



KFL

Karnavati Finance Limited

Administrative & Corporate Office : "Vraj" 5th Floor, Nr. Teen Batti, Limda Lane, **Jamnagar** - 361 001 (Gujarat) India.
Phones : +91 288 2663042 Fax : +91 288 2673759 Mo. +91 990 456 1000 Email : info@karnavatifinancelimited.com

Date: September 28, 2018

To,
BSE Limited
PhirozeJeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

Dear Sir/Madam,

Sub: Submission of 34th Annual Report for FY 2017-18

Ref: Karnavati Finance Limited (Security Id/Code: KARNAVATI/538928)

With reference to the subject cited above, we have enclosed 34th Annual Report for FY 2017-18 of the company pursuant to Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the same in your records and oblige us.

Thanking you

For, Karnavati Finance Limited

Raman Morzaria
Whole Time Director
DIN: 00203310



Encl.: 34th Annual Report for FY 2017-18

Registered & Corporate Office :

G-2, Sagar Deep Darshan Co-Operative Housing Society Ltd., S. V. Road, Borivali (W) **Mumbai** - 400092 (Maharashtra) India.
Phone : +91 73037 98900 Website : www.karnavatifinancelimited.com



KARNAVATI FINANCE LIMITED

SINCE 1984

34th
ANNUAL REPORT
2017 - 2018

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Corporate Information

Karnavati Finance Limited
CIN: L65910MH1984PLC034724

Registered Office	Corporate Office
Unit No. 2, Sagar Deep Darshan Co-Operative Housing Society Limited, S.V.Road, Borivali (West), Mumbai-400092, Maharashtra. Contact No. : 022 28999100 E-Mail ID: karnavatifinance@gmail.com Website : www.karnavatifinancelimited.com	“Vraj”, 05 th 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

BOARD OF DIRECTORS			
Sr. No.	Name	Director Identification Number (DIN)	Designation
1.	Mr. Jay Morzaria	02338864	Managing Director
2.	Mr. Raman Morzaria	00203310	Whole-Time Director
3.	Mr. Jay Somaiya	06933178	Independent Director
4.	Miss Hardika Mandavia*	05115162	Independent Director
5.	Mrs. Brimda Bilimoria**	08196034	Additional Independent Director

Note: * Ms. Hardika Mandavia (DIN: 05115162) has resigned from the board w.e.f. August 13, 2018.

** Mrs. Brimda Bilimoria (DIN: 08196034) has been appointed as a Non-Executive Additional Women Independent director on the board w.e.f. August 13, 2018.

KEY MANAGERIAL PERSONNEL			
Sr. No.	Name	DIN/PAN	Designation
1.	Mr. Kush Morzaria	BAJPM1377E	Chief Financial Officer
2.	Miss Nitixa Ramanuj	BVBPR8851B	Company Secretary & Compliance Officer

REGISTRAR & SHARE TRANSFER AGENT - Satellite Corporate Services Private Limited
Unit No. 2, Building No. 13 A-B, 2 nd Floor, Samhita Commercial Co-Op. Soc. Limited, Off. Andheri Kurla Road, MTNL Lane, Sakinaka, Mumbai-400072 E-Mail ID : service@satellitecorporate.com; Contact No. : 022 28520461

COMMITTEES OF BOARD OF DIRECTORS

Audit Committee

Sr. No.	Name	Designation
1.	Mr. Jay Somaiya	Chairperson
2.	Mr. Jay Morzaria	Member
3.	Miss Hardika Mandavia	Member

Stakeholder's Relationship Committee

Sr. No.	Name	Designation
1.	Mr. Jay Morzaria	Chairperson
2.	Mr. Jay Somaiya	Member
3.	Miss Hardika Mandavia	Member

Nomination & Remuneration Committee

Sr. No.	Name	Designation
1.	Mr. Jay Morzaria	Chairperson
2.	Mr. Jay Somaiya	Member
3.	Miss Hardika Mandavia	Member

DETAILS OF AUDITORS

Statutory Auditor	Internal Auditor	Secretarial Auditor
M/S. Doshi Maru & Associates Chartered Accountant Office No. 10, Vihang Vihar, Opp. Gautam Park, Panchpakhdi, Thane (West) - 400602	M/S. Suresh Tejawani & Co. Chartered Accountant 109, 110 City Arcade, Near D.S.P. Bungalow, Tin Batti-361001, Jamnagar-361001, Gujarat.	Mrs. Ankita Patel Practicing Company Secretary 3/B, Shyamal Row House, Besides Sanjay Tower, Satellite, Ahmedabad - 380 015

BANKER

Corporation Bank
Address: Manek Centre, Nehru Marg, Jamnagar-361001, Gujarat.

Letter to Shareholders

Dear Shareholders,

I, **Jay Morzaria**, Managing Director of the Company, heartily welcome you all to this 34th Annual General Meeting to be held at Mumbai.

We have successfully completed one year of listing on Main Board of BSE Limited and I am happy to inform you that top line of your company has been improved due to increase in financing activities.

This improvement in performance was possible mainly on account of continued support of strategic investors and farsighted leadership provided by the Board of Directors. This was supplemented by support at all the levels of operations by all the staff members of your Company.

I would like to thank the entire management team, the entire work force, the Bankers and also Business Associates for enabling your Company to grow. I have also taken this opportunity to thank my fellow Directors for their immense efforts in formulating and steering your Company' strategies and policies.

This year, as the previous one, witnessed high volatility in market conditions. Your Company could withstand this only on account of efforts at all levels. Your Company is presently focusing on improving efficiency and also on tackling vibrant and volatile market conditions by adopting different business models. I am confident that your Company will achieve greater heights in the times to come and also will deliver long term value addition to our shareholders.

Yours sincerely,

Jay Morzaria
Chairman & Managing Director
DIN: 02338864

Notice to Shareholders

Notice is hereby given that the 34th Annual General Meeting of the Members of Karnavati Finance Limited will be held at the Registered Office of the Company situated at Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (West), Mumbai, Maharashtra - 400 092 on Thursday, September 20, 2018 at 10:00 A.M. to transact the following businesses:

Ordinary Businesses:-

1. To receive, consider and adopt audited financial statement of account for the financial year ended on March 31, 2018 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.
3. To appoint Statutory Auditor and fix their remuneration

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

"RESOLVED THAT pursuant to the provisions of Section 139, 142, and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 including any statutory modification(s) or re-enactment(s) thereof for the time being in force, M/s. Doshi Maru & Associates., Chartered Accountants (Firm Registration No. 0112187W) be and is hereby appointed as a Statutory Auditors of the Company for a term of 5 (five) consecutive years from the conclusion of this Annual General Meeting till the conclusion of thirty ninth Annual General Meeting from this Annual General Meeting, at such remuneration as shall be fixed by the board of directors of the company."

Special Businesses:-

4. Appointment of Mr. Parth Maniar as an Independent director of the company

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

"RESOLVED THAT pursuant to the provisions of Sections 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 Qualification of Directors) Rules, 2014 and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mr. Parth Maniar (DIN: 07980886), who qualifies for being appointed as an Independent 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 an Independent Director of the Company, not liable to retire by rotation and to hold office for a term of 5 (five) consecutive years, that is, up to thirty ninth Annual General Meeting."

5. Appointment of Mrs. Brimda Bilimoria as an Independent director of the company

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

"RESOLVED THAT pursuant to the provisions of Sections 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 Qualification of Directors) Rules, 2014 and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mrs. Brimda Bilimoria (DIN: 08196034), who was appointed as an Non-Executive (additional & independent) director of the company with effect from August 13, 2018 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 an Independent Director of the Company, not liable to retire by rotation and to hold office for a term of 5 (five) consecutive years, that is, up to the period of August 12, 2023."

Registered Office

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

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

Place: Mumbai

Date: August 13, 2018

Jay Morzaria
Managing Director
DIN: 02338864

Notes:

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

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

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

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

2. Members/Proxies should bring their Attendance slip duly completed for attending the meeting. The signature of the attendance slip should match with the signature(s) registered with the Company. Members holding shares in dematerialized form are requested to bring their Client ID and DP ID numbers for identification.
3. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the board resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. In case of joint holders attending the meeting together, only whose name appearing first will be entitled to vote.
5. The Register of Members and Share Transfer Books of the Company will be closed from Friday, September 14, 2018 to Thursday, September 20, 2018 (both days inclusive) and same will be re-opened from Friday, September 21, 2018 onwards.
6. The route map showing directions to reach the venue of the 34th (thirty-fourth) AGM is annexed at the end of this Annual Report and uploaded on the website of the Company.
7. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long period of time. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.
8. The members who holds shares of the Company in Physical form are informed that the company is in process of updating records of the shareholders in order to reduce the physical documentation as far as possible. In line with new SEBI Circular 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, Bank details including bank name, bank account number, branch details MICR number and IFSC code and such other information to the Company's Registrars and Transfer Agents, Satellite Corporate Services Private Limited ("SCSPL"). Members are further requested to update their current signature in SCSPL system. The Performa of updating of Shareholder information is provided at the end of Annual Report as an "*Annexure - VII*"

9. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details such as bank account number, name of the bank and branch details, MICR code and IFSC code, mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their depository participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents to provide efficient and better services.
10. The Securities and Exchange Board of India ("SEBI") has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to SCSPL at earliest.
11. Members holding shares in physical form are requested to consider converting their holdings to dematerialized form to eliminate all risks associated with physical shares and for ease of portfolio management. Members can contact SCSPL for assistance in this regard.
12. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to SCSPL, the details of such folios together with the share certificates for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.
13. As per the provisions of Section 72 of the Act, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. The Nomination Form can be obtained from the SCSPL. Members holding shares in physical form may submit the same to SCSPL. Members holding shares in electronic form may submit the same to their respective depository participant.
14. The Company is concerned about the environment and utilizes natural resources in a sustainable way. We request every member to update their email address with concerned Depository Participant and SCSPL to enable us to send you the communications via email.
15. The Notice of the AGM along with the Annual Report 2017-18 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company / Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. Members may note that this Notice and the Annual Report 2017-18 will also be available on the Company's website viz. www.karnavatifinancelimited.com.
16. The Ministry of Corporate Affairs ('MCA') on May 10, 2012 notified the Investor Education and Protection Fund (Uploading of information regarding Unpaid and Unclaimed amounts lying with Companies) Rules, 2012 (IEPF Rules), which is not applicable to the Company as the Company has not declared any dividend. Further, the Company does not have any unpaid or unclaimed dividend amount outstanding as on the closure of financial year 2017-18. Therefore, the Company is not required to upload the details of Unpaid and unclaimed dividend amounts. Further, during the year, the Company has not transferred any amount to IEPF.
17. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
18. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.
19. Members seeking any information with regard to the accounts are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the Annual General Meeting.
20. In compliance with the provisions of Section 108 of the Act and the Rules framed there under, as amended from time to time, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote

electronically, through the remote e-voting services provided by National Securities Depository Limited (NSDL), on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below. Resolution(s) passed by Members through e-voting and voting at the AGM is/are deemed to have been passed as if they have been passed at the AGM.

21. Members whose names are recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the Cut-off date i.e. Wednesday, September 12, 2018, shall be entitled to avail the facility of remote e-voting as well as voting at the AGM. Any recipient of the Notice, who has no voting rights as on the Cut-off date, shall treat this Notice as intimation only.
22. A person who has acquired the shares and has become a member of the Company after the dispatch of the Notice of the AGM and prior to the Cut-off date and holds share as on cut-off date i.e. Wednesday, September 12, 2018 shall be entitled to exercise his/her vote either electronically i.e. remote e-voting or through the Poll Paper at the AGM by following the procedure mentioned in this part.
23. The remote e-voting will commence on Monday, September 17, 2018 at 09:00 A.M. and will end on Wednesday, September 19, 2018 at 05.00 P.M. During this period, the members of the Company holding shares either in physical form or in demat form as on the Cut-off date i.e. Wednesday, September 12, 2018, may cast their vote electronically. The members will not be able to cast their vote electronically beyond the date and time mentioned above and the remote e-voting module shall be disabled for voting by NSDL thereafter.
24. Once the vote on a resolution is cast by the member, he/she shall not be allowed to change it subsequently or cast the vote again.
25. The facility for voting through Poll Paper would be made available at the AGM and the members attending the meeting who have not already cast their votes by remote e-voting shall be able to exercise their right at the meeting through Poll Paper. The members who have already cast their vote by remote e-voting prior to the meeting may also attend the Meeting, but shall not be entitled to cast their vote again.
26. The voting rights of the members shall be in proportion to their share in the paid up equity share capital of the Company as on the Cut-off date i.e. Wednesday, September 12, 2018.
27. The Company has appointed CS Aanand 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 voting through Poll Paper at the AGM, in a fair and transparent manner.
28. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
29. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 48 hours of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favor or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
30. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.karnavatifinancelimited.com and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.
31. **The instructions for e-voting are as under:**
 - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)]:
 - Step 1. Open email and open PDF file viz; "Karnavati Finance Limited remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
 - Step 2. Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>

Step 3. Click on Shareholder – Login.

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

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

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

Step 7. Select “REVEN” of Karnavati Finance Limited.

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

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

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

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

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

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

REVEN (Remote e-voting Event Number)	USER ID	PASSWORD/PIN
109291		

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

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

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

Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as on the cut-off date i.e. Wednesday, September 12, 2018, may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details/Password” option available on www.evoting.nsdl.com.

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

Particulars	Mr. Jay Morzaria
Date of Birth	August 14, 1989
Date of original Appointment at current designation and term	September 15, 2010
Educational Qualifications	B.com & LL.B

Expertise in specific functional areas - Job profile and suitability	<p>Mr. Jay R Morzaria aged 29 years is core promoter of our company and has been appointed as managing director of our company with the effect from July 01, 2014. He is a commerce and Law graduate from reputed NM College under Mumbai University. A calculated risk taker with deep technical knowledge of the market, he commenced his career in real estate 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 a strategic planning regarding internal & external risk that affects the business of company, keeping in mind the future risk about market vulnerability and other risk associated to market. He has helped the company to bring a position worth applauding in a competitive market.</p>
Directorships held in other public companies	-
Memberships / Chairmanships of committees of public companies including our Company*	Member - 2
Inter-se Relationship with other Directors.	Mr. Jay Morzaria is son of Mr. Raman Morzaria.

Note: Here for the purpose of membership/chairmanship of the committees, only audit committee and stakeholder relationship committees shall be taken.

Annexure to Notice

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

Item No. 3

The Company had received Resignation letter from M/s. Maharishi & Co. Chartered Accountants, Jamnagar (FRN: 124872W), from the existing statutory auditor of the Company, intending that they are not willing to act as statutory auditor of the Company from October 4, 2017.

The Board of Directors at its meeting held on October 4, 2017 and as per the recommendation of the Audit Committee, and pursuant to the provisions of Section 139, 140(4), 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 and other applicable provisions if any, recommended the appointment M/s. Doshi Maru & Associates, Chartered Accountants, Mumbai (FRN: 0112187W) as statutory auditor of the Company to fill up the casual vacancy caused due to resignation of M/s. Maharishi & Co. Chartered Accountants (FRN: 124872W) Jamnagar.

The Company has also received consent and eligibility certificate from M/s. Doshi Maru & Associates, Chartered Accountants, Mumbai (FRN: 0112187W), to act as Statutory Auditors of the Company along with a confirmation that, their appointment, if made, would be within the limits prescribed under the Companies Act, 2013.

In terms of provisions of Section 139(8) of the Companies Act, 2013; M/s. Doshi Maru & Associates, Chartered Accountants, Mumbai (FRN: 0112187W) shall hold office as statutory auditor of the Company till the conclusion of 34th Annual General Meeting of the Company.

The Board recommends the Ordinary Resolution for approval of the Members and accordingly, consent of the members is sought for passing Ordinary Resolution for appointment of M/s. Doshi Maru &

Associates, Chartered Accountants, Mumbai (FRN: 0112187W) as statutory auditor of the Company for the period of five (5) years commencing from 2018-19 to 2022-23 to hold the office of statutory auditor on such terms and conditions and on such remuneration as may be decided by board of directors and auditor from time to time along with the out of pocket expenses, if any.

None of the Directors, Key Managerial Personnel of the Company and their relatives is in any way concerned or interested, financially or otherwise in Item no. 3.

Item No. 4

The company had received notice under section 160(1) proposing the name of Mr. Parth Chandreshbhai Maniar, as a non-executive Independent director on the board.

Further, the company has received a declaration from Mr. Parth Maniar to the effect that he meets the criteria of independence as provided in section 149(6) of the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

None of the Directors, Key Managerial Personnel of the Company and their relatives is in any way concerned or interested, financially or otherwise in the Resolution set out at Item No. 4 of the Notice.

Brief details of director seeking appointment at the annual General Meeting:

Particulars	Mr. Parth Chandreshbhai Maniar
Date of Birth	April 18, 1992
Date of Appointment at current designation and term	-
Educational Qualifications	B.B.A & M.B.A(Finance)
Expertise in specific functional areas - Job profile and suitability	Mr. Parth Chandreshbhai Maniar, aged 26 years, is M.B.A (In Finance) from Jaysukhlal Vadhar Institute of Management Studies (JVIMS) under Saurashtra University. He has a very good knowledge of management and finance. With his appointment, company will gain the advantage of independent views on various prevailing market opportunities and threats that will help the company to operate in smooth and efficient manner.
Directorships held in other public companies	-
Memberships / Chairmanships of committees of public companies including our Company	-
Inter-se Relationship with other Directors.	-

Item No. 5

The Board of Directors on recommendation of Nomination and Remuneration Committee, appointed Mrs. Brimda Bilimoria, as an Additional director of the company and also an Independent Director, not liable to retire by rotation, for a term of five years, subject to the approval of members. Pursuant to the provisions of section 161(1) of the Act, Mrs. Brimda Bilimoria shall hold office up to the date of this AGM

and is being eligible to be appointed as a director on the board. The company has in terms of section 160(1) of the Act, received in writing a notice from a member, proposing his candidature for the office of director.

Further, the company has received a declaration from Mrs. Brimda Bilimoria to the effect that she meets the criteria of independence as provided in section 149(6) of the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

None of the Directors, Key Managerial Personnel of the Company and their relatives is in any way concerned or interested, financially or otherwise in the Resolution set out at Item No. 6 of the Notice.

Brief details of director seeking re-appointment at the annual General Meeting:

Particulars	Mrs. Brimda Bilimoria
Date of Birth	January 21, 1976
Date of Appointment at current designation and term*	August 13, 2018
Educational Qualifications	H.S.C
Expertise in specific functional areas - Job profile and suitability	Mrs. Brimda Bilimoria, aged 43 years, has a very good knowledge of management. With her appointment, company will gain the advantage of independent views on various important matters that will bring more efficiency in the business of the company.
Directorships held in other public companies	-
Memberships / Chairmanships of committees of public companies including our Company	-
Inter-se Relationship with other Directors.	-

** Mrs. Brimda Bilimoria (DIN: 08196034) has been appointed as a Non-Executive Additional Women Independent director on the board w.e.f. August 13, 2018.

Registered Office

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

Place: Mumbai

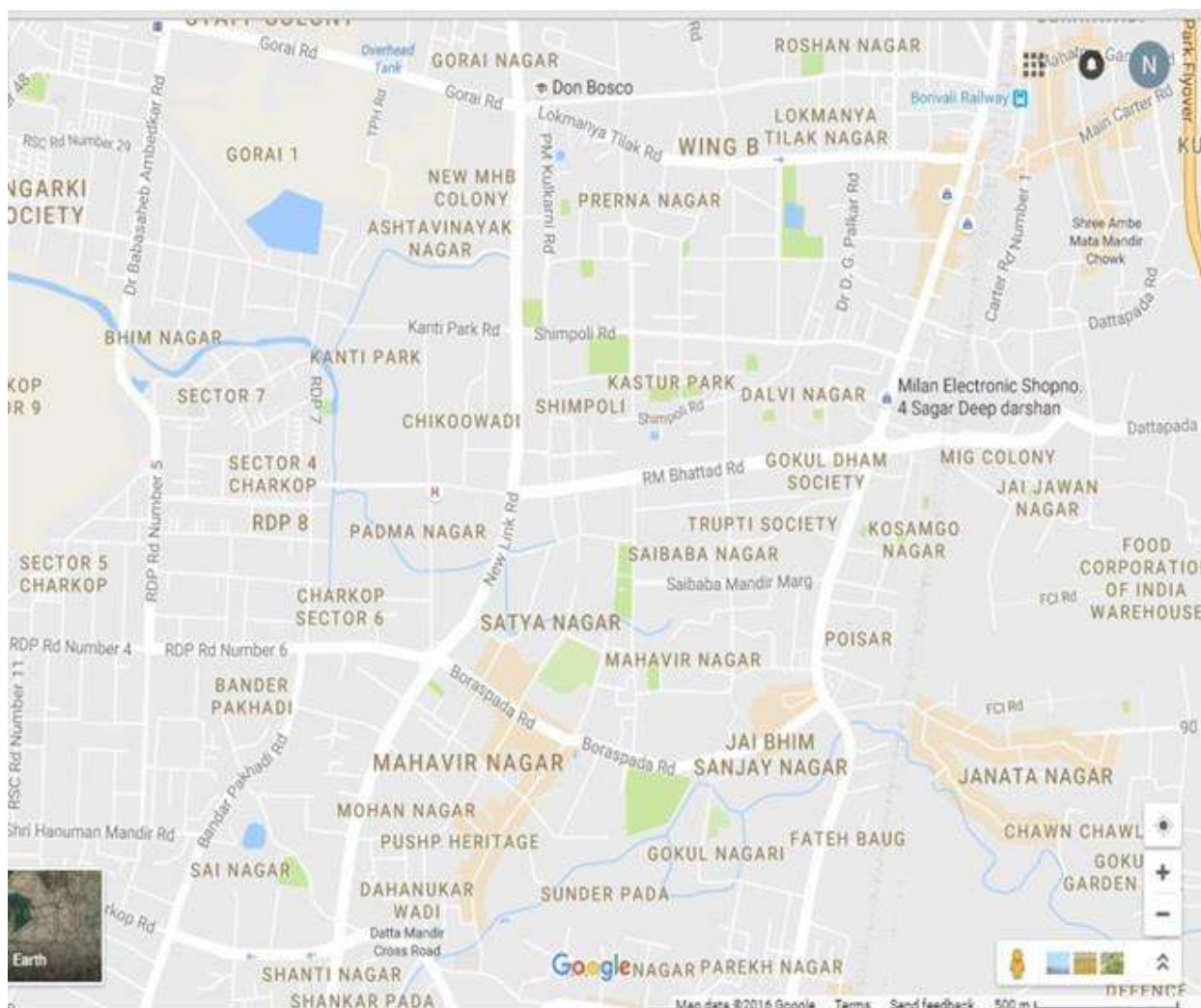
Date: August 13, 2018

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

Jay Morzaria
Managing Director
DIN: 02338864

Route Map to the Venue to Annual General Meeting

Address: Unit No. 2, Sagar Deep Darshan Co-operative Housing Society Limited, S.V.Road, Borivali (West), Mumbai-400092, Maharastra.



Director's Report

To,

The Shareholders,

The directors have the pleasure in presenting 34th Annual Report of Your Company with the Audited Financial Statements of the Company for the financial year ended on March 31, 2018.

1. Financial Results

(Amount in Rupees)

Particulars	2017-18	2016-17
Revenue From Operations	2,01,97,475	94,68,162
Other operation Income	6,60,551	28,02,142
Total Revenue	2,08,58,026	1,22,70,304
Less: Total Expenses before Depreciation, Finance Cost & Tax	55,50,400	23,12,303
Operating Profits before Depreciation, Finance Cost & Tax	1,53,07,626	99,58,001
Less: Depreciation	2,06,397	1,61,477
Finance cost	67,87,853	1,27,448
Profit/(Loss) Before Tax	83,13,376	96,69,076
Less: Current Tax	21,24,948	19,59,563
Less: Deferred Tax Liability (Assets)	(25,083)	1,67,000
Profit/(Loss) after Tax	62,13,511	75,42,513

2. Review of Business Operation

During the financial year 2017-18, The Company has earned total income of Rs. 208.58 Lakhs from business activities including income from other sources as compared to 122.70 Lakhs in previous year. The total revenue of the company is increased by 70.00%.

During the financial year 2017-18, total 32 loan accounts were written off amounting to Rs. 1.55 lakhs as the same was 100% bad debts.

The total Profit before tax for the financial year 2017-18 stood at Rs. 83.13 Lakh and the total net profit after tax for the financial year 2017-18 stood at Rs. 62.13 Lakh. Due to increase in business operations, our finance cost and employment expenses increased to 67.78 lakhs and 26.81 lakhs respectively.

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

3. Dividend

To conserve resources for future prospect and growth of the Company, your Directors regret to declare Dividend for the Financial Year 2017-18 (Previous year - Nil).

4. Net Profit Transfer to Reserve

The Company has transferred Rs. 12.43 Lakh to Statutory Reserve Fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934.

5. 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.

6. License For Money Changer

The Company has commenced activities of Full Fledged Money Changing and earned revenue of Rs. Rs. 1.85 Lakh in the financial year 2017-18 as compare to that in previous financial year i.e. Rs. 1.37 Lakh. which shows business progress of the company in the said line of business activity. The Board of Directors are in planning to expand the activities of Full Fledged Money Changing Activities in coming years and thus increasing the line of business of the Company.

7. Share Capital

The paid up share capital of the company as on March 31, 2018 was Rs. 10.05 crores.

During the year under review, on April 29, 2017 the Authorized Share Capital of the Company was increased by the Members of the Company from Rs. 10,00,00,000/- (Rupees Ten Crore only) divided into 1,00,00,000 (One Crore only) Equity Shares of Rs. 10/- (Rupees Ten only) each to Rs. 10,50,00,000/- (Rupees Ten Crore Fifty Lakh only) divided into 1,05,00,000 (One Crore Five Lakh only) Equity Shares of Rs. 10/- (Rupees Ten only) each, by way of creation of an additional 5,00,000 (Five Lakhs only) Equity Shares of Rs. 10/- (Rupees Ten only) each ranking pari passu in all respect with existing equity shares of the company, aggregating to Rs. 50,00,000/- (Rupees Fifty Lakh only).

The board of directors had made allotment of 16, 90,000 Equity Shares on May 30, 2017 to promoters including promoter group and public on preferential allotment. The Company has received Listing and trading approval for the same by BSE Limited and the same was effective from Wednesday, June 21, 2017.

8. Migration of Listing

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

9. 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.

10. 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 by listed entity in a stipulated time frame. So 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.

11. 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 planning to start a FinTech collaborations with another companies so as to have a better growth of the company. Further, they are also planning to open various branches of the company in the state of Gujarat and Maharastra for the purpose of expanding the business of money changing and thereby increasing the overall business of the company in a near future.

12. Corporate Governance

Details regarding Corporate Governance Report of the Company regarding compliance of the conditions of Corporate Governance pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are annexed herewith as "*Annexure-I*".

13. 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, 2018.

14. 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, 2018, 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, 2018 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.

15. Statutory Auditor & their Report

During the financial year 2017-18, the company has received Resignation Letter from its existing Statutory Auditor i.e. M/S Maharishi & Co. Chartered Accountant, Jamnagar (FRN:124872W) stating that they are not willing to act as a statutory auditor from October 04, 2017.

The Board of Directors at its meeting held on October 4, 2017 and as per the recommendation of the Audit Committee, and pursuant to the provisions of Section 139, 140(4), 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 and other applicable provisions if any, recommended the appointment M/s. Doshi Maru & Associates, Chartered Accountants, Mumbai (FRN: 0112187W) as statutory auditor of the Company to fill up the casual vacancy caused due to resignation of M/s. Maharishi & Co. Chartered Accountants (FRN: 124872W) Jamnagar.

The Company has also received consent and eligibility certificate from M/s. Doshi Maru & Associates, Chartered Accountants, Mumbai (FRN: 0112187W), to act as Statutory Auditors of the Company along with a confirmation that, their appointment, if made, would be within the limits prescribed under the Companies Act, 2013.

In terms of provisions of Section 139(8) of the Companies Act, 2013; M/s. Doshi Maru & Associates, Chartered Accountants, Mumbai (FRN: 0112187W) shall hold office as statutory auditor of the Company till the conclusion of 34th Annual General Meeting of the Company.

The report of statutory auditor is self-explanatory and need not require any further clarification, explanations and there is no adverse impact or observation or qualification made by the statutory auditor for the financial year 2017-18.

Note: Members of company had also given their consent for appointment of M/s. Doshi Maru & Associates in their meeting held on Wednesday, January 03, 2018 by way of passing ordinary resolution for their appointment.

16. Management Discussion and Analysis Report

Management Discussion and Analysis, for the year under review, as stipulated under Regulations 27(2) of the SEBI (LODR), 2015, is attached to this report as an *"Annexure-II"*

17. 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, 2018 in Form MGT-9, forms part of this Annual Report as *"Annexure - III"*.

18. Particulars Of Remuneration of Directors and Key Managerial Personnel

The details of remuneration paid during the financial year 2017-18 to Executive Director and Key Managerial Personnel of the Company is provided in Form MGT-9 (*Annexure - III*) which is the part of this report.

19. 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 Mrs. Ankita Patel, Practicing Company Secretary, Ahmedabad to carry out the Secretarial Audit for the financial year ended on March 31, 2018. Secretarial Audit Report is attached to this report as *"Annexure - IV"*.

20. 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. Further, there are few transactions which may not be on Arms'

Length Basis, the detail of which is given in “*Annexure – V*” in **Form AOC-2** and the same forms part of this report.

21. Particulars 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 – VI*”.

- Statement containing the names of top 10 employees in terms of remuneration drawn shall be made available on request
- Details of employees posted in India throughout the fiscal and in receipt of a remuneration of ` 1.02 crore or more per annum. –Not Applicable since there was no such employee employed by the Company during F.Y. 2017-18.
- Details of employees posted in India for part of the year and in receipt of ` 8.5 lakh or more a month. Not Applicable since there was no such employee employed by the Company during F.Y. 2017-18.
- Employees employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company. Not Applicable since there was no such employee employed by the Company during F.Y. 2017-18.
- There are no employees posted outside India.

22. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo

The details of conservation of energy, technology absorption etc. as required to be given under section 134(3)(m) of the Companies Act 2013 read with the Companies (Accounts) Rules, 2014, are not applicable to our Company, as the Company is not carrying on any manufacturing activities.

Further, there was no foreign exchange earnings and outgo during the financial year 2017-18 (Previous Year – Nil).

23. Board Evolution

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

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

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

24. Particulars of loans, guarantees or Investments made under section 186 of the Companies Act, 2013

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.

25. Internal Financial Control System and their Adequacy

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

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

26. 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.

27. Vigil Mechanism

The detailed vigil mechanism is provided in Annexure - I "Corporate Governance Report" - under the title "Audit Committee".

28. 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. 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.

29. Disclosure Under Sexual Harassment Of Women At Workplace (Prevention, Prohibition And Redressal) Act, 2013

There were no incidences of sexual harassment reported during the year under review, in terms of the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 as there are no woman employees employed by the Company during the Financial Year 2016-17.

30. 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, 2018 so the same is not applicable to the company.

31. Pecuniary Relationship Or Transactions Of Non-Executive Directors

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

32. General Disclosure

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

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

1. Details of Annual Report on Corporate Social Responsibility as Company is not falling within the criteria as prescribed u/s 135 of the Companies Act, 2013
2. Issue of Equity Shares with differential rights as to dividend, voting or otherwise.
3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and ESOS.
4. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

33. 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.

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

**Place: Mumbai
Date: August 13, 2018**

**Jay Morzaria
Managing Director
DIN: 02338864**

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

Corporate Governance Report

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

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.

Information of Board of Directors and its Meetings

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

The composition of Board complies with the requirements of the Companies Act, 2013. Further, in pursuance of Regulation 15(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), the Company was exempted from requirement of having composition of Board as per Listing Regulations as on the end of financial year 2017-18.

Composition of board as on March 31, 2018;

Sr. No.	Name of Directors	Director Identification Number	Designation	Category
1.	Mr. Jay Morzaria	02338864	Managing Director	Promoter - Executive Director
2.	Mr. Raman Morzaria	00203310	Whole-Time Director	Promoter - Executive Director
3.	Mr. Jay Somaiya	06933178	Non-Executive Independent Director	Independent & Non-Executive Director
4.	Ms. Hardika Mandavia	05115162	Non-Executive Independent Director	Independent & Non-Executive Director

Except Mr. Jay Morzaria and Mr. Raman Morzaria having Son and Father Relationship, none of our Directors is related to each other.

For details of number of equity shares held by our Directors, please refer to **Form MGT-9 - Annexure III** to the Directors’ Report.

Board Meetings

During the year under review 11 (eleven) Board meetings were held viz., April 15, 2017, May 30, 2017, July 27, 2017, August 22, 2017, October 04, 2017, November 01, 2017, November 14, 2017, December 08, 2017, February 12, 2018, March 01, 2018 and March 30, 2018 respectively. 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	Designation	Attendance of meeting during F.Y. 2017-18		No. of directorship as on 31.03.2018	No. of Membership(s)/ Chairmanship(s) of committees across all Companies		Attendance in last AGM held on 16.09.2017
		Held	Attended		Member	Chairperson	
Mr. Jay Morzaria	Managing Director	11	11	06	2	Nil	Yes
Mr. Raman Morzaria	Whole-Time Director	11	11	05	Nil	Nil	Yes
Mr. Jay Somaiya	Independent Director	11	11	03	Nil	2	Yes
Ms. Hardika Mandavia	Independent Director	11	11	02	2	Nil	Yes

Note: Here for the purpose of membership/ chairmanship of the committees, only audit committee and stakeholder relationship committees shall be taken.

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 www.karnavatifinancelimited.com.

Evolution of Board's Performance

During the year, Board of Directors adopted a mechanism for evaluating its performance and as well as that of its Committees and individual Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & committees, experience & competencies, performance of specific duties & obligations, attendance at the meetings, governance issues etc. Separate exercise was carried out to evaluate the performance of individual Directors including the Board Chairman who were evaluated on parameters such as attendance, contribution at the meetings and otherwise, independent judgment, safeguarding of minority shareholders interest etc.

The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman and the Non-Independent Directors were carried out by the Independent Directors.

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

Code of Conduct

Pursuant to provision of Companies Act, 2013 and regulation of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company has formed a Code of Conduct which is extended over directors and management personnel of the Company. The Company believes in conducting business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations in letter as well as spirit. The "Code of Conduct" is available on the "Investor" section of the Company's website www.karnavatifinancelimited.com

The Code lays down the standard procedure of business conduct which is expected to be followed by the directors and management personnel in their business dealings and in particular on matters relating integrity in the work place, in business practices and complying with applicable laws etc.

All the directors and management personnel have submitted declaration confirming compliance with the code.

Independent Directors

In terms of Section 149 of the Companies Act, 2013 ("The Act") and rules made there under, the Company has two Non-Promoter Independent Directors in line with the act. A separate meeting of Independent Directors was held on March 30, 2018 to review the performance of Non-Independent Directors and Board as whole and performance of Chairperson of the Company including assessment of quality, quantity and timeliness of flow of information between Company management and Board. The terms and conditions of appointment of Independent Directors and Code for Independent Director are incorporated on the website of the Company at www.karnavatifinancelimited.com.

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

Information on Directorate

In accordance with the provisions of the Articles of Association and Section 152 of the Companies Act, 2013, Mr. Jay Morzaria, 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"), of the person seeking re-appointment as Director are also provided in Note No. 32 of the Notice convening the 34th annual general meeting.

None of our Executive Directors is serving as a Whole-Time Director in any Listed Company and holding position of Independent Director in more than 3 Listed Company at a time during the year. Further none of our Independent Director is holding position as an Independent Director in more than 7 Listed Company at any time during the year.

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

Note: For further details on change in director, kindly refer the notice and director's report.

Key Managerial Personnel

In accordance with Section 203 of the Companies Act, 2013, the Company has Mr. Jay Morzaria who is acting as Managing Director of the Company. During the year under review, Mr. Pinak Soni, Company Secretary & Compliance Officer has resigned w. e. f October 30, 2017 and in that place company has appointed Miss Nitixa Ramanuj as a Company Secretary & Compliance Officer w. e. f. November 01, 2017 to hold the position of Company Secretary on the board. Further as per section 203 Company has appointed Mr. Kush Morzaria as Chief Financial Officer (Key Managerial Personnel) w.e.f. March 1, 2018.

Key Managerial Personnel as on March 31, 2018;

Sr. No.	Name of KMP	PAN	Designation	Date of appointment
1.	Mr. Kush Morzaria	BAJPM1377E	Chief Financial Officer (CFO)	01.03.2018
2.	Miss Nitixa Ramanuj	BVBPR8851B	Company Secretary & Compliance Officer	01.11.2017

Committees of Board

- 1. Audit Committee**
- 2. Nomination & Remuneration Committee**

3. Stakeholder Relationship Committee

Audit Committee

The Company has formed audit committee in line with the provisions Section 177 of the Companies Act, 2013. Audit Committee meeting is generally held for the purpose of recommending the half yearly and yearly financial result. Additional meeting is held for the purpose of reviewing the specific item included in terms of reference of the Committee. During the year under review, Audit Committee met 5 (Five) times viz. on May 30, 2017, August 22, 2017, October 04, 2017, November 14, 2017 and February 12, 2018 respectively.

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

Name of the Director	Category	Designation	No. of Meetings Attended
Mr. Jay Somaiya	Independent & Non-Executive Director	Chairman	05
Miss Hardika Mandavia	Independent & Non-Executive Director	Member	05
Mr. Jay Morzaria	Executive Director	Member	05

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

Mr. Jay Somaiya, the Chairman of the Committee had attended last Annual General Meeting of the Company held on September 16, 2017.

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

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

Role of Audit Committee

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

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub section 3 of section 134 of the Companies Act, 2013
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board

for approval;

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

Review of information by Audit Committee

The audit committee shall mandatorily review the following information:

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

Powers of the Audit Committee:

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

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

Vigil Mechanism

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

Shareholder Relationship Committee

The Company has constituted Shareholders Grievance Committee which mainly to focus on the redressal of Shareholders' / Investors' Grievances, if any, like Transfer / Transmission / Demat of Shares; Loss of Share Certificates; Non-receipt of Annual Report; Dividend Warrants; etc. During the year under review, Stakeholder's Grievance & Relationship Committee met 4 (Four) times viz on April 15, 2017, August 22, 2017, November 14, 2017 and February 12, 2018 respectively.

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

Name of the Director	Category	Designation	No. of Meetings Attended
Mr. Jay Somaiya	Independent & Non-Executive Director	Chairman	04
Miss Hardika Mandavia	Independent & Non-Executive Director	Member	04
Mr. Jay Morzaria	Executive Director	Member	04

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

Terms of Reference

- Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares;
- Redressal of shareholder and investor complaints like transfer of Shares, non-receipt of balance sheet, non-receipt of declared dividends etc.,
- Issue duplicate/split/consolidated share certificates;
- Allotment and listing of shares;
- Dematerialization/Rematerialization of Share
- Review of cases for refusal of transfer / transmission of shares and debentures;
- Reference to statutory and regulatory authorities regarding investor grievances and to otherwise ensure proper and timely attendance and redressal of investor queries and grievances;

Such other matters as may be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Name and Designation of Compliance Officer

Miss Nitixa Ramanuj, Company Secretary of the Company acts as the Compliance Officer.

Complaint

During the year, the Company had not received any complaints from the Shareholders. There was no complaint pending as on March 31, 2018.

Nomination and Remuneration Committee:

The Company has formed Nomination and Remuneration committee. Nomination and Remuneration Committee meetings are generally held for identifying the persons who are qualified to become Directors and may be appointed in senior management and recommending their appointments and removal. During the year under review, Nomination and Remuneration Committee met 4 (Three) times viz. on April 15, 2017, August 22, 2017, November 01, 2017 and March 01, 2018 respectively.

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

Name of the Director	Category	Designation	No. of Meetings Attended
Mr. Jay Somaiya	Independent & Non-Executive Director	Chairman	04
Miss Hardika Mandavia	Independent & Non-Executive Director	Member	04
Mr. Jay Morzaria	Executive Director	Member	04

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

Terms of Reference:

The terms of Reference of Nomination and Remuneration Committee includes;

formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

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

Nomination and Remuneration Policy

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

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

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

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

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

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

Remuneration of Director

The details of remuneration paid during the financial year 2017-18 to Executive Director of the Company is provided in Form MGT-9 which is the part of this report.

General Shareholder's Meeting

Annual General Meeting

All annual general meeting of the company had been held within the stipulated time mentioned under the companies act 2013/1956 as the case may be and the details of the same is as under;

Sr. No.	Financial Year	Date	Time	Address
1.	2016-17	16.09.2017	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
2.	2015-16	30.09.2016	03:00 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
3.	2014-15	21.09.2015	11:00 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

Extra Ordinary General Meeting

Sr. No.	Financial Year	Date	Time	Address
1.	2017-18	03.01.2018	11:00	"Vraj", 05 th Floor, Opp. Hotel President, Near Bhumi Press, Limda Lane, Jamnagar-361001.

Special Resolutions

No Special Resolutions were passed in any of last three Annual General Meetings. In fact, no special resolutions were passed at the Extra-ordinary General Meeting held on January 3, 2018.

Postal Ballot

The company has passed following resolutions by means of postal ballot during the financial year of 2017-18 and after the financial year but before the Annual General Meeting;

Sr. No.	Particulars	Nature of Resolution	Period of Postal Ballot
1.	Increase the Authorized Share Capital of the Company and consequent alteration in the Clause V of the Memorandum of Association of the Company:	Ordinary	March 29, 2017 (09:00 A.M.) to April 27, 2017 (05:00 P.M.)
2.	Issue of Equity Shares of the Company on Preferential Basis to Promoter & Promoters' Group and other identified entities	Special	
3.	Migration from SME Board to Main Board of BSE Limited	Special	

Mr. Anand Lavingia, Practicing Company Secretary was appointed as Scrutinize to assess and conduct the voting through Postal Ballot in fair and transparent manner. Mr. Anand Lavingia had submitted his report dated April 29, 2017. The details of voting pattern is as under;

Resolution 1 - Increase the Authorized Share capital of the company and consequent alteration in the clause V of the Memorandum of Association of the company: - **ORDINARY RESOLUTION**

Particulars	No. of			No. of Votes contained in			%
	Postal Ballot	E-Votes	Total	Postal Ballot	E-Votes	Total	
PROMOTER							
Received	0	5	5	0	5329300	5329300	
Assent	0	5	5	0	5329300	5329300	100.00
Dissent	0	0	0	0	0	0	0.00
Invalid	0	0	0	0	0	0	0.00
Total - A	0	5	5	0	5329300	5329300	
PUBLIC							
Received	1	52	53	20000	2010000	2030000	
Assent	1	52	53	20000	2010000	2030000	100.00
Dissent	0	0	0	0	0	0	0.00
Invalid	0	0	0	0	0	0	0.00
Total - B	1	52	53	20000	2010000	2030000	
GRAND TOTAL							
Received	1	57	58	20000	7339300	7359300	
Assent	1	57	58	20000	7339300	7359300	100.00
Dissent	0	0	0	0	0	0	0.00

Invalid	0	0	0	0	0	0	0.00
Grand Total (A+B)	1	57	58	20000	7339300	7359300	

Resolution No.2- Issue of Equity shares of the company on preferential basis to promoter & promoter's group and other identified entities-**Special Resolution.**

Particulars	No. of			No. of Votes contained in			%
	Postal Ballot	E-Votes	Total	Postal Ballot	E-Votes	Total	
PROMOTER							
Received	0	5	5	0	5329300	5329300	
Assent	0	5	5	0	5329300	5329300	100.00
Dissent	0	0	0	0	0	0	0.00
Invalid	0	0	0	0	0	0	0.00
Total - A	0	5	5	0	5329300	5329300	
PUBLIC							
Received	1	52	53	20000	2010000	2030000	
Assent	1	52	53	20000	2010000	2030000	100.00
Dissent	0	0	0	0	0	0	0.00
Invalid	0	0	0	0	0	0	0.00
Total - B	1	52	53	20000	2010000	2030000	
GRAND TOTAL							
Received	1	57	58	20000	7339300	7359300	
Assent	1	57	58	20000	7339300	7359300	100.00
Dissent	0	0	0	0	0	0	0.00
Invalid	0	0	0	0	0	0	0.00
Grand Total (A+B)	1	57	58	20000	7339300	7359300	

Resolution No.3- Migration of Listing of Equity Shares of the company from SME Platform of BSE Limited to the Main Board of the BSE Limited- **Special Resolution.**

Particulars	No. of			No. of Votes contained in			%
	Postal Ballot	E-Votes	Total	Postal Ballot	E-Votes	Total	
PROMOTER							
Received	0	5	5	0	5329300	5329300	
Assent	0	5	5	0	5329300	5329300	100.00
Dissent	0	0	0	0	0	0	0.00
Invalid	0	0	0	0	0	0	0.00

Total - A	0	5	5	0	5329300	5329300	
PUBLIC							
Received	1	52	53	20000	2010000	2030000	
Assent	1	52	53	20000	2010000	2030000	100.00
Dissent	0	0	0	0	0	0	0.00
Invalid	0	0	0	0	0	0	0.00
Total - B	1	52	53	20000	2010000	2030000	
GRAND TOTAL[#]							
Received	1	57	58	20000	7339300	7359300	
Assent[#]	1	52	53	20000	2010000	2030000	100.00
Dissent	0	0	0	0	0	0	0.00
Invalid	0	0	0	0	0	0	0.00
Grand Total (A+B)	1	52	53	20000	2010000	2030000	

Note: in terms of Regulation 106 U (1) of SEBI (ICDR) Regulations, 2009, the vote cast by the Promoter Shareholders are not to be considered for the passing of this resolution and hence the votes cast by the Promoter Shareholders are not considered for the purpose of this resolution.

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.

b. Website

The Company's website 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 in a downloadable form.

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

General Shareholders Information

Date, Time and Venue of 34th Annual General Meeting

Day and Date: Thursday, September 20, 2018

Time: 10.00 A.M.

Venue: Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (West), Mumbai, Maharashtra - 400 092

Financial Year

12 months period starting from April 1 and ends on March 31 of subsequent year. This being Financial year 2017-18 was started on April 1, 2017 and ended on March 31, 2018.

Financial Calendar

(Tentative and subject to change for the financial year 2018-19)

Quarter ending	Release of Results
June 30, 2018	Second week of August, 2018
September 30, 2018	Second week of November, 2018
December 31, 2018	Second week of February, 2019
March 31, 2019	End of May, 2019
Annual General Meeting for the year ending March 31, 2019	End of September, 2019

Dividend Payment Date

To conserve resources for future prospect and growth of the Company, your Directors regret to declare Dividend for the Financial Year 2017-18 (Previous year - Nil).

Listing on Stock Exchanges

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

Listing fees for the financial year 2017-2018 has been paid to BSE Limited.

The Company has also paid Annual Custodial Fees for financial year 2017-2018 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Stock Code/Symbol

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

Market Price Data

The Monthly high/low and the volume of the Company's shares traded on stock exchanges 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, 2017	19.10	14.00	120000	30184.22	29241.48
May, 2017	20.00	19.00	20000	31255.28	29804.12
June, 2017	-	-	-	31522.87	30680.66
July, 2017	-	-	-	32672.66	31017.11
August, 2017	35.75	17.00	64584	32686.48	31128.02
September, 2017	31.50	24.50	13750	32524.11	31081.83
October, 2017	29.85	20.75	1274	33340.17	31440.48
November, 2017	28.00	22.00	18390	33865.95	32683.59
December, 2017	27.50	27.40	346	34137.97	32565.16
January, 2018	30.80	26.50	986	36443.98	33703.37
February, 2018	32.00	26.00	10155	36256.83	33482.81
March, 2018	30.45	29.00	303	34278.63	32483.84

* There was no trading happened in the months of June, 2017 and July, 2017.

Registrar and Transfer Agents

Satellite Corporate Services Private Limited

Unit No. 2, Building No. 13 A-B, 2nd Floor, Samhita Commercial Co-Op. Soc. Limited, Off. Andheri Kurla Road, MTNL Lane, Sakinaka, Mumbai-400072

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

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 transferees, 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, 2018)

On the basis of number of shares held:

No. of Shares		Shareholders		Share Amount				% of Total
		Number	% of Total	Physical	NSDL	CDSL	Total	
Up to 2500		67	37.02	300	990	677	1974	0.02
251	500	9	4.97	400	1650	1247	3299	0.03
501	1000	3	1.66	-	1000	1784	2784	0.03
1001	2000	5	2.76	-	1530	6500	8030	0.08
2001	3000	2	1.11	-	-	5750	5750	0.06
3001	4000	-	-	-	-	-	-	-
4001	5000	3	1.66	-	9878	4782	14660	0.15
5001	10000	33	18.23	-	133893	179466	313359	3.12
10001 and above		59	32.60	450000	1027500	8222644	9700144	96.52
Total		181	100.00	450700	1176450	8422850	10050000	100.00

Dematerialization of Shares and Liquidity (as on March 31, 2018)

Mode	No. of Shares	Percentage
Demat	9599300	95.52
NSDL	8422850	83.81
CDSL	1176450	11.71
Physical	450700	4.48

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 Locations

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:

Miss Nitixa Ramanuj

Company Secretary

Karnavati Finance Limited

“Vraj”, 05th Floor, Opp. Hotel President, Near Bhumi Press, Limda Lane, Jamnagar-361001, Gujarat.

Contact No. : 0288 2663042

E-mail: karnavatifinance@gmail.com

DISCLOSURE

Material Related Party Transaction

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 2017-18, 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. 28, 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 www.karnavatifinancelimited.com.

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.

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 has been disclosed in the Board's Report. Further, the Policy on Vigil Mechanism is available on the website of the Company.

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.

The disclosures of the compliance with corporate governance requirements

Particulars	Regulation Number	Compliance status (Yes/No/NA)
Independent director(s) have been appointed in terms of specified criteria of 'independence' and/or 'eligibility'	16(1)(b) & 25(6)	NA
Board composition	17(1)	Yes
Meeting of Board of directors	17(2)	Yes
Review of Compliance Reports	17(3)	Yes
Plans for orderly succession for appointments	17(4)	NA
Code of Conduct	17(5)	Yes
Fees/compensation	17(6)	Yes
Minimum Information	17(7)	Yes
Compliance Certificate	17(8)	Yes
Risk Assessment & Management	17(9)	Yes
Performance Evaluation of Independent Directors	17(10)	Yes
Composition of Audit Committee	18(1)	Yes
Meeting of Audit Committee	18(2)	Yes
Composition of nomination & remuneration committee	19(1) & (2)	Yes
Composition of Stakeholder Relationship Committee	20(1) & (2)	Yes
Composition and role of risk management committee	21(1),(2),(3), (4)	NA
Vigil Mechanism	22	Yes
Policy for related party Transaction	23(1),(5),(6), (7) & (8)	Yes
Prior or Omnibus approval of Audit Committee for all related party transactions	23(2), (3)	Yes
Approval for material related party transactions	23(4)	Yes
Composition of Board of Directors of unlisted material Subsidiary	24(1)	NA
Other Corporate Governance requirements with respect to subsidiary of listed entity	24(2),(3),(4), (5) & (6)	NA
Maximum Directorship & Tenure	25(1) & (2)	Yes
Meeting of independent directors	25(3) & (4)	Yes
Familiarization of independent directors	25(7)	NA
Memberships in Committees	26(1)	Yes
Affirmation with compliance to code of conduct from members of Board of Directors and Senior management personnel	26(3)	Yes
Disclosure of Shareholding by Non-Executive Directors	26(4)	Yes

Policy with respect to Obligations of directors and senior management	26(2) & 26(5)	Yes
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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 annexed herewith.

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

**Place: Mumbai
Date: August 13, 2018**

**Jay Morzaria
Managing Director
DIN: 02338864**

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

DECLARATION

I, Jay Morzaria, Managing Director of Karnavati Finance Limited hereby declare that as of March 31, 2018, 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.

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

**Place: Mumbai
Date: August 13, 2018**

**Jay Morzaria
Managing Director
DIN: 02338864**

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
Karnavati Finance Limited

I have examined the compliance of conditions of Corporate Governance by Karnavati Finance Limited for the year ended March 31, 2018 as stipulated regulations Part C of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management of the Company.

My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of our information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance for the year under the review as stipulated in Listing Agreement/ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

**Place: Ahmedabad
Date: August 13, 2018**

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

Management discussion and analysis report

The company's main object is Non-banking Finance activities. The market for this activity offers high potential for growth. The company is giving loan & Inter corporate deposit to corporate clients and also providing services of money changing via. FFMC License and is operating from Mumbai having corporate office in Jamangar.

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.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Global growth for 2017 is now estimated at 3.7%, 0.1 percentage point higher than projected in the fall. Upside growth surprises were particularly pronounced in Europe and Asia but broad based, with outturns for both the advanced and the emerging market and developing economy groups exceeding the fall forecasts by 0.1 percentage point. The stronger momentum experienced in 2017 is expected to carry into 2018 and 2019, with global growth revised up to 3.9% for both years (0.2 percentage point higher relative to the fall forecasts).

For the two-year forecast horizon, the upward revisions to the global outlook result mainly from advanced economies, where growth is now expected to exceed 2% in 2018 and 2019. This forecast reflects the expectation that favorable global financial conditions and strong sentiment will help maintain the recent acceleration in demand, especially in investment with a noticeable impact on growth in economies with large exports. In addition, the U.S. tax reform and associated fiscal stimulus are expected to temporarily raise U.S. growth, with favorable demand spillovers for U.S. trading partners – especially Canada and Mexico – during this period.

It is worth taking a look at India's economic performance in FY 2017-18 over what has been quite an interesting period. While the first quarter of the year saw the impact of demonetization settling down, in the next quarter, introduction of the landmark Goods and Services Tax (GST) brought in some uncertainties as businesses adjusted to the new regime. This did not take long, and from the third quarter onwards, signs of growth returning were evident.

As per the second advance estimates of national income released by the Central Statistics Office in February 2018, real Gross Domestic Product (GDP) at constant prices is estimated to grow at 6.6% for 2017-18. The Indian economy achieved an impressive growth rate of 7.2%, a five-quarter high during the third quarter (Oct-Dec) of FY18 as opposed to 6.5% in the second quarter. India also regained its tag of

the fastest growing major economy in the third quarter. The strong growth registered in the third quarter was primarily on account of the good performance of the manufacturing and construction sectors.

The wheels of change continued to roll in the country with the launch of the Goods and Services Tax (GST) and the Real Estate Development and Regulation Act (RERA). While the GST would be a long-term positive for the economy, it had its initial implementation issues and the overall economy bore the brunt of the changes with traders and Medium and Small Scale Enterprises (MSME) getting adversely affected. The government as a result, had to revise the GDP growth estimates downward twice during the year from 7.40% to 6.60%.

The Reserve Bank of India (RBI) continued to keep an eye on the inflation and therefore did not lower the benchmark rates during the year. However, on account of the weak credit off take, banks continued to aggressively price their lending products, putting pressure on incremental spreads for the lenders. While the last quarter of the financial year under review witnessed some positive signs in terms of production, export growth and lower inflation, the rising Non Performing Assets (NPAs) levels and large scale financial scams in the banking sector dampened sentiments.

The NBFC sector in India has undergone a significant transformation over the past few years. It has come to be recognized as one of the systemically important components of the financial system and has shown consistent year-on-year growth. NBFCs play a critical role in the core development of infrastructure, transport, employment generation, wealth creation opportunities, and financial support for economically weaker sections; they also make a huge contribution to state exchequer.

For a large and diverse country such as India, ensuring financial access to fuel growth and entrepreneurship is critical. With the launch of government-backed schemes (such as the Pradhan Mantri Jan-Dhan Yojana [PMJDY]), there has been a substantial increase in the number of bank accounts; however, a mere 15%, 5 of adults have reported using an account to make or receive payments. The government and regulatory bodies have taken decisive steps to increase this number (and subsequently financial access) by granting in principal licenses to as many as 21 players to establish specialty banks over the next 18 months. This is over and above the focused approach of the other industry bodies such as the National Payments Corporation of India (NCPI) to further strengthen and augment the payments ecosystem by launching the Unified Payment Interface (UPI) and Bharat Bill Payments System.

The introduction of such specialized players and systems will truly transform the banking value chain in its entirety. This presents a strategic opportunity for NBFCs to ensure sustainable growth over a long term. Partnerships with payments banks, bill payment providers and other financial institutions, such as insurance and asset management companies, will help NBFCs offer the complete proposition – that is, from deposits to lending, investments and transactions. The reach of NBFCs, along with their strong understanding of the market, can help them position themselves as a better alternative to the traditional ways of banking.

The NBFCs saw moderation in rate of asset growth, rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalisation levels and conservative liquidity management, continues to provide comfort to the credit profile of well run NBFCs inspite of the impact on profitability.

OPPORTUNITIES AND THREATS

Reports from the World Bank indicate that Non-Banking Financial Institutions act as critical pillars contributing to macroeconomic stability and sustained economic growth and prosperity, due to their ability to finance firms and individuals at a reasonable cost, reduce volatility by providing multiple sources to finance and park funds and enable creation of a competitive environment characterized by a diverse array of products. This has been proven time and again in developed markets.

Non-Banking Finance Companies (NBFCs) continue to play a critical role in making financial Services accessible to a wider set of India's population and are emerging as strong intermediaries in the retail finance space. Going forward, one should expect NBFCs to further Strengthen their presence in retail finance and grow at a reasonably healthy pace.

The biggest challenge before NBFCs is that they are facing stiff competition from banks and financial institutions, due to their ability to raise low cost funds which enables them to provide funds at much cheaper rate. More stringent capital adequacy norms have been stipulated by RBI for NBFCs which is making difficult for them to give cheaper finance.

Ever-increasing competition from commercial counterparts whose capacity to absorb losses is higher, counter-party failures, recommendations being made to increase the purview of monitoring by regulatory authorities increase the threat of losing the essence of Non-banking Finance Companies which are specifically designed to reach out and finance certain target groups.

OUTLOOK

NBFCs continue to be an integral part of the country's financial service ecosystem. The expected reforms and drive towards various core sectors will provide more opportunities to the NBFCs to create significant financial inclusion and employment opportunities across the country. In line with the government's vision to achieve inclusive growth, the next key step is to include the unbanked population in the formal financial system. This will empower them and result in a significant increase in the average per capita income. Government policies, combined with the financial services industry's efforts to look for growth, will augment financial inclusion. Going Forward economic activity is expected to gather pace in financial year 2018-19, benefiting from a conducive domestic and global environment.

NBFCs have proven their mettle in many other specialized financial services such as factoring, lease finance, venture capital finance, financing road transport and also in the business of securities-based lending such as Loan against Shares, Margin Funding, IPO Financing, Promoter Funding etc. They have also been providing a major boost to Micro, Small and Medium enterprises and other avenues where banks exercise cautious lending. All the above factors further emphasize the potential and opportunities in store for NBFCs and the regulations when designed to provide the right environment, provides impetus to the growth of the sector.

The Company hence wishes to diversify its lending activities in the coming period and shall embark on this path and move forward once the existing investments, which are at an incubating stage begin to bear fruits.

RISKS AND CONCERNS

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

The Company recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company is a NBFC Company registered under RBI and categorized as loan Company. In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks for the Company are financial risks, credit risk, liquidity risk, market risk etc.

Risk mitigation is also an exercise aiming to reduce the loss or injury arising out of various risk exposures. The Company adopts a systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating risks proactively and help to achieve stated objectives.

The NBFC industry in general faces the risk of re-entry and new entry of players and existence of several unorganized regional players increasing the competition which mainly affects the asset quality. This is further characterized by captive NBFCs floated by other business houses. The ever existing systemic and delinquency risks and fluctuations in interest rates and risk weight make the companies more vulnerable. Deployment of funds in sensitive and volatile sectors increases the risk exposure while concentration risk increases dependency.

SUBSIDIARY COMPANY

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

HUMAN RESOURCES

The Company always considers its human resources as a valuable asset and is committed towards their development for continuous growth. Focus on training to enhance the skill-sets of employees in line with the business and market requirements continued throughout the year and it confers rewards and recognition based on merit.

The employee relations have continued to be harmonious throughout the year. The Company has 6 permanent employees as on 31st March 2018. The Company's relations with the employees continued to be cordial.

SEGMENT-WISE OR PRODUCT WISE PERFORMANCE

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

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUENCY

Your Company has an effective system of accounting and administrative controls supported by an internal audit system with proper and adequate system of internal check and controls to ensure safety and proper recording of all assets of the Company and their proper and authorised utilization. As part of the effort to evaluate the effectiveness of the internal control systems, your Company's internal auditor reviews all the control measures on a periodic basis and recommends improvements, wherever appropriate. The Audit Committee regularly reviews the audit findings and provides necessary suggestions, explanations and clarifications, if any.

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.

EXTRACT OF ANNUAL RETURN

as on the financial year ended March 31, 2018

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

FORM NO. MGT - 9

1) Registration and Other Details:

CIN	:	L65910MH1984PLC034724
Registration Date	:	December 5, 1984
Name of the Company	:	Karnavati Finance Limited
Category / Sub-Category of the Company	:	Company limited by shares/ Indian Non-Government Company
Address of the Registered Office and contact details	:	Unit No 2, Sagar Deep Darshan Co Operative Housing Society Limited, S.V. Road, Borivali (W) Mumbai - 400 092; Tel No: +91 - 99045 61000 Email: karnavatifinance@gmail.com; Web Site: www.karnavatifinancelimited.com
Whether listed Company	:	Yes, BSE Limited
Name, address and contact details of Registrar and Transfer Agent, if any	:	Satellite Corporate Services Private Limited Unit No. 49, Bldg No. 13 A-B, 02nd Floor, Samhita Commercial Co-Op. Soc. Ltd., Off Andheri Kurla Road, MTNL Lane, 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	96.83%

3) Particulars of Holding, Subsidiary and Associate Companies:

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

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

I) Category-wise Shareholding

Category of Shareholders	No. of Shares held as at the beginning of the year (April 1, 2017)				No. of Shares held as at the end of the year (March 31, 2018)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	5,305,400	-	5,305,400	63.46	5,797,900	-	5,797,900	57.69	(5.77)
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	23,900	-	23,900	0.29	23,900	-	23,900	0.24	(0.05)
e) Banks/ FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1):	5,329,300	-	5,329,300	63.75	5,821,800	-	5,821,800	57.93	(5.82)
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other - Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
Sub-Total (A)(2):	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoters (A) = (A)(1)+(A)(2)	5,329,300	-	5,329,300	63.75	5,821,800	-	5,821,800	57.93	(5.82)

B. Public Share Holding

(1) Institutions

a) Mutual Funds / UTI	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Company	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-Total (B)(1):	-	-	-	-	-	-	-	-	-

(2) Non-Institution

a) Bodies Corporate

i. Indian	180,000	-	180,000	2.15	173,887	-	173,887	1.73	(0.42)
ii. Overseas	-	-	-	-	-	-	-	-	-

b) Individuals

i. Individual Shareholders holding nominal share capital upto Rs. 2 lakhs	420,000	700	420,700	5.03	444,092	700	444,792	4.43	(0.61)
ii. Individual Shareholders holding nominal share capital in excess of Rs. 2 lakhs	1,720,000	360,000	2,080,000	24.88	2,048,754	360,000	2,408,754	23.97	(0.91)

c) Others (specify)

Market Maker	-	-	-	-	-	-	-	-	-
HUF	260,000	90,000	350,000	4.19	1,109,767	90,000	1,199,767	11.94	7.75
Clearing Members	-	-	-	-	-	-	-	-	-
NRI	-	-	-	-	1,000	-	1,000	0.01	0.01
Sub-Total (B)(2):	2,580,000	450,700	3,030,700	36.25	3,777,500	450,700	4,228,200	42.06	5.81

Total Public Shareholding (B)=(B)(1)+(B)(2)	2,580,000	450,700	3,030,700	36.25	3,777,500	450,700	4,228,200	42.06	5.81
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	7,909,300	450,700	8,360,000	100.00	9,599,300	450,700	10,050,000	100.00	0.00

II) Shareholding of Promoters & Promoters Group

Name	Shareholding as at April 1, 2017		Date wise Increase/Decrease in Shareholding			Cumulative Shareholding during the year		Shareholding as at March 31, 2018	
	No. of Share	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of Share	% of total shares of the Company	No. of Share	% of total shares of the Company
Raman P Morzaria	2,682,700	32.09	30.05.2017	185,000	Preferential Allotment	2,867,700	28.53	2,867,700	28.53
Kush Ramanbhai Morzaria	1,325,100	15.85	05.05.2017*	50,000	Open Market	1,375,100	13.68		-
			30.05.2017	103,750	Preferential Allotment	1,478,850	14.71	1,478,850	14.71
Jay R Morzaria	1,003,600	12.00	30.05.2017	153,750	Preferential Allotment	1,157,350	11.52	1,157,350	11.52
Daxaben R Morzaria	294,000	3.52		-	-	-	-	294,000	2.93
Midas Impex Pvt Ltd	23,900	0.29	-	-	-	-	-	23,900	0.24

Note : (1) * The above mentioned date was taken on the basis of Register of Member (Beneficiary position of the member).

(2) During the year under review, promoters or promoters group has not pledge or incumbered the above mentioned shares in any manner.

% change in Shareholding of Promoters & Promoters Group

Name	Shareholding as at April 1, 2017		Date wise Increase/Decrease in Shareholding			Shareholding as at March 31, 2018		% Change 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	2,682,700	32.09	30.05.2017	185,000	Preferential Allotment	2,867,700	28.53	185,000	1.84
Kush Ramanbhai Morzaria	1,325,100	15.85	05.05.2017	50,000	Open Market		-		
			30.05.2017	103,750	Preferential Allotment	1,478,850	14.71	153,750	1.53
Jay R Morzaria	1,003,600	12.00	30.05.2017	153,750	Preferential Allotment	1,157,350	11.52	153,750	1.53
Daxaben R Morzaria	294,000	3.52		-	-	294,000	2.93	-	-
Midas Impex Pvt Ltd	23,900	0.29	-	-	-	23,900	0.24	-	-

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

Name	Shareholding as at April 1, 2017		Date wise Increase/Decrease in Shareholding			Cumulative Shareholding during the year		Shareholding as at March 31, 2018	
	No. of Shares	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of Share	% of total shares of the Company	No. of Share	% of total shares of the Company
Maheshkumar Kantilal Shah	-	-	30.05.2017	423750	Preferential Allotment	423,750	4.22	423,750	4.22
Nikhil M Shah HUF	-	-	30.05.2017	423,750	Preferential Allotment	423,750	4.22	423,750	4.22
Mr. Dilip Bhagat	150,000	1.79	-	-	-	-	-	150,000	1.49
NNM Securities Private Limited	130,000	1.56	-	-	-	-	-	130,000	1.29
Mr. Mitesh Lavti	120,000	1.44	-	-	-	-	-	120,000	1.19
Mr. Ashok Lavti	120,000	1.44	-	-	-	-	-	120,000	1.19
Mr. Prakash Lavti	100,000	1.20	-	-	-	-	-	100,000	1.00
Sheetal Chetan Tanna	-	-	30.05.2017	100,000	Preferential Allotment	100,000	1.00	100,000	1.00
Chetan Manilal Tanna	-	-	30.05.2017	100,000	Preferential Allotment	100,000	1.00	100,000	1.00
Jayshree Manish Tanna	-	-	30.05.2017	100,000	Preferential Allotment	100,000	1.00	100,000	1.00
Manish Manilal Tanna	-	-	30.05.2017	100,000	Preferential Allotment	100,000	1.00	100,000	1.00
Mr. Jamanbhai Faldu	90,000	1.08	-	-	-	-	-	90,000	0.90
M/s. Jamanbhai Faldu HUF	90,000	1.08	-	-	-	-	-	90,000	0.90
Mr. Paras Varia	90,000	1.08	-	-	-	-	-	90,000	0.90
Mr. Bhagwatilal Lavti	90,000	1.08	-	-	-	-	-	90,000	0.90
Mr. Divyesh Shah	80,000	0.96	-	-	-	-	-	80,000	0.80
Ms. Hetal Faldu	80,000	0.80	-	-	-	-	-	80,000	0.80
Mr. Navneetbhai Varia	80,000	0.80	-	-	-	-	-	80,000	0.80
Ms. Kalpanaben Patel	80,000	0.80	-	-	-	-	-	80,000	0.80

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

(IV) Shareholding of Directors and Key Managerial Personnel

Name	Shareholding as at April 1, 2017		Date wise Increase/Decrease in Shareholding			Cumulative Shareholding during the year		Shareholding as at March 31, 2018	
	No. of Share	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of Share	% of total shares of the Company	No. of Share	% of total shares of the Company
Mr.Raman P Morzaria	2,682,700	32.09	30.05.2017	185,000	Preferential Allotment	-	-	2,867,700	28.53
Mr. Jay R Morzaria	1,003,600	12.00	30.05.2017	153,750	Preferential Allotment	-	-	1,157,350	11.52
Mr. Jay Somaiya	-	-	-	-	-	-	-	-	-
Ms. Hardika Mandavia	-	-	-	-	-	-	-	-	-

Mr. Kush Morzaria	1,325,100	15.85	05.05.2017	50,000	Open Market				
			30.05.2017	103,750	Preferential Allotment	153,750	1.53	1,478,850	14.71
Miss Nitixa Ramanuj	-	-	-	-	-	-	-	-	-
5) Indebtness (Rupees)									
Particulars		Secured Loans excluding deposits		Unsecured Loans		Deposits		Total Indebtedness	
Indebtness at the beginning of the financial year									
i) Principal Amount		-		-		-		-	
ii) Interest due but not paid		-		-		-		-	
iii) Interest accrued but not due		-		-		-		-	
Total A (i+ii+iii)		-		-		-		-	
Change in Indebtedness during the financial year									
Additions		-		145,174,836		-		145,174,836	
Reduction		-		-		-		-	
Net Change B		-		145,174,836		-		145,174,836	
Indebtedness at the end of the financial year									
i) Principal Amount		-		-		-		-	
ii) Interest due but not paid		-		-		-		-	
iii) Interest accrued but not due		-		-		-		-	
Total C (i+ii+iii)		-		-		-		-	
Grand Total A+B+C		-		145,174,836		-		145,174,836	
6) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL									
A) Remuneration to Managing Director, Whole-time Directors and/or Manager							(Amount in Rs.)		
Particulars of Remuneration				Name of the MD/WTD/ Manager	Name of the MD/WTD/ Manager	Name of the Key Managerial Personnel		Total Amount	
				Mr. Jay Morzaria Managing Director	Mr. Raman Morzaria Whole-Time Director	Mr. Kush Morzaria Chief Financial Officer	Miss Nitixa Ramanuj Company Secretary		
Gross salary									
(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.				375,000	375,000	25,000	107,500	882,500	
(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961						-		-	
(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961						-		-	
Stock option						-		-	
Sweat Equity						-		-	
Commission						-		-	
as % of profit						-		-	
others (specify)						-		-	
Others, please specify						-		-	
Total (A)				375,000	375,000	25,000	107,500	882,500	
B) Remuneration to other Directors: The Company has not paid any amount of Sitting Fees / Commission to the Independent Directors as well as Non-Executive Directors due to Nominal									
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)
A. Company									
Penalty	N.A.	N.A.			N.A.		N.A.		N.A.
Punishment									
Compounding									
B. Directors									
Penalty	N.A.	N.A.			N.A.		N.A.		N.A.
Punishment									
Compounding									
C. Other Officers in Default									
Penalty	N.A.	N.A.			N.A.		N.A.		N.A.
Punishment									
Compounding									
For and on behalf of Board of Directors Karnavati Finance Limited									
Place: Mumbai Date: August 13, 2018					Jay Morzaria Managing Director DIN: 02338864			Raman Morzaria Whole time Director DIN: 00203310	

SECRETARIAL AUDIT REPORT

Form No. MR-3

For the financial year ended March 31, 2018

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

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

To,

The Members,

Karnavati Finance Limited

Unit No 2 Sagar Deep Darhan Co Operative Housing Society Limited

S V Road, Borivali (W), Mumbai – 400 092, Maharashtra

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

Based on my verification of the 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, 2018, 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, 2018 according to the provisions of:

- i. The Companies Act, 2013 ('the Act') and the rules made there under as applicable;
 - ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
 - iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
 - iv. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
 - v. Secretarial Standards issued by the Institute of Company Secretaries of India.
- Further company being Non Deposit accepting Non-Banking Financial Company, following are few specific applicable acts, regulations, guidelines and direction to the company.
- vi. Reserve Bank of India Act, 1934;
 - vii. KYC & PML Policy on securities formulated in terms of prevention of Money Laundering Act, 2005;
 - viii. Prevention of Money Laundering Act, 2002;
 - ix. Guidelines on fair practice code for NBFCs;
 - x. Non-Banking Financial (Non Deposit Accepting or holding Companies Prudential Norms (Reserve Bank) Directions, 2007.

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

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

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

- i. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- ii. 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 M/s. MCS Share Transfer Agent Limited as Registrar & Share Transfer Agent as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- iii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- iv. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- v. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- vi. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Overseas Direct Investment and External Commercial Borrowings.

I further report that -

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

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

There were no dissenting views on any matter.

I further report that -

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

I further report that -

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

1. the board of directors had made allotment of 16, 90,000 Equity Shares on May 30, 2017 to promoters including promoter group and public on preferential allotment. The Company has received Listing and trading approval for the same by BSE Limited and the same was effective from Wednesday, June 21, 2017.
2. The Company had made application for Migration from SME Platform of BSE Limited to Main Board of BSE Limited and the application of the Company was approved by the stock exchange and the Equity Shares of the Company are available for the trading at Main Board of BSE Limited w.e.f. Wednesday, August 9, 2017.

Ankita Patel

Place: Ahmedabad

Practicing Company Secretary

Date: August 11, 2018

ACS No.: 8536 COP No. 16497

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

To,

The Members,

Karnavati Finance Limited

Unit No 2 Sagar Deep Darhan Co Operative Housing Society Limited

S V Road, Borivali (W),

Mumbai – 400 092, Maharashtra

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

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

Place: Ahmedabad

Date: August 11, 2018

Ankita Patel

Practicing Company Secretary

ACS No.: 8536 COP No. 16497

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

Details of Contracts or arrangements or transactions not at arm's length basis: During the year, there was no such transactions were entered by the Company.

Details of Material contracts or arrangements or transactions at arm's length basis:

Particulars	RPT-1
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
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/- to him.
Justification for entering into transactions	As per section 203 of Companies Act, 2013, company must have to appoint a Chief Financial Officer, So according to that company has appointed Mr. Kush Morzaria who has adequate qualification and experience in this regards; as Chief Financial Officer to hold the position of Key Managerial Officer of the company.
Date of approval by the board/Member	March 01, 2018
Amount paid as advance, if any	N.A.

Particulars	RPT-2
Name(s) of the related party and nature of the relationship	Mr. Raman Morzaria, Whole-Time Director of the company
Nature of Contracts/Arrangements/Transactions	Payment of Interest Amount
Salient terms of the Contracts or arrangements or transactions including the value, if any	The transactions were entered into between the company and Mr. Raman Morzaria, Whole-Time Director of the company. As per the terms of mutual understanding between board of directors and Mr. Raman Morzaria; the company shall pay monthly Interest at @ 9% on the loan amount given by Mr. Raman Morzaria from time to time till the final repayment of all outstanding dues to him.

Justification for entering into transactions	The company is engaged in the business of financing, so for smooth functioning of operation of companies business, company requires funding for further financing. So, during the year under review company has taken total loan of Rs.1, 12, 01,100/- From Mr. Raman Morzaria -whole-time director of the company and repays the amount of Rs. 1,16,71,152/- To him at the end of financial year. During the year company has paid total Interest of Rs. 3, 51, 213 to him.
Date of approval by the board/Member	April 15, 2017
Amount paid as advance, if any	N.A.

Particulars	RPT-3
Name(s) of the related party and nature of the relationship	Mr. Raman Morzaria, Whole-Time Director of the company
Nature of Contracts/ Arrangements/ Transactions	Leave and License Agreement (Payment of Rent Amount)
Salient terms of the Contracts or arrangements or transactions including the value, if any	The agreement was entered into between the company and Mr. Raman Morzaria, owner of the property. As per the terms of agreement; the company shall pay monthly Rent of Rs. 5000/- (the agreement was revised by the BOD and the party's to the contract as on November, 2017) from April 01, 2017 to October 30, 2017 after that Rs. 50,000/- from November 01, 2017 till the remaining period of contract to Raman Morzaria
Justification for entering into transactions	The company's majority operations are carried out from Jamnagar and therefore, the company has established its corporate office in the city of Jamnagar and the same is owned by one of the promoter director of the company and therefore, the company has obtained the said office on leave and license basis.
Date of approval by the board/Member	September 05, 2016 Revised as on November 01, 2017 the same is approved by the board members as on November 01, 2017
Amount paid as advance, if any	N.A.

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

**Place: Mumbai
Date: August 13, 2018**

**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.

1. Information as per section 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

(i) The ratio of remuneration of each director to the median remuneration of the employees for the financial year:

Sr. No.	Name	Designation	Ratio against median employee's remuneration
1.	Mr. Jay Morzaria	Managing Director	4.52:1
2.	Mr. Raman Morzaria	Whole-Time Director	4.52:1

Note: For the purpose of calculating ratio against median employee's remuneration, considered the salary of both the company secretary who has worked during the year.

(ii) 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	% increase over the previous year
1.	Mr. Jay Morzaria	Managing Director	25%
2.	Mr. Raman Morzaria	Whole-Time Director	25%

(iii) The percentage increase in the median remuneration of employees in the financial year

The average median remuneration of employees was decreased by 45.61% over previous year.

(iv) The number of permanent employees on the rolls of the company : 12 Employees

(v) Average percentile increase in the salaries of the employees and managerial Remuneration:

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

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

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

**Place: Mumbai
Date: August 13, 2018**

**Jay Morzaria
Managing Director
DIN: 02338864**

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

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, 2018, and the Statement of Profit and Loss for the period then ended, the Cash flow Statement for the year ended March 31, 2018 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.

Auditors' responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the Accounting and Auditing Standards and matters which are required to be included in the Audit Report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of Balance sheet, of the State of Affairs of the Company as at March 31, 2018; and
- (b) In the case of Statement of profit and loss, of the Profit for the Year ended on March 31, 2018; and
- (c) Its cash flow statement for the year ended March 31, 2018.

Emphasis of Matters

Nil

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) Company's Branches are audited by us;
 - d) 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;
 - e) 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
 - f) In our opinion, the comments or observations don't have any adverse effect on functioning of the company.
 - g) On the basis of written representations received from the directors as at March 31st, 2018, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at March 31st, 2018, from being appointed as a director in terms of subsection (2) of section 164 of the Companies Act, 2013.
 - h) 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.
 - i) With respect to the matters to be included in the Auditor' 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 no pending litigations affecting its financial statements and hence no disclosure 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 DOSHI MARU & ASSOCIATES
(Chartered Accountants)
Reg No. :112187W

HIREN JAYANTILAL MARU
Partner
M.No. : 115279

Date : 28th May,2018
Place : Mumbai

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 no inventory and hence Para 3 (ii) of the Companies (Auditors Report) order, 2016 is not applicable to the Company.
- 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. 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. 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 DOSHI MARU & ASSOCIATES
(Chartered Accountants)
Reg No. :112187W

HIREN JAYANTILAL MARU
Partner
M.No. : 115279

Date : 28th May, 2018
Place : Mumbai

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 31st March, 2018 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 31st March, 2018, 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 DOSHI MARU & ASSOCIATES
(Chartered Accountants)
Reg No. :112187W

HIREN JAYANTILAL MARU
Partner
M.No. : 115279

Date : 28th May,2018
Place : Mumbai

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 31st March, 2018, and the annexed statement of Profit and Loss of the Company for the period ended on that date and report that:

1. 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. 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.

B.

- i. The Company has accepted deposits from its shareholders only and 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.
- ii. The Company is not an Asset Finance Company or an Investment Company or Loan company and has not approached any credit rating agency for rating their deposits.
- iii. The Company being an NBFC not covered under clause (iii) of Paragraph 3 of the directions, reporting under clause (ii) doesn't arise.
- iv. Net Owned funds of the Company is not excess of Rs. 200 Lakhs, hence reporting under this clause is not applicable to the Company.
- v. 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, 2007 are not applicable to the Company.
- vi. The capital adequacy ratio requirement in the terms of the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 is not applicable to the Company.
- vii. The Company being a NBFC is required to submit return on deposits in Form NBS-9.
- viii. Submission of Yearly return on prudential norms as specified in Non Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 is applicable to the Company.
- ix. The Company has not opened any branches / offices nor has appointed any agents during the period under review.

**FOR DOSHI MARU & ASSOCIATES
(Chartered Accountants)
Reg No. :112187W**

**HIREN JAYANTILAL MARU
Partner
M.No. : 115279**

Date : 28th May,2018
Place : Mumbai

KARNAVATI FINANCE LIMITED
CIN NO.L65910MH1984PLC034724
BALANCE SHEET AS ON 31ST MARCH 2018.

(Rupees)

Particulars		Note No.	As at 31st March 2018		As at 31st March 2017	
I. EQUITY AND LIABILITIES						
1 Shareholders' funds						
(a)	Share capital	3	100,500,000		83,600,000	
(b)	Reserves and surplus	4	17,084,031		730,520	
(c)	Money received against share warrants		-		-	
	Total of Shareholder's funds			117,584,031		84,330,520
2 Share application money pending allotment				-		-
3 Non-current liabilities						
(a)	Long-term borrowings	5		145,174,836		-
(b)	Deferred tax liabilities (Net)	6		-		-
(c)	Other Long term liabilities			-		-
(d)	Long-term provisions			-		-
4 Current liabilities						
(a)	Short-term borrowings	7		-		-
(b)	Trade payables	8				-
	Dues of Micro & Small Enterprises					
	Others			2,960,374		
(c)	Other current liabilities	9		691,223		1,804,494
(d)	Short-term provisions	10		3,075,086		2,376,177
	TOTAL			269,485,550		88,511,191
II. ASSETS						
Non-current assets						
1 (a) Fixed assets						
(i)	Tangible assets	11		642,654		824,753
(ii)	Intangible assets	11		-		-
(iii)	Capital work-in-progress	11		-		-
(iv)	Intangible assets under development			-		-
(b)	Non-current investments	12		-		-
(c)	Deferred tax assets (net)			339,083		314,000
(d)	Long-term loans and advances	13		364,791		-
(e)	Other non-current assets			-		-
2 Current assets						
(a)	Current investments	14		-		-
(b)	Inventories	15		16,598		35,962
(c)	Trade receivables	16		-		-
(d)	Cash and cash equivalents	17		4,407,488		4,511,286
(e)	Short-term loans and advances	18		261,591,158		82,785,454
(f)	Other current assets	19		2,123,778		39,736
	TOTAL			269,485,550		88,511,191

For Doshi Maru & Associates
Chartered Accountants

Hiren J. Maru
Partner
M. No. 115279
FRN: 0112187W

Place: MUMBAI
Date : 28th May 2018

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

Raman P Morzaria
Whole Time Director
DIN: 00203310

Kush R Morzaria
Chief Financial Officer
PAN: BAJPM1377E

Place: MUMBAI
Date : 28th May 2018

Jay R Morzaria
Managing Director
DIN: 02338864

Nitixa Ramanuj
Company Secretary
PAN: BVBPR8851B

Place: MUMBAI
Date : 28th May 2018

KARNAVATI FINANCE LIMITED
CIN NO.L65910MH1984PLC034724
PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED 31 March 2018

(Rupees)

Particulars	Note No.	For the year ended on 31st March 2018	For the year ended on 31st March 2017
I. Revenue From Operations	20	20,197,475	9,468,162
II. Other income	21	660,551	2,802,142
III. Total Revenue (I + II)		20,858,026	12,270,304
IV. Expenses:			
Purchases of Stock-in-Trade	22	163,750	172,900
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	23	19,364	(35,962)
Employee benefits expense	24	2,681,476	1,050,060
Finance costs	25	6,787,853	127,448
Depreciation and amortization expense	26	206,397	161,477
Other expenses	27	2,685,810	1,125,305
Total expenses		12,544,650	2,601,228
V. Profit before exceptional and extraordinary items and tax (III-IV)		8,313,376	9,669,076
VI. Exceptional items			-
VII. Profit before extraordinary items and tax (V - VI)		8,313,376	9,669,076
VIII. Extraordinary Items			-
IX. Profit before tax (VII- VIII)		8,313,376	9,669,076
X Tax expense:			
(1) Current tax		2,124,948	1,959,563
(2) Deferred tax		(25,083)	167,000
(3) Prior Period Income Tax written off			
XI Profit (Loss) for the period from continuing operations (VII- VIII)		6,213,511	7,542,513
XII Profit/(loss) from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV Profit (Loss) for the period (XI + XIV)		6,213,511	7,542,513
XVI Earnings per equity share:			
(1) Basic		0.62	0.90
(2) Diluted		0.64	0.90

For Doshi Maru & Associates
Chartered Accountants

Hiren J. Maru
Partner
M. No. 115279
FRN: 0112187W

Place: MUMBAI
Date : 28th May 2018

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

Raman P Morzaria
Whole Time Director
DIN: 00203310

Kush R Morzaria
Chief Financial Officer
PAN: BAJPM1377E

Place: MUMBAI
Date : 28th May 2018

Jay R Morzaria
Managing Director
DIN: 02338864

Nitixa Ramanuj
Company Secretary
PAN: BVBPR8851B

Place: MUMBAI
Date : 28th May 2018

KARNAVATI FINANCE LIMITED
CIN NO.L65910MH1984PLC034724
STATEMENT OF CASH FLOW

For the Years Ending 31st March 2018 and 31st March 2017

(Rupees)

Particulars	31st March 2018	31st March 2017
A. Cash Flow from Operating Activities		
Net Profit Before Taxation	8,313,376.32	9,669,076.00
Adjustment For :		
Depreciation	206,397.00	161,480.00
Reversal of NPA Provision	(1,084,360.33)	(2,823,513.00)
General Provision on Standard Assets	424,422.65	21,371.00
Finance Cost	6,787,853.00	127,448.00
Operating Profit before change in Working Capital	14,647,688.64	7,155,862.00
Movement in Working Capital		
Decrease/-Increase in Loan Advance	(178,805,704.33)	(2,990,822.00)
Decrease/-Increase in Inventory	19,364.00	(35,962.00)
Decrease/-Increase in Current Assets	(2,084,042.00)	220,264.00
Decrease/-Increase in Current Laibilities	1,847,103.38	262,560.00
Decrease/-Increase in Other Current Laibilities	698,908.65	46,333.00
Movement in Working Capital	(178,324,370.30)	(2,497,627.00)
Net Cash Generation From Operation	(163,676,681.66)	4,658,235.00
Direct Tax Paid	(1,911,353.00)	(1,146,036.00)
Net Cash From Operating Activities	(165,588,034.66)	3,512,199.00
Cash Flow From Investing Activites		
Purchase of Fixed Assets	(24,300.00)	(12,000.00)
Net Cash Flow from Investing Activites	(24,300.00)	(12,000.00)
Cash Flow from Financial Activities		
Increase in Long Term Borrowings	145,174,836.00	(200,000.00)
Increase in Long Term	81,553.66	
Finance Cost	(6,787,853.00)	(127,448.00)
Issue of Share Capital	27,040,000.00	
Net Cash From Financial Activities	165,508,536.66	(327,448.00)
Net Increase/Decrease in Cash & Cash Equivalent	(103,798.00)	3,172,751.00
Cash at the Beginning of Year	4,511,286.00	1,338,535.00
Cash at the End of Year	4,407,488.00	4,511,286.00

For Doshi Maru & Associates
Chartered Accountants

Hiren J. Maru
Partner
M. No. 115279
FRN: 0112187W

Place: MUMBAI
Date : 28th May 2018

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Nitixa Ramanuj
Company Secretary
PAN: BVBPR8851B

Place: MUMBAI
Date : 28th May 2018

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 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 Nil. No Interest has been paid or payable 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 generally accepted accounting in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014.

All assets and liabilities have been classified as current and non – current as per the company's normal operating cycle and other criteria set out in the schedule III of Companies Act, 2013. Based on the Nature of Services and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and Liabilities.

Further the company follows prudential norms for Income Recognition, 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.

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

2.1 Significant accounting policies:

a. AS - 1 Disclosure of accounting policies :-

The Financial statements are prepared under the accrual basis following the historical cost convention in accordance with generally accepted accounting principles (GAAP), and pursuant to section 133 of the companies act, 2013 read with Rule 7 of the Companies (Accounts) rules, 2014, till the standards of accounting or any addendum thereto are prescribe by central government. Existing Accounting Standards notified under the companies act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under section 211(3C) [Companies (Accounting Standards) Rules, 2006 as amended] and other relevant provisions of the companies act, 2013 (the 'Act').

The presentation of financial statements requires estimates and assumption to be made that affect the reported amount of assets & Liabilities on the date of financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which results are known materialized.

b. AS - 4 Contingencies and Events Occurring After the Balance Sheet Date: -

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

c. AS - 5 Net Profit or loss for the period, prior period items and changes in accounting policies :-

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

d. AS - 9 Revenue Recognition :-

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Further in accordance with the guidelines issued by the Reserve Bank of India for Non-Banking Financial Companies, income on business assets classified as Non-performing Assets, is recognized on receipt basis. Unrealized interest recognized as income in the previous period is reversed in the month in which loan is classified as Non-performing asset.

In Case of Sale of currency, Revenue is recognized on delivery of foreign currency to the buyer.

Other items of Income are accounted as and when the right to receive arises.

e. AS - 10 Accounting for Property, Plant and Equipment :-

All items of Plant, Property and Equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. All items are depreciated as per straight line method over the useful life as prescribed under Schedule II of Companies Act, 2013.

The cost of an item of property, plant and equipment initially recognized includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

f. AS - 11 Accounting for effects of changes in foreign exchange rates :-

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.

g. AS - 12 Accounting for Government Grants :-

Capital subsidiary receivable specific to fixed assets is treated as per accounting standard 12 and other revenue grants is recorded as revenue items.

h. AS - 15 Employees Retirement Benefit Plan :-

Provident fund is a defined contribution scheme as the company pays fixed contribution at pre-determined rates. The obligation of the company is limited to such fixed contribution. The contributions are charged to Profit & Loss A/c.

i. AS - 16 Borrowing Cost :-

Borrowing costs directly attributable to the acquisition of qualifying assets are capitalized till the same is ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing cost is charged to revenue.

j. AS - 18 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.

k. AS - 19 Accounting for Leases :-

The Company has not entered into any lease agreements during the year.

l. AS - 20 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.

m. AS - 22 Accounting for Taxes on Income :-

Current Tax:-

Provision for current tax is made after taken into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

Deferred Taxes:-

Deferred Income Tax is provided using the liability method on all temporary difference at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes.

1. Deferred Tax Assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available in the future against which this items can be utilized.
2. Deferred Tax Assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realized or the liability is settled, based on tax rates (and the tax) that have been enacted or enacted subsequent to the balance sheet date.

n. AS - 24 Discontinuing Operations :-

During the year the company has not discontinued any of its operations.

o. AS - 29 Provisions Contingent liabilities and contingent assets :-

1. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.
2. Contingent Liabilities are not recognized but are disclosed in the notes.
3. Contingent Assets are neither recognized nor disclosed in the financial statements.
4. Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet Date.

Note:

Since there is no Subsidiary of reporting entity so AS - 21, 23, & 27 is not applicable.

**For Doshi Maru & Associates
Chartered Accountants**

**Hiren J. Maru
Partner
M. No. 115279
FRN: 0112187W**

Place: Mumbai
Date : 28th May, 2018

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

**Raman P Morzaria
Whole time Director
DIN 00203310**

**Kush R. Morzaria
Chief Financial Officer
PAN: BAJPM1377E
Place: Mumbai
Date : 28th May, 2018**

**Jay R Morzaria
Managing Director
DIN 02338864**

**Nitixa Ramanuj
Company Secretary
PAN: BVBPR8851B
Place: Mumbai
Date : 28th May, 2018**

NOTE No. 3 : SHARE CAPITAL				
A. Share Capital				
Particulars	As at 31st March 2018		As at 31st March 2017	
AUTHORISED SHARE CAPITAL				
1,05,00,000 Equity Shares of Rs. 10/- Each	105,000,000.00		83,600,000.00	
Issued, Subscribed & Paidup				
Equity Shares of Rs. 10/- Each	100,500,000.00		83,600,000.00	
Fully paid up				
B. The reconciliation of Numbers of Shares outstanding is set out below:				
Particulars	As at 31st March 2018		As at 31st March 2017	
	Number of Shares		Number of Shares	
Equity Shares at the beginning of the year	8,360,000.00		8,360,000.00	
Add: Shares Issued at Par	1,690,000.00		-	
Equity Shares at the end of the year	10,050,000.00		8,360,000.00	
C. 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				
D. Details of Shareholders holding more than 5% shares in company				
Particulars	No. of Shares	% of Total Holding	No. of Shares	% of Total Holding
Raman Pragjibhai Morzaria	2867700	28.53%	2,682,700	32.09%
Kush R Morzaria	1478850	14.71%	1,325,100	15.85%
Jay Ramanbhai Morzara	1157350	11.52%	1,003,600	12.00%
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 represent both legal & beneficial ownership of shares				
NOTE No. 4 : RESERVES & SURPLUS				
RESERVES & SURPLUS	As at 31st March 2018		As at 31st March 2017	
Reserve Fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934				
Balance as per Last Financial Statement	2,409,509.00		901,006.00	
Add: Set aside during the Year	1,242,702.26		1,508,503.00	
		3,652,211.26		2,409,509.00
General Reserve		15,000.00		15,000.00
Profit & Loss Account				
As per Last Balance Sheet	(1,693,989)		(7,727,999)	
Add: Profit for the year	6,213,511		7,542,513	
	4,519,522		(185,486)	
Less: Appropriations				
Transferred to Statutory Reserve Fund	(1,242,702)		(1,508,503)	
Provision for Reduction in Value of Investments	-		-	
Proposed Dividend	-		-	
Tax on Dividend	-	3,276,820.06	-	(1,693,989.00)
Securities Premium on Equity Shares		10,140,000.00		
Total		17,084,031.32		730,520.00

NOTE No. 5 : LONG TERM BORROWINGS				
Long Term Borrowings	As at 31st March 2018		As at 31st March 2017	
Secured				
<u>Working Capital Loans</u>				
From Banks				
Foreign Currency Loans				
Rupee Loans	-		-	
<u>Term Loans</u>				
From Banks				
Rupee Loans		-		-
Unsecured				
<u>Other Loans & Advances</u>		145,174,836		
From Directors				
From Shareholders				
From Banks				
From Others	145,174,836		-	
TOTAL		145,174,836		-
NOTE No. 6 : DEFFERED TAX LIABILITY (NET)				
Deffered Tax Liability	As at 31st March 2018		As at 31st March 2017	
Deffered Tax Liability				
Related to Fixed Assets		-		-
TOTAL		-		-
NOTE No. 7: SHORT TERM BORROWINGS				
Short Tem Borrowings	As at 31st March 2018		As at 31st March 2017	
Secured				
<u>Working Capital Loans</u>				
From Banks				
Foreign Currency Loans	-		-	
Rupee Loans			-	
<u>Term Loans</u>				
From Banks				
Rupee Loans	-	-	-	-
TOTAL		-		-
NOTE No. 8 : TRADE PAYABLES				
Trade Payables	As at 31st March 2018		As at 31st March 2017	
Micro, Small & Medium Enterprises				-
Others		2,960,374		
TOTAL		2,960,374		-
<p>Details of dues to Micro, small & medium Enterprises as per MSMED Act, 2006</p> <p>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 NIL. No interest has been paid or payable under MSMED Act, 2006 during the year</p> <p>There are no Due payable to small scale industries undertaking in view of the business of the company</p>				

The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information				
Particulars	As at 31st March 2018		As at 31st March 2017	
Principle Amount Due and Remains unpaid		-		-
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.		-		-
TOTAL		-		-

NOTE No. 9 : OTHER CURRENT LIABILITIES		
Other current Liabilities	As at 31st March 2018	As at 31st March 2017
TDS Payable	691,223	
Employees Professional Tax payable		
Statutory Dues		36,742
Other Payables (Expenses)		1,767,752
TOTAL	691,223	1,804,494
NOTE No. 10 : SHORT TERM PROVISIONS		
Short Term Provisions	As at 31st March 2018	As at 31st March 2017
Provision for Income Tax	2,297,469	2,013,014
General Provision on Standard Asset	627,617	203,194
Provision for audit Fees	150,000	159,969
TOTAL	3,075,086	2,376,177

NOTE No. 11 : FIXED ASSETS

(RUPEES)

Sr.	DESCRIPTION	Rate	GROSS BLOCK				DEPRECIATION				NET BLOCK	
No.			AS ON	ADDITIONS	DEDUCTION	AS ON	AS ON	DEPRECIATION	ON	UPTO	AS ON	AS ON
			04/01/2017	DURING THE	DURING THE	31/03/2017	04/01/2017	FOR THE	DELETIONS	31/03/2018	31/03/2018	31/03/2017
				PERIOD	PERIOD			PERIOD	PERIOD			
	TANGIBLE ASSETS :											
	OWN ASSETS:											
1	Furniture & Fixtures			-		-						
	Furniture		1,075,368			1,075,368	407,357	119,021		526,378	548,990	668,011
						-				-		
2	Motor Vehicles		819,000	-		819,000	695,891	81,701		777,592	41,408	123,109
	Vento Car			-	-	-			-	-	-	
	Assent Car					-				-		
						-				-		
3	Computer			-		-				-		
	Computer & Printers		74,964	17,500	-	92,464	63,861	3,385	-	67,246	25,218	11,103
						-				-		
4	Other Assets		66,549	6,800		73,349	44,019	2,290		46,309	27,040	22,530
						-				-		
										-		
	SUB-TOTAL RUPEES		2,035,881	24,300	-	2,060,181	1,211,128	206,397	-	1,417,525	642,654	824,753
	LEASE ASSETS :		-	-	-	-	-	-	-	-	-	-
	TOTAL - A		2,035,881	24,300	-	2,060,181	1,211,128	206,397	-	1,417,525	642,654	824,753
	INTENGIBLE ASSETS :		-	-	-	-	-	-	-	-	-	-
	TOTAL - B		-	-	-	-	-	-	-	-	-	-
	TOTAL A + B		2,035,881	24,300	-	2,060,181	1,211,128	206,397	-	1,417,525	642,654	824,753
	PREVIOUS YEAR		2,023,881	12,000		2,035,881	1,049,651	161,477		1,211,128	824,753	
	CAPITAL WORK IN PROGRESS										-	-
	INTENGIBLE ASSETS UNDER DEVELOPMENT										-	-
	PREVIOUS YEAR											
	CAPITAL WORK IN PROGRESS										-	-
	INTENGIBLE ASSETS UNDER DEVELOPMENT										-	-

NOTE No. 12 : NON CURRENT INVESTMENTS			
Non Current Investment		As at 31st March 2018	As at 31st March 2017
TRADE INVESTMENTS		-	-
TOTAL OF TRADE INVESTMENTS (A)		-	-
12 B. OTHER INVESTMENTS			
In Equity Shares of Comapanies - Quoted, Fully paidup			
Particluars	Purchase cost	As at 31st March 2018	As at 31st March 2017
Shares :	-		
In Mutual Funds of Comapanies - Quoted, Fully paidup			
Investments in Commodities			
Total of Other Investment (B)		-	-
TOTAL NON - CURRENT INVESTMENTS (A+B)		-	-
NOTE No. 13 : LONG TERM LOANS & ADVANCES			
Long Term Loans & Advances		As at 31st March 2018	As at 31st March 2017
TDS Credit		294,403.00	
Loans & Advances		-	
Deposits		2,000.00	
GST Credit		68,387.66	
TOTAL		364,790.66	-
NOTE No. 14 : CURRENT INVESTMENTS			
Current Investment		As at 31st March 2018	As at 31st March 2017
Current Investment		-	-
		-	-
TOTAL		-	-
NOTE No. 15 : INVENTORIES			
Invetories		As at 31st March 2018	As at 31st March 2017
		-	
Foreign Currency Stock		16,598.40	35,962.00
		-	
TOTAL		16,598.40	35,962.00
NOTE No. 16 : TRADE RECEIVABLES			
(Unsecured & considered Good)		As at 31st March 2018 2018	As at 31st March 2017
More than Six Months			-
Others		-	
TOTAL		-	

NOTE No. 17 : CASH & CASH EQUIVALENTS		
Cash & Cash Equivalents	As at 31st March 2018	As at 31st March 2017
Balance with Banks	4,280,978.67	3,701,245.00
Cash In Hand	126,509.44	810,041.00
Fixed Deposits with Banks	-	
(Maturity of Less than 12 Months)	-	-
EEFC A/c	-	-
TOTAL	4,407,488.11	4,511,286.00
NOTE No. 18 : SHORT TERM LOANS & ADVANCES		
Short Term Loans & Advances	As at 31st March 2018	As at 31st March 2017
Unsecured (including overdue loans)		
Standard Assets	258,713,106.00	50,554,499.00
Sub-standard Assets	10,948,069.00	41,098,742.00
Doubtful Assets	3,495,267.00	3,624,908.00
	273,156,442.00	95,278,149.00
Less: Provision of Interest and Income Reversal	(6,328,427.00)	6,171,478.00
	266,828,015.00	89,106,671.00
Provisions for NPA	(5,236,856.67)	(6,321,217.00)
Net Loans Unsecured	261,591,158.33	82,785,454.00
TOTAL	261,591,158.33	82,785,454.00
NOTE No. 19 : OTHER CURRENT ASSETS		
Other current Assets	As at 31st March 2018	As at 31st March 2017
Income Tax Refundable	70,860.00	
Advance Tax	2,052,918.00	
Other Current Assets		39,736.00
TOTAL	2,123,778.00	39,736.00

NOTE No. 20 : REVENUE FROM OPERATION				
Revenue From Operation	As at 31st March 2018		As at 31st March 2017	
Income From Services				
Finance Charges				
Interest Income	20,012,675.00		9,330,723.00	
Processing Charges		20,012,675.00	-	
				9,330,723.00
Net Sales				
Aed Sales			21,505.00	
USD Sales	184,800.00	184,800.00	115,934.00	137,439.00
TOTAL		20,197,475.00		9,468,162.00
20 (1) PARTICULARS OF SALES OF SERVICES				
PARTICULARS	As at 31st March 2018		As at 31st March 2017	
Income from Services		-		-
TOTAL		-		-
NOTE No. 21 : OTHER INCOME				
Other Income	As at 31st March 2018		As at 31st March 2017	
Provision and Write offs				
General Provision on Standard Asset Reversal/ (Provision)		(424,422.65)		(21,371.00)
Provision for Non Performing Assets (as per RBI Norms)		1,084,360.33		2,823,513.00
Discount Received		555.00		
Bank Interest		58.15		-
TOTAL		660,550.83		2,802,142.00
NOTE No. 22 : COST OF PURCHASE				
Cost of Purchase	As at 31st March 2018		As at 31st March 2017	
USD Purchase	163,750.00	-	-	-
LOCAL				
TOTAL	163,750.00	-	-	-
NOTE No. 23 : CHANGES IN INVENTORIES OF FOREIGN CURRENCY				
Change in Inventory of Foreign Currency	As at 31st March 2018		As at 31st March 2017	
Inventories (At Close)	-		-	
Closing Stock of Foreign Currency		16,598.40		35,962.00
Inventories (At Commencement)	-		-	
Opening Stock of Foreign Currency		35,962.40		-
TOTAL		19,364.00		(35,962.00)
NOTE No. 24 : EMPLOYEES BENEFIT EXPENSES				
Employees Benefit Expenses	As at 31st March 2018		As at 31st March 2017	
Salaries & Bonus		1,931,476.00		441,200.00
Director's Remuneration		750,000.00		600,000.00
Staff Welfare				8,860.00
TOTAL		2,681,476.00		1,050,060.00

NOTE No. 25 : FINANCE COST				
Finance Cost	As at 31st March 2018		As at 31st March 2017	
Interest on Income Tax				127,448.00
Other Interest Expenses		6,787,853.00		
TOTAL		6,787,853.00		127,448.00
NOTE No. 26 : DEPRICIATION & AMORTIZATION EXPENSES				
Depreciation & Amortization Expenses	As at 31st March 2018		As at 31st March 2017	
Depreciation	-	206,397.00		161,477.00
Preliminary Expenses Written off				
TOTAL		206,397.00		161,477.00
NOTE No. 27 : OTHER EXPENSES				
Other Expenses	As at 31st March 2018		As at 31st March 2017	
Indirect Expenses				
Auditors Remuneration			171,750.00	
ROC Fees	55,700.00		600.00	
Other General and Admin Expenses			952,955.00	
Advterisement Expenses	52,068.00		-	
Annual Fees Expenses	412,581.00		-	
Audit & Consulting Fees	209,600.00		-	
Bank Charges	20,460.20		-	
Eletric Expenses	18,477.00		-	
Eletric Fitting Expenses	9,144.00		-	
House Keeping Expenses	36,000.00		-	
Internet Expenses	7,950.00		-	
Interest on TDS	4,728.00			
Kasar	(262.52)		-	
Listing Expenses	318,600.00		-	
News Paper Expenses	6,800.00		-	
Office Expenses	40,407.00		-	
Office Rent (Jamnagar)	285,000.00		-	
Postage & Courier Expenses	7,027.03		-	
Printing & Stationery Expenses	58,416.00		-	
Professional Fees	350,700.00		-	
Statutory Expenses	398,887.00			
Tea & Coldrinks Expenses	57,799.00		-	
Telephone Expenses	15,483.00		-	
Travelling Expenses	45,082.00		-	
Vehicle Expenses	99,605.80		-	
Website Domain Expenses	21,000.00			
Write Off	154,557.00		-	
		2,685,809.51		1,125,305.00
TOTAL	2,685,809.51	2,685,809.51	1,125,305.00	1,125,305.00

28. Related Party Disclosure :-

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

i) Key Management Personnel:

- (1) Raman Morzaria
- (2) Jay Morzaria
- (3) Kush Morzaria

ii) Transactions With Related Parties:**(1) Remuneration Paid to Key Managerial Personnel**

- (a) Raman Morzaria - Rs.3,75,000 P.A.
- (b) Jay Morzaria - Rs.3,75,000 P.A.
- (c) Kush Morzaria - Rs. 25,000 P.M.

(2) Rent Paid

- (a) Raman Morzaria - Rs.2,85,000

(3) Interest Paid

- (a) Raman Morzaria - Rs 3,51,213

iii) Balance Amount Payable as on 31st March,2018

- (1) Raman Morzaria - Rs.4,02,750
- (2) Jay Morzaria - Rs.6,17,500
- (3) Kush Morzaria - Rs. 25,000

29. 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.

30. 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.

**For Doshi Maru & Associates
Chartered Accountants**

**Hiren J. Maru
Partner
M. No. 115279
FRN: 0112187W**

Place: Mumbai
Date : 28th May, 2018

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

**Raman P Morzaria
Whole time Director
DIN 00203310**

**Kush R. Morzaria
Chief Financial Officer
PAN: BAJPM1377E
Place: Mumbai
Date : 28th May, 2018**

**Jay R Morzaria
Managing Director
DIN 02338864**

**Nitixa Ramanuj
Company Secretary
PAN: BVBPR8851B
Place: Mumbai
Date : 28th May, 2018**

Request for Updating Records

To,
Satellite Corporate Services Private Limited
 Unit no. 2, Building No. 13 A-B, 02nd Floor,
 Samhita Commercial Co-op. Society Limited,
 Off. Andheri Kurla Road, MTNL Lane,
 Sakinaka, Mumbai-400072, Maharashtra

Dear Sir/Ma'am,

Sub: Updation of Shareholder Information

Ref: Karnavati Finance Limited (CIN: L65910MH1984PLC034724)

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

Folio Number/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 Name of the officer Authorization Code Number Contact Number			

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

Place:

Date:

Signature of sole/ First Holder

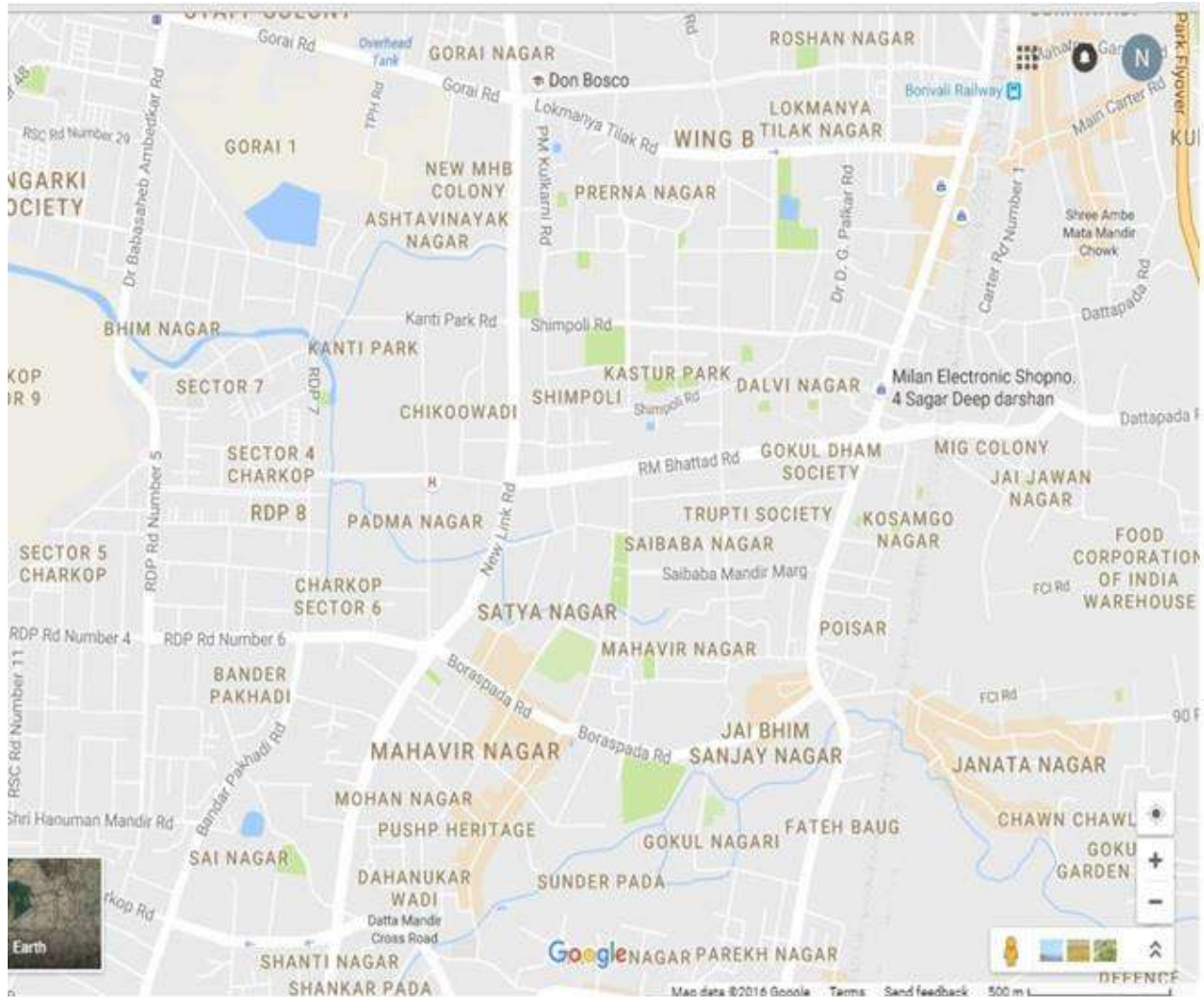
Note:

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

Further, Members are requested refer SEBI Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 of dated April 20, 2018 regarding up-dation of bank details with the company/RTA and also refers the SEBI Circular No. SEBI/LAD-NRO/GN/2018/24 regarding transfer to securities. Kindly note that market regulator SEBI has announced that from December 05, 2018 onwards transfer of shares should be effective only when the transfer are lying in DEMATERIALISED Mode. No transfer of shares shall be allowed for Physical shares, only transmission and transposing shall be allowed for this. So, shareholders are requested to make necessary arrangements for dematerializing their physical holding at earliest.

Route Map to the Venue to Annual General Meeting

Address: Unit No. 2, Sagar Deep Darshan Co-operative Housing Society Limited, S.V.Road, Borivali (West), Mumbai-400092, Maharashtra.



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ATTENDANCE SLIP

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

I/we hereby record my/our presence at the Annual General Meeting of the Members of Karnavati Finance Limited held on Thursday, September 20, 2018 at 10:00 A.M. at the Registered office of the company at Unit no.2 Sagar Deep Darshan Co-Operative Housing Society Limited, S. V. Road, Borivali (West), Mumbai- 400092, Maharashtra.

Member's/Proxy's Name in Block Letters

Member's/Proxy's Signature

Notes: Please fill up this attendance slip and hand it over at the entrance of the venue of meeting.

REMOTE ELECTRONIC VOTING PARTICULARS

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

REVEN	USER ID	PASSWORD
109291		

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

Commencement of e-voting	End of e-voting
Monday, September 17, 2018 (09:00 A.M.)	Wednesday, September 19, 2018 (05:00 P.M.)

PROXY FORM

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

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

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

1. Name: _____
Address: _____
E-mail Id: _____ Signature: _____ or failing him
2. Name: _____
Address: _____
E-mail Id: _____ Signature: _____ or failing him
3. Name: _____
Address: _____
E-mail Id: _____ Signature: _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Members of Karnavati Finance Limited to be held on Thursday, September 20, 2018 at 10:00 A.M. at the Registered office of the company at Unit no.2 Sagar Deep Darshan Co-Operative Housing Society Limited, S. V. Road, Borivali (West), Mumbai- 400092, Maharashtra and/or any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution	Vote (Optional see Note 2) (Please mention no. of shares)		
Ordinary Businesses		For	Against	Abstain
1.	To receive, consider and adopt audited financial statement of account for the financial year ended on March 31, 2018 and the reports of the Director’s and the Auditor’s 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:			
3.	To appoint M/S Doshi Maru & Associates as a Statutory Auditor and fix their remuneration			
Special Businesses				
4.	To approve the appointment of Mr. Parth Maniar as an Non Executive (Independent director) on the board			
5.	To approve the appointment of Mrs. Brinda Bilimoria as an Non-Executive (Independent Women director) on the board			

Signed this.....day of.....2018

Signature of shareholder

Signature of Proxy
holder(s)

Affix
Revenue
Stamp of not
less than
Rs. 1

Note:

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