicles</b>	819,000	-	-	819,000	798,378	458		798,836	20,164	20,622
3	<b>Computer</b>										
	Computer & Printers	92,464	-	-	92,464	71,928	6,484		78,412	14,052	20,536
4	<b>Other Assets</b>	73,349	6,000		73,349	50,789	4,252		55,041	24,308	22,560
	<b>SUB-TOTAL</b>	<b>2,060,181</b>	<b>6,000</b>	<b>-</b>	<b>2,066,181</b>	<b>15,62,321</b>	<b>126,187</b>	<b>-</b>	<b>16,88,508</b>	<b>377,670</b>	<b>497,860</b>
	<b>LEASE ASSETS :</b>	-	-	-	-	-	-	-	-	-	-
	<b>TOTAL - A</b>	<b>2,060,181</b>	<b>6,000</b>	<b>-</b>	<b>2,066,181</b>	<b>15,62,321</b>	<b>126,187</b>	<b>-</b>	<b>16,88,508</b>	<b>377,670</b>	<b>497,860</b>
	<b>INTENGIBLE ASSETS :</b>	-	-	-	-	-	-	-	-	-	-
	<b>TOTAL - B</b>	-	-	-	-	-	-	-	-	-	-
	<b>TOTAL A + B</b>	<b>2,060,181</b>	<b>6,000</b>	<b>-</b>	<b>2,066,181</b>	<b>15,62,321</b>	<b>126,187</b>	<b>-</b>	<b>16,88,508</b>	<b>377,670</b>	<b>497,860</b>
	<b>PREVIOUS YEAR</b>	<b>2,060,181</b>	<b>-</b>	<b>-</b>	<b>2,060,181</b>	<b>14,17,525</b>	<b>144,796</b>	<b>-</b>	<b>15,62,321</b>	<b>497,860</b>	
	<b>CAPITAL WORK IN PROGRESS</b>									-	-
	<b>INTENGIBLE ASSETS UNDER DEVELOPMENT</b>									-	-
	<b>PREVIOUS YEAR</b>										
	<b>CAPITAL WORK IN PROGRESS</b>									-	-
	<b>INTENGIBLE ASSETS UNDER DEVELOPMENT</b>									-	-



## NOTE No. 9 : FIXED ASSETS

(Amount in Rupess)

Sr. No.	DESCRIPTION	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		AS ON 01/04/2018	ADDITIONS DURING THE PERIOD	DEDUCTION DURING THE PERIOD	AS ON 31/03/2019	AS ON 01/04/2018	DEPRECIATION FOR THE PERIOD	ON DELETIONS PERIOD	UPTO 31/03/2019	AS ON 31/03/2019	AS ON 31/03/2018
	<b>TANGIBLE ASSETS :</b>										
	<b>OWN ASSETS:</b>										
1	<b>Furniture &amp; Fixtures</b>										
	Furniture	1,075,368	-	-	1,075,368	526,378	114,848		641,226	434,142	548,990
2	<b>Motor Vehicles</b>	819,000	-	-	819,000	777,592	20,786		798,378	20,622	41,408
3	<b>Computer</b>										
	Computer & Printers	92,464	-	-	92,464	67,246	4,682		71,928	20,536	25,218
4	<b>Other Assets</b>	73,349			73,349	46,309	4,480		50,789	22,560	27,040
	<b>SUB-TOTAL</b>	<b>2,060,181</b>	<b>-</b>	<b>-</b>	<b>2,060,181</b>	<b>1,417,525</b>	<b>144,796</b>	<b>-</b>	<b>1,562,321</b>	<b>497,860</b>	<b>642,654</b>
	<b>LEASE ASSETS :</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL - A</b>	<b>2,060,181</b>	<b>-</b>	<b>-</b>	<b>2,060,181</b>	<b>1,417,525</b>	<b>144,796</b>	<b>-</b>	<b>1,562,321</b>	<b>497,860</b>	<b>642,654</b>
	<b>INTENGIBLE ASSETS :</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL - B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL A + B</b>	<b>2,060,181</b>	<b>-</b>	<b>-</b>	<b>2,060,181</b>	<b>1,417,525</b>	<b>144,796</b>	<b>-</b>	<b>1,562,321</b>	<b>497,860</b>	<b>642,654</b>
	<b>PREVIOUS YEAR</b>	<b>2,023,881</b>	<b>12,000</b>	<b>-</b>	<b>2,035,881</b>	<b>1,049,651</b>	<b>161,477</b>	<b>-</b>	<b>1,211,128</b>	<b>824,753</b>	<b>-</b>
	<b>CAPITAL WORK IN PROGRESS</b>										
	<b>INTENGIBLE ASSETS UNDER DEVELOPMENT</b>										
	<b>PREVIOUS YEAR</b>										
	<b>CAPITAL WORK IN PROGRESS</b>										
	<b>INTENGIBLE ASSETS UNDER DEVELOPMENT</b>										

## NOTE No. 10 : TRADE PAYABLES

(Amount in Rupess)

10	TRADE PAYABLES	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Micro, Small & Medium Enterprises	20,855	-	-
	Others	40,94,153.37	30,14,891	2,960,374
	<b>TOTAL</b>	<b>41,15,008.37</b>	<b>30,14,891</b>	<b>2,960,374</b>

Details of dues to Micro, small &amp; 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 information available with the company, the balance due to micro and small enterprise as defined under the MSMED Act, 2006 is Rs 20,855/-. No interest has been paid or payable under MSMED Act, 2006 during the year

There are no Due payable to small scale industries undertaking in view of the business of the company.

10.1	The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the Company is as under.	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Principle Amount Due and Remains unpaid	20,855	-	-
	Interest due on above and the unpaid interest	-	-	-
	Interest Paid	-	-	-
	Payment made beyond the appointed day during the year	-	-	-
	Interest due and payable for the period of delay	-	-	-
	Interest Accrued and remaining unpaid	-	-	-
	Amount of further interest remaining due and payable in succeeding years.	-	-	-
	<b>TOTAL</b>	<b>20,855</b>	<b>-</b>	<b>-</b>

## NOTE No. 11 : Borrowings (Other than Debt Securities)

(Amount in Rupees)

11	Borrowings (Other Than Debt Securities)	As on 31 <sup>st</sup> March 2020			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
<b>A)</b>	<b>Term Loan</b>				
	i) From Bank	-	-	-	-
	ii) From Other	-	-	-	-
<b>B)</b>	Defferred Payment Laibilities	-	-	-	-
<b>C)</b>	Loan from Related Parties	-	-	-	-
<b>D)</b>	<b>Loan Repayable on Demand</b>				
	(i) From Bank	-	-	21,31,380	21,31,380
	(ii) From Related Parties	-	-	1,03,316	1,03,316
	(iii) From Other	-	-	-	-
<b>E)</b>	<b>Other Loan</b>				
	(i) Inter Corporate Loan Under Pass through Arrangement	-	-	11,07,17,606	11,07,17,606
	<b>Total Borrowings</b>	-	-	<b>11,29,52,302</b>	<b>11,29,52,302</b>
	Borrowings in India	-	-	11,29,52,302	11,29,52,302
	Borrowings Outside India	-	-	-	-

11	Borrowings (Other Than Debt Securities)	As on 31 <sup>st</sup> March 2020			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
	<b>Total Borrowings</b>	-	-	11,29,52,302	11,29,52,302
	Unsecured Borrowings			11,08,20,922	11,08,20,922
	Secured Borrowings			21,31,380	21,31,380
	<b>Total Borrowings</b>			-	-
	<b>TOTAL</b>	0	0	11,29,52,302	11,29,52,302

11	Borrowings (Other Than Debt Securities)	As on 31 <sup>st</sup> March 2019			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
<b>A)</b>	<b>Term Loan</b>				
	i) From Bank	-	-	-	-
-	ii) From Other	-	-	-	-
<b>B)</b>	Defferred Payment Laibilities	-	-	-	-
<b>C)</b>	Loan from Related Parties	-	-	-	-
<b>D)</b>	<b>Loan Repayable on Demand</b>	-	-	-	-
	(i) From Bank	-	-	-	-
	(ii) From Related Parties	-	-	1,28,57,634	1,28,57,634
	(iii) From Other	-	-	41,80,798	41,80,798
<b>E)</b>	<b>Other Loan</b>	-	-		
	(i) Inter Corporate Loan Under Pass through Arrangement	-	-	14,32,54,460	14,32,54,460
	<b>Total Borrowings</b>	-	-	16,02,92,892	16,02,92,892
	Borrowings in India	-	-	16,02,92,892	16,02,92,892
	Borrowings Outside India	-	-	-	-
	<b>Total Borrowings</b>	-	-	16,02,92,892	16,02,92,892
	Unsecured Borrowings	-	-	16,02,92,892	16,02,92,892
	Secured Borrowings	-	-	-	-
	<b>Total Borrowings</b>			-	-
	<b>TOTAL</b>	-	-	16,02,92,892	16,02,92,892

11	Borrowings (Other Than Debt Securities)	As On 01 <sup>st</sup> April 2018			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
<b>A)</b>	<b>Term Loan</b>				
	i) From Bank	-	-	-	-
-	ii) From Other	-	-	-	-
<b>B)</b>	Defferred Payment Laibilities	-	-	-	-

11	Borrowings (Other Than Debt Securities)	As On 01 <sup>st</sup> April 2018			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
C)	Loan from Related Parties	-	-	-	-
D)	<b>Loan Repayable on Demand</b>	-	-	-	-
	(i) From Bank	-	-	-	-
	(ii) From Related Parties	-	-	-	-
	(iii) From Other	-	-	46,35,370	46,35,370
E)	<b>Other Loan</b>	-	-	-	-
	(i) Inter Corporate Loan Under Pass through Arrangement	-	-	14,05,39,466	14,05,39,466
	<b>Total Borrowings</b>	-	-	<b>14,51,74,836</b>	<b>14,51,74,836</b>
	Borrowings in India	-	-	14,51,74,836	14,51,74,836
	Borrowings Outside India	-	-	-	-
	<b>Total Borrowings</b>	-	-	<b>14,51,74,836</b>	<b>14,51,74,836</b>
	Unsecured Borrowings	-	-	14,51,74,836	14,51,74,836
	Secured Borrowings	-	-	-	-
	<b>Total Borrowings</b>	-	-	<b>14,51,74,836</b>	<b>14,51,74,836</b>
	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>14,51,74,836</b>	<b>14,51,74,836</b>

## NOTE No. 12 : Other Financial Liabilities

(Amount in Rupees)

12	Other Financial Liabilities	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Interest Accrued	-	-	-
	Unpaid Dividend	-	-	-
	Unpaid Matured Deposits & interest Accrued thereon	-	-	-
	Others	-	-	-
	<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTE No. 13 : Provisions

(Amount in Rupees)

13	Provisions	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Provision for Income Tax	3,27,932	26,59,241	22,97,469
	General Provision on Standard Assets	3,14,632.65	7,04,334	6,27,617
	Provision for Audit Fees	1,35,000	1,90,000	1,50,000
	<b>TOTAL</b>	<b>7,77,564.65</b>	<b>35,53,575</b>	<b>30,75,086</b>

## NOTE No. 14 : Other Non-Financial Liabilities

(Amount in Rupees)

14	Other Non- Financial Liabilities	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Statutory Dues	-	-	-
	Revenue Received in Advance	-	-	-
	TDS Payable	5,26,012	15,59,540	6,91,223
	<b>TOTAL</b>	<b>5,26,012</b>	<b>15,59,540</b>	<b>6,91,223</b>

## NOTE No. 15 : SHARE CAPITAL

(Amount in Rupees)

15	SHARE CAPITAL	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	<b>AUTHORISED SHARE CAPITAL</b>			
	1,05,00,000 Equity Shares of ` 10/- Each	105,000,000.00	105,000,000.00	105,000,000.00
	<b>Issued, Subscribed &amp; Paid-up</b>			
	Equity Shares of ` 10/- Each Fully paid up	100,500,000.00	100,500,000.00	100,500,000.00

15.1 The reconciliation of Numbers of Shares outstanding is set out below:				
	Particulars	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
		Number of Shares	Number of Shares	Number of Shares
	Equity Shares at the beginning of the year	10050000	10050000	10050000
	Add: Shares Issued at Par	-	-	-
	<b>Equity Shares at the end of the year</b>	<b>10050000</b>	<b>10050000</b>	<b>10050000</b>

15.2 Terms/Rights attached to Equity Shares	
	The Company has only one class of equity shares having a value of Rs 10/ per share. Each holder of equity shares is entitled to one vote per shares.
	In the event of liquidation of the company, the holders of the 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 share held by the shareholders

15.3 Details of Shareholders holding more than 5% shares in company							
	Particulars	No. of Shares	% of Total Holding	No. of Shares	% of Total Holding	No. of Shares	% of Total Holding
	Raman Pragjibhai Morzaria	2934208	29.20%	29,29,208	29.15%	2867700	28.53%
	Kush R Morzaria	1478850	14.71%	14,78,850	14.71%	1478850	14.71%
	Jay Ramanbhai Morzaria	1157350	11.52%	11,57,350	11.52%	1157350	11.52%
	As per the record of the company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal & beneficial ownership of shares.						

## NOTE No. 16 : RESERVES &amp; SURPLUS

(Amount in Rupees)

16	RESERVES & SURPLUS	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	<b>Reserve Fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934</b>			
	Balance as per Last Financial Statement	5,096,646.36	3,652,211.26	2,409,509.00
	Add: Set aside during the Year	215,004.24	1,444,435.10	1,242,702.26
	Closing Balance	5,311,650.60	5,096,646.36	3,652,211.26
	General Reserve	15,000.00	15,000.00	15000.00
	<b>Profit &amp; Loss Account</b>			
	As per Last Balance Sheet	9,054,560	3,276,820	(1,693,989)
	Add: Profit for the year	1,075,021	7,222,175	6,213,511
	Less: Appropriations			

16	RESERVES & SURPLUS	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	As at 01 <sup>st</sup> April 2018
	Transferred to Statutory Reserve Fund	(215,004.24)	(1,444,435)	(1,242,702)
	Provision for Reduction in Value of Investments	-	-	-
	Proposed Dividend	-	-	-
	Tax on Dividend	-	-	-
	Closing Balance	9,914,577.41	9,054,560.44	3,276,820.06
	Securities Premium on Equity Shares	10,140,000.00	10,140,000.00	10,140,000.00
	<b>TOTAL</b>	<b>25,381,228.00</b>	<b>24,306,206.79</b>	<b>17,084,031.32</b>

## NOTE No. 17 : Interest Income

(Amount in Rupees)

17	Interest Income	As on 31 <sup>st</sup> March 2020			
		On Financial Assets Measured through			Total
		Other Comprehensive Income	Profit and Loss account	At Amortised Cost	
<b>A)</b>	<b>Term Loan</b>				
	Interest on Loan	-	-	2,76,35,878.05	2,76,35,878.05
	Interest on Income from Investment	-	-	-	-
	Interest on Deposits with Bank	-	-	-	-
	<b>Other Interest Income</b>	-	-	-	-
	Interest on Income Tax Refund	-	37	-	37
	<b>TOTAL</b>	<b>0</b>	<b>37</b>	<b>2,76,35,878.05</b>	<b>2,76,35,915.05</b>

## NOTE No. 17 : Interest Income

(Amount in Rupees)

17	Interest Income	As on 31 <sup>st</sup> March 2019			
		On Financial Assets Measured through			Total
		Other Comprehensive Income	Profit and Loss account	At Amortised Cost	
	Interest on Loan	-	-	3,24,01,510.00	3,24,01,510.00
	Interest on Income from Investment	-	-	-	-
	Interest on Deposits with Bank	-	-	-	-
	<b>Other Interest Income</b>	-	-	-	-
	Interest on Income Tax Refund	-	-	-	-
	<b>TOTAL</b>	<b>0</b>	<b>-</b>	<b>3,24,01,510.00</b>	<b>3,24,01,510.00</b>

## NOTE No. 18 : Finance Cost

(Amount in Rupees)

18	FINANCE COST	As at 31 <sup>st</sup> March 2020		As at 31 <sup>st</sup> March 2019	
	Particular	On Financial Liabilities measured at fair value through Profit and loss	On Financial Liabilities measured at fair value through Other comprehensive Income	On Financial Liabilities measured at fair value through Profit and loss	On Financial Liabilities measured at fair value through Other comprehensive Income
	Interest on Deposits	-	-	-	-
	Interest on Borrowings	25,74,316.00	-	15,763,274.14	-
	Other Interest Expenses	-	-	-	-

18	FINANCE COST	As at 31 <sup>st</sup> March 2020		As at 31 <sup>st</sup> March 2019	
	Particular	On Financial Liabilities measured at fair value through Profit and loss	On Financial Liabilities measured at fair value through Other comprehensive Income	On Financial Liabilities measured at fair value through Profit and loss	On Financial Liabilities measured at fair value through Other comprehensive Income
	Bank Interest	35,786.00	-	-	-
	<b>TOTAL</b>	<b>26,10,102.00</b>	<b>-</b>	<b>15,763,274.14</b>	<b>-</b>

## NOTE No. 19 : Cost of Purchase

(Amount in Rupees)

19	COST OF PURCHASE	For the year ended on 31 <sup>st</sup> March 2020	For the year ended on 31 <sup>st</sup> March 2019
	USD Purchase		
	LOCAL	-	-
	<b>TOTAL</b>	<b>-</b>	<b>-</b>

## NOTE No. 20 : CHANGES IN INVENTORIES OF FOREIGN CURRENCY

(Amount in Rupees)

20	CHANGES IN INVENTORIES OF FOREIGN CURRENCY	For the year ended on 31 <sup>st</sup> March 2020	For the year ended on 31 <sup>st</sup> March 2019
	Inventories (At Close)		
	Closing Stock of Foreign Currency	19,232.73	16,598.40
	Inventories (At Commencement)		
	Opening Stock of Foreign Currency	16,598.40	16,598.40
	<b>TOTAL</b>	<b>(2,634.33)</b>	<b>-</b>

## NOTE No. 21 : EMPLOYEES BENEFIT EXPENSES

(Amount in Rupees)

21	EMPLOYEES BENEFIT EXPENSES	For the year ended on 31 <sup>st</sup> March 2020	For the year ended on 31 <sup>st</sup> March 2019
	Salaries & Bonus	19,42,550.00	15,30,666.00
	Director's Remuneration	12,00,000.00	12,00,000.00
	Staff Welfare Expenses	98,357.00	54,225.20
	<b>TOTAL</b>	<b>32,40,907.00</b>	<b>2,784,891.20</b>

## NOTE No. 22 : DEPRICIATION &amp; AMORTIZATION EXPENSES

(Amount in Rupees)

22	DEPRICIATION & AMORTIZATION EXPENSES	For the year ended on 31 <sup>st</sup> March 2020	For the year ended on 31 <sup>st</sup> March 2019
	Depreciation	1,26,187.00	1,14,796.00
	Preliminary Expenses Written off	-	-
	<b>TOTAL</b>	<b>1,26,187.00</b>	<b>1,14,796.00</b>

## NOTE No. 23 : OTHER EXPENSES

(Amount in Rupees)

23	OTHER EXPENSES	For the year ended on 31 <sup>st</sup> March 2020	For the year ended on 31 <sup>st</sup> March 2019
	Indirect Expenses		
	Advertisement Expenses	1,06,434.00	1,07,512.00
	Annual Fees Expenses	4,06,438.82	4,09,955.20
	Audit Fees	1,71,696.50	1,90,000.00

23	OTHER EXPENSES	For the year ended on 31 <sup>st</sup> March 2020	For the year ended on 31 <sup>st</sup> March 2019
	Bank Charges	15,206.01	13,032.31
	CGST Expense	1,46,802.89	-
	Commission Expense	18,11,250.00	-
	Court Case Fees	51,630.00	-
	Customer Credit Report Exp	922.05	-
	Demat Account Charges	861.40	-
	Electric Expenses	32,708.00	39,781.00
	E Voting Expenses	8,000.00	-
	Foreign Investment Monitoring Charges	-	10,000.00
	House Keeping Expenses	18,000.00	12,000.00
	IGST Expenses	47,026.00	-
	Interest on GST	2,336.00	-
	Interest on T D S	6,696.00	6,708.00
	Insurance Charges	-	15,252.00
	Internet Expenses	15,442.00	15,420.00
	Kasar	-	2.46
	Legal Fees	4,44,630.00	-
	Marketing Expenses	10,00,000.00	-
	Membership Fees	-	11,249.00
	Misc Expenses	790.00	-
	News Paper Expenses	1,700.00	1,700.00
	Impairment Loss	145,34,141.72	15,67,041.12
	Office Expenses	15,556.00	3,044.17
	Office Rent	6,00,000.00	6,00,000.00
	Late fees on TDS	1,300.00	-
	Postage & Courier Expenses	3,893.00	4,296.00
	Printing & Stationery Expenses	18,708.00	17,274.50
	Professional Fees	1,02,300.00	1,05,900.00
	Professional tax for Employee	-	5,100.00
	Repair and Maintenance	5,625.52	-
	Report Expenses	273.00	-
	ROC Fees	8,400.00	11,700.00
	SGST Expenses	1,46,802.89	-
	Software Renewal Fees	14,406.00	18,005.00
	Statutory Expenses	-	3,693.00
	Tea & Coldrinks Expenses	45,785.00	38,310.00
	Telephone Expenses	4,311.00	11,749.00
	Travelling Expenses	2,13,975.92	2,22,818.74
	Vehicle Expenses	2,57,825.38	2,70,252.07
	Website Domain Expenses	3,540.00	12,650.00
	Write Off	2,966.07	1,15,922.00
	<b>TOTAL</b>	<b>2,02,68,379.17</b>	<b>38,40,367.57</b>

NOTE No. 24 : Contingent Liabilities

(Amount in Rupees)



24	Contingent Liabilities	For the year ended on 31 <sup>st</sup> March 2020	For the year ended on 31 <sup>st</sup> March 2019
	Claim against the Company not acknowledge as debt	1,19,87,000.00	-
	Guarantees excluding Financial Guarantees	-	-
	Other Money for which Company is Contingently Liable	-	-
	<b>TOTAL</b>	<b>1,19,87,000.00</b>	<b>-</b>

The Company's has borrowing in the form of Inter Corporate Loans carried in the Balance Sheet at Rs. 1086.80 Lakhs, interest to the extent of Rs. 119.87 Laksh is not provided thereon for current year due to litigation with the party, outcome of the same is yet to come. The Company has corresponding NIM (Net Interest Margin) based Advances in the nature of Pass-through transaction that have become NPA.

#### 25. Earning Per Share:-

Particulars	Period Ended on 31 <sup>st</sup> March, 2020 (Rupees)
Profit / (Loss) after tax attributable to Equity Shareholders (A)	10,75,021
Weighted Number of Equity Share outstanding During the year (B) (In Nos.)	1,00,50,000
Basic Earnings Per Share for each Share of Rs. 10/- (A) / (B)	0.11

#### 26. Auditors remuneration for the year is as follows:-

Statutory Audit Fees: Rs. 1,50,000/- (previous year Rs.,1,50,000/-)

Tax Audit Fees: Rs. 40,000/- (previous year Rs.40,000/-)

#### 27. Related Party Disclosure :-

The Disclosures of Transaction with the related parties as defined in the in the Accounting Standard are as follows:

##### i) Details of Related parties involved:

Name of the person	Relation With Company
Mr. Raman Morzaria	Whole Time Director (Promoter)
Mr. Jay Raman Morzaria	Managing Director (Promoter)
Mr. Kush Raman Morzaria	Chief Financial Officer (CFO-KMP) (Promoter Group)
Mr. Parth chandreshbhai maniar	Non- Executive-( Independent) Director
Mrs. Birmda Minoobhai Maniar	Non- Executive-( Independent) Director
Ms. Nitixa Ramanuj	Company Secretary (KMP)

##### ii) Related Parties which are Director/Designated partner in other Entities:

Sr. No.	Name of Related Party	Nature of Interest	
		Name of the Entities	Nature of Interest
1.	Mr. Raman Pragjibhai Morzaria	Vraj Kamman Real Estate Developers Private Limited	Director (Promoter) and Member
		Midas Impex Private Limited	Director (Promoter) and Member
		Vraj Construction Private Limited	Director (Promoter) and Member
		Vrajlegacy Infratech Private Limited	Director & Shareholder
		Vrajkamman Sai Hospitality Private Limited	Director
2.	Mr. Jay Raman Morzaria	Vraj Kamman Real Estate Developers Private Limited	Director (Promoter) And Member
		Midas Impex Private Limited	Director (Promoter) And Member
		Vraj Construction Private Limited	Director (Promoter) And Member
		Vrajkamman Sai Hospitality Private Limited	Director
		Vraj Kamman Developers LLP	Designated Partner

Sr. No.	Name of Related Party	Nature of Interest	
		Name of the Entities	Nature of Interest
		Roots and Stalks Digital Private Limited	Director (Promoter)
		Vraj Bvg Infrasheltors LLP	Designated Partner
3	Mr. Kush Raman Morzaria	Midas Impex Private Limited	Director
		Vraj Bvg Infrasheltors LLP	Designated Partner
4.	Mr. Parth Chandreshbhai Maniar	NIL	NIL
5.	Mrs. Birmda Minoobhai Bilimoria	NIL	NIL
6.	Ms. Nitixa Ramanuj	NIL	NIL

iii) **Transactions With Related Parties:**

Sr. No.	Name of the person	Nature of Transaction	Amount (Rs.)
1	Mr. Raman Morzaria	Remuneration	6,00,000
2	Mr. Raman Morzaria	Rent	6,00,000
3	Mr. Raman Morzaria	Interest on Loan	99,573
4	Mr. Raman Morzaria	Interest Received on loan given	8,668
5	Mr. Kush Morzaria	Salary	1,75,000
6	Mr. Jay Morzaria	Remuneration	6,00,000
7	Mr. Jay Morzaria	Interest on Loan	1,74,958
8	Mr. Jay Morzaria	Interest Received on loan given	16,523
9	Ms. Nitixa Ramanuj	Salary	3,90,000

iv) **Loan Details from related parties:**

Name of person	Balance as on 01-04-2018	Addition during the period	Repayment during the period	Balance as on 31-03-2019
Raman Morzaria	63,11,816	44,98,809	1,08,10,625	0.00
Jay Morzaria	65,45,818	32,76,610	97,19,112	1,03,316

28. The previous year's figures have been reworked, regrouped, and reclassified wherever necessary. Amounts and other disclosures for the preceding year are included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year.

29. Credit and Debit balances of unsecured loans, sundry creditors, sundry Debtors, loans and Advances are subject to confirmation and therefore the effect of the same on profit could not be ascertained.

30. **Risk Management**

The Company's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance and support the company's operations. The Company's principal financial assets include loans, investments, cash and cash equivalents and other receivables that are derived directly from its operations. As a financial lending institution, Company is exposed to various risks that are related to lending business and operating environment. The principal objective in Company's risk management processes is to measure and monitor the various risks that Company is subject to and to follow policies and procedures to address such risks.

The Company's Risk Management Committee of the Board of directors constituted in accordance with the Reserve Bank of India regulations has overall responsibility for overseeing the implementation of the Risk Management Policy. The committee meets at least twice in a year to review the Risk Management practices. Risk Management department periodically places its report to the committee for review. The committee's suggestions for improving the Risk Management Practices are implemented by the Risk Management department.

Risk Management department shall be responsible for the following:

Identifying the various risks associated with the activities of the Company and assessing their impact on the business.

Measuring the risks and suggesting measures to effectively mitigate the risks.

However, the primary responsibility for managing the various risks on a day to day basis will be with the heads of the respective business units of the company.

The Company is generally exposed to credit risk, liquidity risk, market risk and operational risk.

#### Impairment Assessment

The Company is mainly engaged in the business of providing Personal loans, Business Loan, Term Loan & Loan against property. The tenure of the loans generally is for 12 to 60 months.

The Company also provides unsecured personal loans to salaried individuals and unsecured loans to traders and self-employed. The tenure of the loans ranges from 12 months to 60 months.

The Company's impairment assessment and measurement approach is set out in this note. It should be read in conjunction with the Summary of significant accounting policies.

#### Definition of default and cure

The Company considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for Expected Credit.

Loss (ECL) calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2, as appropriate.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

#### Exposure at Default (EAD)

The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest.

#### Probability of default (PD)

The Probability of Default is an estimate of the likelihood of default over a given time horizon. To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Company uses historical information wherever available to determine PD. PD is calculated using Incremental 91 DPD approach considering fresh slippage using historical information.

Company's internal credit rating grades and staging criteria for loans are as follows:

Rating	Loan Days past Due (DPD)	Stages
High Grade	Not Yet Due	Stage 1
Standard Grade	1 - 30 DPD	Stage 1
Sub - Standard Grade	31 - 60 DPD	Stage 2
Past due but not impaired	61 - 90 DPD	Stage 2
Individually Impaired	91 DPD or Mores	Stage 3

#### 31. Notes forming part of accounts in relation to MSME

Based on information available with the company, on the status of the suppliers being Micro or small enterprises, on which the auditors have relied, the disclosure requirements with regard to the payments made/due to Micro and small Enterprises are given below:

Sr. No.	Particulars	Year Ended 31-03-2020		Year Ended 31-03-2019	
		Principal	Interest	Principal	Interest
I	Amount due as at the date of Balance sheet	20,855	Nil	Nil	Nil
li	Amount paid beyond the appointed date during the year	Nil	Nil	Nil	Nil
lii	Amount of interest due and payable for the period of delay in making payments of principal during the year beyond the appointed date	Nil	Nil	Nil	Nil
lv	The amount of interest accrued and remaining unpaid as at the date of Balance sheet	Nil	Nil	Nil	Nil

32. The SARS-Cov-2 virus is responsible for Covid-19 that spreads in a world including our country. It contributes to a significant deadline and volatility in global and Indian Financial Markets and having a significant decrease in the economic activities in international markets including in our country.

On March 11, 2020 the Covid-19 outbreaks declared as a global pandemic by World Health Organization (WHO). On March 24, 2020, the Government of India has announced a strict 21 days lockdown which kept getting on extended across the country with gradual and modest relaxations.

There was no disbursement done during the period however the collection being banking based continued. Further as per RBI moratorium period the board of directors of the company has decided to provided certain relaxations to its customers, as, Majority of customers are regular paying their dues so in this pandemic situation rather than giving new loan to unknown customers of company and to minimize risk, we can increase the timeline of loan to the customers whoever demand after considering other situation/s in case to case basis.

The Company has, based on current available information estimated and applied management overlays based on the policy approved by the Board of Directors for the purpose of determination of the provision for impairment of financial assets. Given the uncertainty over the potential macro-economic impact, the Company's management has considered internal and external information including credit reports and economic forecasts up to the date of approval of these financial results. Accordingly, the provision for expected credit loss on financial assets as at 31 March 2020 aggregates Rs. 216.51 lakh (as at March 31 2019, Rs. 67.27 lakh).

The operations of the Company were shut down as per the lockdown norms of Government of India as given on March 23, 2020. The administrative work of the company was continued through work from home facility to the best possible extent in order to comply with duly applicable legal framework.

Further, in compliance with the various directives of the Government of India, operations of the Company have been, resumed in the permitted manner. The company is complying with all the conditions imposed by the Government of India, State Government(s), Local authorities and undertaking the necessary measures for safeguarding health & safety of the employees of the company. The Company has taken various safety steps such as thermal screening of all employees and visitors, maintaining of social distancing at all work places, sanitizing the premises on regular basis and enforcing wearing of mask etc. In our efforts for the health and wellbeing of employees, steps have been taken to ensure efficient workplace; have moved meetings and trainings to virtual formats up to the extent possible.

**Details of impact of Covid-19 on the company:**

Capital and financial resources - The Company has adequate, capital and financial resources to run its business operations.

Profitability- The Company have recognized provisions as on March 31, 2020 towards its assets including loans based on the information available at this point of time including economic forecasts and various other (parameters, in accordance with the Expected Credit Loss (ECL) method but it is difficult to foresee the final impact, so company keep on monitoring the overall situation and will recalibrate the model accordingly. The Company is taking various steps to control the operating cost.

Liquidity position - The current liquidity position of the Company is comfortable and believes that going forward also liquidity and internal accruals shall be sufficient to continue business operations. Meanwhile, the company is also in discussions with various institutions for raising funds.

Assets - The economic disruption brought by the COVID-19 lockdown will have a severe impact on the incomes of borrowers for several months depending on the intensity and spread of the outbreak. The RBI has provided a 6-month moratorium to provide a temporary reprieve but the ability to return to steady state operations depends on how quick the industry scales up production. This results in an increase in the credit risk.

Internal Financial Reporting and Control - The Company has, in all material respects, an adequate internal financial controls system over financial reporting.

We may like to state that the foregoing expressions are initial assessment of the situation and the final impact of any activities can only be assessed once the normal economic activities commence and situation stabilizes.

**For D G M S & Co. [FRN: 0112187W]  
Chartered Accountants**

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

**Hiren J. Maru**  
Partner  
[M. No. 115279]  
UDIN: 20115279AAAACH4006

**Nitixa Ramanuj**  
Company Secretary  
PAN: BVBPR8851B

**Kush R Morzaria**  
Chief Financial Officer  
PAN: BAJPM1377E

**Raman P Morzaria**  
Whole Time Director  
DIN: 00203310

**Jay R Morzaria**  
Managing Director  
DIN: 02338864

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date: 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

Date : 30<sup>th</sup> July 2020  
Place: Jamnagar

**REQUEST LETTER FOR UPDATING RECORDS**

To,

**Satellite Corporate Services Private Limited**

Office no. 106 & 107, Dattani Plaza,  
East West Compound,  
Andheri Kurla Road, Safedpul  
Sakinaka, Mumbai-400072, Maharashtra

Dear Sir/Madam,

**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/DP ID/ Client ID		No of Shares Held	
Name of the Shareholder	1. 2.		
Address of The First Holder			
Email Id			
PAN		Telephone No(s)	
Bank Name			
Branch Address			
Bank Account Number			
MICR Code		IFSC Code	
Specimen Signature(s)	1. 2.		
Attestation By Bank Under Their Stamp			
<b>Name of the officer</b>			
<b>Authorization Code Number</b>			
<b>Contact Number</b>			

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.

Note:

- Shareholders who hold the shares in demat mode are requested to update the details with their Depository Participant.
- 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.
- Attach following documents along with form.
  - Attested copy of the PAN card.
  - Attested copy of Aadhar Card/Passport/ration Card/Driving Licence/Voter Id (any one) (If PAN card is not obtained)
  - Attested copy of latest utility Bill (Telephone/Electricity/Gas) (any one) (if the address is changed)
  - In case of death of any holder kindly send attested copy of the death certificate.
  - Copy of Cancel Cheque

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 BSE listing agreement and SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, 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.

In accordance with BSE Circular No. LIST/COMP/15/2018-19 dated July 5, 2018 and other related circulars issued by SEBI, all shareholders are hereby informed that with effect from April 1, 2019, the shares lodged for transfer shall must be in dematerialized form only and no physical shares can be lodged for transfer. Hence, 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.

Place:

Date:

\_\_\_\_\_  
Signature of sole/ First Holder