



# KFL Karnavati Finance Limited

CIN : L695910MH1984PLC034724

Administrative & Corporate Office : "Vraj", 5th Floor, Near Teen Batti, Limda Lane, Jamnagar - 361001 (Gujarat) INDIA  
Phone : 0288 2673759, Fax No. 0288 2663042, Mo : +91 99045 61000 Email ID : karnavatifinance@gmail.com

Date: September 05, 2024

To,  
BSE Limited  
PhirozeJeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400001.

Dear Sir/Madam,

**Sub.: Submission of copy of 40<sup>th</sup> Annual Report for the Financial Year 2023-24**

**Ref: Karnavati Finance Limited (Scrip Code/Stripe ID: 538928/KARNAVATI)**

With reference to the subject cited above, we hereby submit the copy of 40<sup>th</sup> Annual Report of the company for financial year 2023-24.

Kindly take the same in your records and oblige us.

Thank you.

Yours faithfully,  
Thanking You,  
**For, Karnavati Finance Limited**

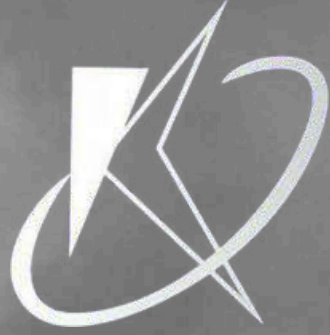
**JAY RAMAN** Digitally signed by JAY  
**MORZARIA** RAMAN MORZARIA  
Date: 2024.09.05  
19:21:19 +05'30'

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

Registered Office :

Vraj, 2nd Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Mumbai-400053.  
Phone : 022 2880 9111 Website : [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com)

**KARNAVATI FINANCE LIMITED**



**40th  
ANNUAL  
REPORT  
2023-2024**

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

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**CORPORATE INFORMATION**

KARNAVATI FINANCE LIMITED (CIN: L65910MH1984PLC034724)

**REGISTERED OFFICE**

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra  
**Contact No. : 022 28809111**

**CORPORATE OFFICE**

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

**Contact No. : 0288 2663042**

**E-Mail ID:** [karnavatifinance@gmail.com](mailto:karnavatifinance@gmail.com)  
**Website:** [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com)

**BOARD OF DIRECTORS**

Name	(DIN)	Designation
Mr. Ashish Nandkishor Batavia	10181918	Chairman & Non - Executive Director
Mr. Jay Ramanbhai Morzaria	02338864	Managing Director
Mr. Raman Pragjibhai Morzaria	00203310	Whole-Time Director
Mr. Parth Chandreshbhai Maniar	07980886	Non-Executive (Independent) Director
Mrs. Brimda Minoobhai Bilimoria	08196034	Non-Executive (Independent) Director
Mr. Vineshkumar Popatlal Makadia	00362318	Non-Executive Director

**KEY MANAGERIAL PERSONNEL**

Name	Designation	Name	Designation
Mr. Kush Morzaria	Chief Financial Officer	Mr. Parth Chandreshbhai Maniar	Chairperson
Ms. Akanksha Rai	Company Secretary & Compliance Officer	Mrs. Brimda Minoobhai Bilimoria	Member
		Mr. Jay Ramanbhai Morzaria	Member

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

Name	Designation	Name	Designation
Mr. Parth Chandreshbhai Maniar	Chairperson	Mr. Parth Chandreshbhai Maniar	Chairperson
Mrs. Brimda Minoobhai Bilimoria	Member	Mrs. Brimda Minoobhai Bilimoria	Member
Mr. Jay Ramanbhai Morzaria	Member	Mr. Vineshkumar Popatlal Makadia	Member

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

Statutory Auditor	Internal Auditor	Secretarial Auditor
<b>M/s B. B. Gusani &amp; Associates</b> Chartered Accountants Address: Office No. 215, Manek Centre, P.N. Marg, Jamnagar - 361001, Gujarat. <b>Mail ID:</b> <a href="mailto:bhargavgusani77@gmail.com">bhargavgusani77@gmail.com</a> <b>Contact No.</b> +91 9428817400	<b>M/S. Suresh Tejwani &amp; Co.</b> Address: 109, 110 City Arcade, Near D.S.P. Bungalow, Tin Batti-361001, Jamnagar-361001, Gujarat. <b>Mail ID:</b> <a href="mailto:suresh.tejwani@gmail.com">suresh.tejwani@gmail.com</a> <b>Contact No. :</b> 0288 2556368	<b>Mr. Jitendra Parmar and Associates</b> Practicing Company Secretary Address: J - 708, Riverside Park, Opp. APMC Market Lane, Near Vishala Circle, Vasna, Ahmedabad - 380007 <b>Mail ID:</b> <a href="mailto:csjitendraparmar@gmail.com">csjitendraparmar@gmail.com</a> <b>Contact No. :</b> +91 94085 55517

**REGISTRAR & SHARE TRANSFER AGENT**

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

**BANKERS**

IDBI Bank  
IndusInd Bank  
State Bank of India  
HDFC Bank  
ICICI Bank

**NOTICE OF 40<sup>TH</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that the 40<sup>th</sup> Annual General Meeting of the Members of Karnavati Finance Limited will be held on Saturday, September 28, 2024 at 03:30 P.M. IST through video conferencing (VC)/Other Audio Visual Means (OAVM), to transact the following businesses;

**Ordinary Businesses:-**

1. To receive, consider and adopt audited financial statement of the Company for the financial year ended on March 31, 2024 and the reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. Jay Morzaria (DIN: 02338864), Managing Director of the Company, who retires by rotation and being eligible, seek re-appointment.

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

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

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

**Special Businesses:-**

3. **Re-appointment of Mr. Raman Morzaria (DIN: 00203310) as a Whole-Time Director of the Company:**

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

**"RESOLVED THAT,** pursuant to the provisions of Section 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013, and Schedule V of the Act read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and other applicable rules, regulations issued by the Ministry of Corporate Affairs in this regard and Regulation 17(6)(e) of Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) (Amendment) Regulations, 2018 and other applicable Regulations of SEBI (LODR) Regulations, 2015 including any statutory amendments, modifications or re-enactment thereof and all other statutory approvals, as may be required and on recommendation of Nomination and Remuneration Committee and pursuant to approval of the Board of Directors (hereinafter referred to as "the board" which term shall include Nomination & Remuneration Committee of the Board), the approval of the Members of the Company be and is hereby accorded for re-appointment of Mr. Raman Morzaria (DIN: 00203310) as a Whole-Time Director for further period of five (5) years from the expiry of his present term of office, that is, with effect from July 01, 2024 to June 30, 2029, liable to retire by rotation and on such terms and conditions including salary and perquisites (hereinafter referred to as "remuneration") as set out in the explanatory statement annexed to this notice with the power to the board to alter and modify the same, inconsonance with the provisions of the Act and in the best interest of the Company.

**RESOLVED FURTHER THAT,** subject to the provisions of Section 197 the Companies Act, 2013 as amended from time and time, the Remuneration payable to Mr. Raman Morzaria (DIN: 00203310) as set out in the explanatory statement attached hereto, in the event of loss or inadequacy of profit in any Financial Year, shall be as per the limit set out in Section II of Part II of Scheduled V to the Companies Act, 2013.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this Resolution, the board be and is hereby authorized to undertake all acts, deeds and execute all documents and pass relevant resolutions for the purpose of giving effect to this resolution, from time to time and to undertake all such steps, as may be deemed necessary in this matter."

**RESOLVED FURTHER THAT** in terms of Section 190 of the Companies Act, 2013, no formal contract of service with Mr. Raman Morzaria (DIN: 00203310) will be executed and this resolution along with its explanatory statement be considered as Memorandum setting out terms and conditions of appointment and remuneration of Mr. Raman Morzaria (DIN: 00203310) as Whole-Time Director.

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

4. **Re-appointment of Mr. Jay Morzaria (DIN: 02338864) as a Managing Director of the Company:**

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

**"RESOLVED THAT,** pursuant to the provisions of Section 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013, and Schedule V of the Act read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and other applicable rules, regulations issued by the Ministry of Corporate Affairs in this regard and Regulation 17(6)(e) of Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) (Amendment) Regulations, 2018 and other applicable Regulations of SEBI (LODR) Regulations, 2015 including any statutory amendments, modifications or re-enactment thereof and all other statutory approvals, as may be required and on recommendation of Nomination and Remuneration Committee and pursuant to approval of the Board of Directors (hereinafter referred to as "the board" which term shall include Nomination & Remuneration Committee of the Board), the approval of the Members of the Company be and is hereby accorded for re-appointment of Mr. Jay Morzaria (DIN: 02338864) as a Managing Director for further period of five (5) years from the expiry of his present term of office, that is, with effect from July 01, 2024 to June 30, 2029, liable to retire by rotation and on such terms and conditions including salary and perquisites (hereinafter referred to as "remuneration") as set out in the explanatory statement annexed to this notice with the power to the board to alter and modify the same, inconsonance with the provisions of the Act and in the best interest of the Company.

**RESOLVED FURTHER THAT,** subject to the provisions of Section 197 the Companies Act, 2013 as amended from time and time, the Remuneration payable to Mr. Jay Morzaria (DIN: 02338864) as set out in the explanatory statement attached hereto, in the event of loss or inadequacy of profit in any Financial Year, shall be as per the limit set out in Section II of Part II of Scheduled V to the Companies Act, 2013.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this Resolution, the board be and is hereby authorized to undertake all acts, deeds and execute all documents and pass relevant resolutions for the purpose of giving effect to this resolution, from time to time and to undertake all such steps, as may be deemed necessary in this matter."

**RESOLVED FURTHER THAT** in terms of Section 190 of the Companies Act, 2013, no formal contract of service with Mr. Jay Morzaria (DIN: 02338864) will be executed and this resolution along with its explanatory statement be considered as Memorandum setting out terms and conditions of appointment and remuneration of Mr. Jay Morzaria (DIN: 02338864) as a Managing Director.

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

#### 5. Approval and Ratification of Material Related Party Transactions.

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

“RESOLVED THAT pursuant to the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”) and such other provisions of law as was applicable and as may be amended from time to time, consent of the Members of the Company, be and is hereby accorded to the Board of Directors and/or duly constituted Committee thereof for the following arrangements/ transactions/ contracts (including any other transfer of resources, services or obligations) hitherto entered or to be entered into by the Company and also for every financial year hereafter:

Details of Related Party Transactions/ Arrangements/ Contracts per Financial Year:

Sr. No.	Name of Related Party	Nature of Relationship	Type of Transaction(s)	Maximum Value* of Transaction in every financial year
1.	Mr. Jay Morzaria	Managing Director	Receipt of Unsecured Loan (in ordinary course of business) from him and payment of Interest thereon at rate not exceeding the Bank Rate or 9.00%, whichever is higher	Up to Rs. 10.00 Crore individually or in aggregate and payment of interest thereon not exceeding the Bank Rate or 9.00%, whichever is higher
2.	Mr. Raman Morzaria	Whole-Time Director	Receipt of Unsecured Loan (in ordinary course of business) from him and payment of Interest thereon at rate not exceeding the Bank Rate or 9.00%, whichever is higher	Up to Rs. 10.00 Crore individually or in aggregate and payment of interest thereon not exceeding the Bank Rate or 9.00%, whichever is higher

\*Expected maximum value over 3 financial years starting from 2023-24.

“RESOLVED FURTHER THAT the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company and/or a duly constituted Committee thereof, to do all such acts, deeds, matters and things as may be necessary, expedient or desirable including any negotiation/ renegotiation/ modification/ ratification/ amendments to or termination thereof, of the subsisting arrangements/ transactions/ contracts or any future arrangements/ transactions/ contracts and to make or receive/ pay monies or to perform all other obligations in terms of such arrangements/ transactions/ contracts with the Related parties.

RESOLVED FURTHER THAT the consent of the Company, be and is hereby accorded to the Board of Directors of the Company and/or a duly constituted Committee thereof, to severally do or cause to be done all such acts, matters, deeds and things and to settle any queries, difficulties, doubts that may arise with regard to any of the transactions with the related parties and severally execute such contracts, agreements, documents and writings and to make such filings, as may be necessary, expedient or desirable for the purpose of giving full effect to this resolution, in the best interest of the Company.”

#### Registered Office

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra

By order of the Board  
For, Karnavati Finance Limited

Jay Morzaria  
Managing Director  
DIN: 02338864

Place: Mumbai

Date: September 05, 2024

#### Notes:

- The Ministry of Corporate Affairs (MCA) vide its circular dated September 25, 2023, December 08, 2022, May 05, 2022, December 14, 2021 read with circulars dated January 13, 2021, May 05, 2020, April 08, 2020 and April 13, 2020 (collectively referred to as MCA Circulars) and the Securities and Exchange Board of India vide its circulars dated October 07, 2023, January 05, 2023, May 13, 2022 read with January 15, 2021 and May 12, 2020 (collectively referred to as SEBI Circulars) have permitted the holding of the Annual General Meeting (AGM) through VC / OAVM, without physical presence of the members at a common venue till 30th September 2024. In compliance with the provisions of the Act, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and MCA Circulars, the 40<sup>th</sup> AGM of the Company is being held through VC / OAVM. The members can attend and participate in the AGM through VC/OAVM.
- Pursuant to the above referred MCA Circulars, the facility, to appoint a proxy to attend and cast vote, for the members is not available for this AGM. However, the body corporates are entitled to appoint authorized representatives to attend the AGM through VC/OAVM and cast their votes through e-voting.
- In line with MCA Circulars read with circulars issued by Securities Exchange Board of India (SEBI) vide SEBI/ HO/CFD/CFD-PoD-2/P/CIR/2023/167 dated October 07, 2023 (hereinafter referred to as “SEBI Circular for AGM”), the Notice of 40<sup>th</sup> AGM along with the Annual Report for FY 2023-24 is being sent only through electronic mode to those members whose email addresses are registered with the Company’s Registrar & Share Transfer Agents, M/s. Satellite Corporate Services Private Limited (“RTA”) / Depositories. Hard copies shall be sent to those members who shall request for the same. Members may note that the Notice of the 40<sup>th</sup> AGM along with the Annual Report for FY 2023-24 is also available for download on the website of the Company at [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com), websites of the Stock Exchanges i.e. BSE Limited at [www.bseindia.com](http://www.bseindia.com) and on the website of NSDL, [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- Since the AGM is being held through VC / OAVM, physical attendance of shareholders has been dispensed with. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
- Pursuant to Section 113 of the Act, Institutional / Corporate Shareholders (i.e. other than individuals / HUF, NRI, etc.) attending the meeting through VC / OAVM are required to send a scanned copy (PDF/ JPG Format) of its Board or governing body Resolution/ Authorization etc., authorizing its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote

e-voting. The said Resolution/ Authorization shall be sent to the scrutinizer by email through its registered email address to csjitendraparmar@gmail.com with a copy marked to evoting@nsdl.co.in.

6. As per Regulation 40 of Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, April 1, 2019, except in case of request received for transmission or transposition and re-lodged transfers of securities. Further, SEBI vide its circular no. SEBI/ HO/MIRSD/ RTAMB/CIR/P/2020/236 dated December 2, 2020, had fixed March 31, 2021, as the cut-off date for re-lodgement of transfer deeds and the shares that are re-lodged for transfer shall be issued only in demat mode. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, mobile/ phone numbers, PAN, mandates, nominations and bank details etc., to their Depository Participants (“DPs”) in case shares are held by them in electronic form and to M/s. Satellite Corporate Services Private Limited in Form ISR-1 in case the shares are held by them in physical form. Members can contact the Company or the Company’s Registrars and Transfer Agents, M/s. Satellite Corporate Services Private Limited for assistance in this regard.
7. Shareholders desirous of receiving communication from the Company in electronic form may register their email addresses with their respective depository participants. Further, shareholders are also requested to approach their depository participant to register their email address in their demat account details as per the process defined by the respective depository participant. Members, who hold shares in physical form are requested to provide their email addresses to M/s. Satellite Corporate Services Private Limited by sending an e-mail at service@satellitecorporate.com or to the Company at karnavatifinance@gmail.com.
8. As per the provisions of Section 72 of the Act, the facility for making nominations 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 said form can be downloaded from the Company’s website www.karnavatifinancelimited.com. Members are requested to submit the said details to their DP in case the shares are held by them in electronic form and to M/s. Satellite Corporate Services Private Limited, in case the shares are held in physical form. Further, if members desire to opt-out/ cancel the nomination and to record a fresh nomination, are requested to submit Form ISR-3 (in case of shares held in physical form) or SH-14 (in case of shares held in electronic mode).
9. SEBI has mandated listed companies to issue securities in dematerialized form only while processing service requests for the issue of duplicate securities certificates; claims from unclaimed suspense accounts; renewal/ exchange of securities certificates; endorsement; sub-division/splitting of securities certificate; consolidation of securities certificates/folios; and transmission and transposition. In this regard, members are requested to make requests in Form ISR-4. It may be noted that the service request can be processed only, if the respective folio is KYC Compliant.
10. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company or M/s. Satellite Corporate Services Private Limited, 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 the requisite changes.
11. In the case of joint holders, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote during the AGM.
12. Since the AGM will be held through VC / OAVM, the Route Map does not form part of the Notice. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the Special Business at item nos. 3, 4 and 5 above is annexed hereto and forms part of the Notice.
13. Relevant documents referred to in the Notice, Register of Directors / Key Managerial Personnel (KMP) and their shareholding maintained under Section 170 of the Companies Act 2013 and Register of Contracts maintained under Section 189 of the Companies Act 2013 and other relevant registers are open for inspection by the members at the registered office of the Company on all working days during 11:00 AM to 1:00 PM. Members can request the same by sending an email to karnavatifinance@gmail.com till the date of the AGM.
14. Members seeking any information with regard to Financial Statements or any matters to be placed at the AGM, are requested to write to the Company at least 5 days before the date of AGM through email at karnavatifinance@gmail.com. The same will be replied by the Company suitably.
15. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held in electronic form and to Satellite Corporate Services Private Limited in case the shares are held in physical form.
16. **VOTING THROUGH ELECTRONIC MEANS:**
  - i. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (LODR) Regulations, 2015 (as amended) and in terms of SEBI vide circular no. SEBI/HO/CFD/CMD/ CIR/P/2020/242 dated December 9, 2020 in relation to e-voting Facility provided by Listed Entities, the Company is providing facility of remote e-voting to its members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized e-voting agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by NSDL.
  - ii. The members, whose names appear in the Register of Members /list of Beneficial Owners as on Friday, August 30, 2024 are entitled to vote on the resolutions, set forth in this Notice. The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the ‘cut-off date’ of Friday, August 30, 2024. Any person holding shares in physical form and non- individual shareholders, who acquires shares of the Company and becomes a member of the Company after sending of the Notice and holding shares as of the cut- off date i.e. Saturday, September 21, 2024 may obtain the login ID and password by sending a request at service@satellitecorporate.com and/ or evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.
  - iii. In case of Individual Shareholders holding securities in demat mode and who acquires shares of the Company and becomes a member of the Company after sending of the Notice and holding shares as of the cut-off date may follow steps mentioned below under “Login method for remote e-voting and joining virtual meeting for Individual shareholders holding securities in demat mode.”
  - iv. The Board of Directors of the Company have appointed CS Jitendra Parmar, Practising Company Secretary (ICSI M. No. F11336) as the Scrutinizer to scrutinize the remote e-voting process and voting through electronic voting system at the AGM in a fair and transparent manner.

- v. The Scrutiniser shall, immediately after the conclusion of voting at the Meeting, count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting and at the meeting in the presence of at least two witnesses not in the employment of the Company. Scrutiniser shall within 2 working days of conclusion of the meeting submit a consolidated scrutiniser report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing.
- vi. The results along with the Scrutinisers Report shall be placed on the website of the Company and on the website of NSDL and shall be communicated to BSE Limited.

**INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING AND JOINING GENERAL MEETING ARE AS UNDER:-**

The remote e-voting period begins on Wednesday, September 25, 2024 at 9:00 A.M. and ends on Friday, September 27, 2024 at 5:00 P.M.

The remote e-voting module shall be disabled by NSDL for voting thereafter. The members, whose names appear in the Register of members / Beneficial Owners as on the record date (cut-off date) i.e. Saturday, September 21, 2024, may cast their vote electronically. The voting right of shareholders shall be in proportion to their share in the paid-up equity share capital of the Company as on the cut-off date, being September 21, 2024.





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

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

**Step 1: Access to NSDL e-Voting system**

- A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode  
In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of Shareholders	Login Method
<p><b>Individual Shareholders holding securities in demat mode with NSDL.</b></p>	<ol style="list-style-type: none"> <li>1. Existing IDeAS user can visit the e-Services website of NSDL Viz. <a href="https://eservices.nsd.com">https://eservices.nsd.com</a> either on a Personal Computer or on a mobile. On the e-Services home page click on the “Beneficial Owner” icon under “Login” which is available under ‘IDeAS’ section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> <li>2. If you are not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsd.com">https:// eservices.nsd.com</a>. Select “Register Online for IDeAS Portal” or click at <a href="https://eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp">https:// eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsd.com/">https://www.evoting.nsd.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on Company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> <li>4. Shareholders/Members can also download NSDL Mobile App “NSDL Speede” facility by scanning the QR code mentioned below for seamless voting experience.</li> </ol> <p style="text-align: center;"><b>NSDL Mobile App is available on</b></p> <div style="display: flex; justify-content: center; gap: 20px;">   </div> <div style="display: flex; justify-content: center; gap: 20px; margin-top: 10px;">   </div>
<p><b>Individual Shareholders holding securities in demat mode with CDSL</b></p>	<ol style="list-style-type: none"> <li>1. Users who have opted for CDSL Easi/Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login Easi /Easiest are requested to visit CDSL website <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on login icon &amp; New System ‘Easi Tab’ and then use your existing username &amp; password.</li> <li>2. After successful login, the Easi/Easiest user will be able to see the e-Voting option for eligible companies where the e-Voting is in progress as per the information provided by the Company. On clicking the e- Voting option, the user will be able to see the e-Voting page of the e-Voting service provider for casting their vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting. Additionally, there are also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers’ website directly.</li> </ol>



	<p>3. If the user is not registered for Easi/Easiest, the option to register is available at CDSL website <a href="http://www.cdslindia.com">www.cdslindia.com</a>. They can click on login &amp; New System Myeasi Tab and then click on registration option.</p> <p>4. Alternatively, the user can directly access e-Voting pages by providing Demat Account Number and PAN No. from an e-Voting link available on <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page. The system will authenticate the user by sending OTP on registered mobile &amp; email as recorded in the Demat Account. After successful authentication, users will be able to see the e-Voting option where the e-Voting is in progress and also be able to directly access the system of all e-Voting Service Providers.</p>
Individual Shareholders (holding securities in demat mode) login through their depository participants	Users can also login using the login credentials of their demat account through their Depository Participant registered with NSDL/CDSL for e-Voting facility. Upon logging in, the users will be able to see the e-Voting option. Upon clicking on the e-Voting option, they will be redirected to the NSDL/CDSL Depository site after successful authentication, wherein they can see the e-Voting feature. Click on Company name or e-Voting service provider i.e. NSDL and they will be redirected to the e-Voting website of NSDL for casting their vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/Password are advised to use Forget User ID and Forget Password option available at above mentioned website.

**Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.**

Login Type	Helpdesk Details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue during login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.com">evoting@nsdl.com</a> or calling at 022 - 4886 7000
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue during login can contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contacting at toll free no. 1800 22 55 33

**B) Login method for e-Voting and joining virtual meetings for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

**How to log-in to the NSDL e-Voting website?**

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

Manner of holding shares i. e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For members who hold shares in a demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12*****, then your user ID is IN300***12*****.
b) For members who hold shares in a demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12*****, then your user ID is 12*****.
c) For members holding shares in physical form.	EVEN Number followed by Folio Number registered with the Company. For example, if folio number is 001*** and EVEN is 131133, then user ID is 131133001***

5. Password details for shareholders other than Individual shareholders are given below:

- a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- b) If you are using the NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

C) How to retrieve your 'initial password'?

- (i) If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

- (ii) If your email is not registered, please follow steps mentioned below in process for those shareholders whose email ids are not registered.

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

- a) Click on “Forgot User Details/Password?” (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - b) Physical User Reset Password?” (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - C) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.com](mailto:evoting@nsdl.com) mentioning your demat account number/ folio number, your PAN, your name and your registered address etc.
  - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
7. After entering your password, tick on Agree to “Terms and Conditions” by selecting the check box.
  8. Now, you will have to click on the “Login” button.
  9. After you click on the “Login” button, Home page of e-Voting will open.

**Step 2: Cast your vote electronically and join the General Meeting on NSDL e-Voting system.****How to cast your vote electronically and join the General Meeting on NSDL e-Voting system?**

1. After successful login at Step 1, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle and General Meeting is in active status.
2. Select “EVEN” of the Company for which you wish to cast your vote during the remote e-Voting period and cast your vote during the General Meeting. For joining a virtual meeting, you need to click on the “VC/OAVM” link placed under “Join Meeting”.
3. Now you are ready for e-Voting as the Voting page opens.
4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on “Submit” and also “Confirm” when prompted.
5. Upon confirmation, the message “Vote cast successfully” will be displayed.
6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutinizer by e-mail to [csjitendraparmar@gmail.com](mailto:csjitendraparmar@gmail.com) with a copy marked to [evoting@nsdl.com](mailto:evoting@nsdl.com). Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) can also upload their Board Resolution / Power of Attorney / Authority Letter etc. by clicking on “Upload Board Resolution / Authority Letter” displayed under “e-Voting” tab in their login.
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on.: 022 - 4886 7000 or send a request to Mr. Amit Vishal, Senior Manager, NSDL, 022-2499 4360 or email at [amitv@nsdl.co.in](mailto:amitv@nsdl.co.in) or Ms. Pallavi Mhatre, Manager, NSDL, 022-2499 4545 or email at [pallavid@nsdl.co.in](mailto:pallavid@nsdl.co.in) at [evoting@nsdl.com](http://evoting@nsdl.com).

**Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of email ids for e-voting for the resolutions set out in this notice:**

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to [karnavatifinance@gmail.com](mailto:karnavatifinance@gmail.com).
2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to [karnavatifinance@gmail.com](mailto:karnavatifinance@gmail.com). If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at step 1 (A) i.e. Login method for e-Voting and joining virtual meetings for Individual shareholders holding securities in demat mode.
3. Alternatively shareholder/members may send a request to [evoting@nsdl.com](mailto:evoting@nsdl.com) for procuring user id and password for e-voting by providing above mentioned documents.
4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

**INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER:-**

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

**INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:-**

1. Members will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for Access to NSDL e-Voting system. After successful login, you can see a link of “VC/OAVM” placed under the “Join meeting” menu against the Company name. You are requested to click on the VC/OAVM link placed under the Join Meeting menu. The link for VC/OAVM will be available in Shareholder/ Member login where the EVEN of the Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

2. Members are encouraged to join the Meeting through Laptops for better experience.
3. Further Members will be required to allow Camera and use the Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
5. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at karnavatifinance@gmail.com. The same will be replied by the Company suitably.
6. Members who would like to express their views or ask questions during the meeting may register themselves as a speaker by sending their request from their registered email ID mentioning their name, demat account number/ folio number, PAN, mobile number at karnavatifinance@gmail.com at least 5 days before the date of AGM. Those Members who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
7. Members can raise questions at the AGM through a chat box and they are requested to frame their questions precisely. Once the Member clicks the link for VC/ OAVM in shareholder/members login where the EVEN of Company will be displayed, Members will be able to view AGM VC/OAVM proceedings along with the chat box. The questions raised by the Members will be replied to by the Company suitably

#### Annexure to Notice - Explanatory Statement

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

#### Item No. 3

The Board of Directors of the company ("the board") at its meeting held on June 28, 2019 had appointed Mr. Raman Morzaria (DIN: 00203310) as a Whole-Time Director of the company for a period of 5 years w.e.f. July 01, 2019 to June 30, 2024 and the same was approved by the members of the company in their meeting held on September 25, 2019. The said period of appointment was expired on June 30, 2024. So, the Board of Directors of the company at its meeting held on June 30, 2024 has, subject to the approval of members, re-appointed Mr. Raman Morzaria (DIN: 00203310) as a Whole-Time Director for a further period of five (5) years w.e.f. July 1, 2024 to June 30, 2029, on the terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee has noted that the Company has not made any default in repayment of its dues to Banks or Financial Institutions.

It is proposed to seek the members' approval for the re-appointment of and remuneration payable to Mr. Raman Morzaria (DIN: 00203310) as a Whole-Time Director, in terms of the applicable provisions of the Act.

Further, in terms of SEBI (Listing Obligations and Disclosure Requirement) Amendment Regulations, 2018 the remuneration of the Promoter Executive Directors shall not exceed Rs. 5,00,00,000 (Rupees Five crore) or 2.5% of net profits whichever is higher or there is more than one Executive Directors, the aggregate annual remuneration to such directors is exceeds 5% of the net profit. The prescribed resolution required approval of Shareholders of the company as special resolution under these regulations.

Further, as per the provisions of Section 197 the Companies Act, 2013 as amended from time and time, the minimum Remuneration payable to Mr. Raman Morzaria (DIN: 00203310), in the event of loss or inadequacy of profit in any Financial Year, shall be as per the limit set out in be Section II of Part II of Scheduled V to the Companies Act, 2013 or any other applicable limits, as provided by the Central Government in this regard, from time to time.

Pursuant to Sections 196, 197, 198, 203 and all other applicable provisions of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirement) Amendment Regulations, 2018, the re-appointment of Mr. Raman Morzaria (DIN: 00203310) as Whole-Time Director and remuneration payable to is now being placed before the Members for their approval by way of Special Resolution.

#### **Terms and Conditions along with brief details of director seeking re-appointment at the annual General Meeting:**

**Disclosure as required under Schedule V of the Companies Act, 2013**

#### **General Information**

#### **Nature of Industry:**

Company is basically a Non-banking Finance Company registered with Reserve Bank of India under section 45IA of the RBI Act, 1934 having certificate number 13.00064 dated February 24, 1998.

**Date or expected date of commencement of commercial production:** Not Applicable.

**In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:** Not Applicable.

**Financial performance based on given indicators:**

(Amount in Lakhs.)

Financial Parameters	Financial year 2023-24	Financial year 2022-23
Gross Income	304.10	277.50
Net Profit as per Profit and Loss Account	-166.81	56.11

**Export performance and net foreign exchange:** During the year under review, the company does not have any export performance and net foreign exchange earnings.

**Foreign Investment and collaborations, if any:** Not Applicable.

#### **Information about the Whole-Time Director:**

**Background Details:** Mr. Raman Morzaria aged 61 years is one of the core promoters of the company. He has an overall experience of 37 years in the field of finance and real estate development and he is driving operational growth, maximizing business opportunities and ensuring compliance with regulatory requirements. He is on our Board since acquisition and is responsible for strategic planning and administration of our Company. The Board of Directors of the Company in their meeting held on June 28, 2019 had appointed Mr. Raman Morzaria (DIN: 00203310) as a Whole-Time Director of the company for a period of 5 years w.e.f. July 01, 2019 to June 30, 2024 and the same was approved by the members of the company in their meeting held on September 25, 2019. The said period of

appointment was expired on June 30, 2024. So, the Board of Directors of the company at its meeting held on June 30, 2024 has, subject to the approval of members, re-appointed Mr. Raman Morzaria (DIN: 00203310) as a Whole-Time Director for a further period of five (5) years w.e.f. July 1, 2024 to June 30, 2029, on the terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee of the board and approved by the board.

**Past Remuneration:** Rs. 1,00,000 Per Month

**Recognition of Award:** None

**Job Profile and his suitability:** Mr. Raman Morzaria has an overall experience of 37 years in the field of finance and real estate development and he is driving operational growth, maximizing business opportunities and ensuring compliance with regulatory requirements. He is the right person for dealing and managing the whole affairs of the company and therefore the board of directors has appointed him as a whole-time director of the company.

**Remuneration Proposed:** up to Rs. 1,00,000/- per month (No change in remuneration).

**Comparative remuneration profile with respect to Industry, Size of the company, Profile of the position and person:**

Mr. Raman Morzaria has a very vast experience in the field of finance and real estate development. The present job of Mr. Raman Morzaria is to manage the whole affairs of the company under the supervision of Board. Accordingly, keeping in the view present market scenario of pay package being offered by NBFC, the proposed remuneration package matches to the prevailing remuneration package in the concerned industry, size of the company, profile of the person.

**Pecuniary relationship directly or indirectly with the company or relationship with managerial personnel or any other director, if any:**

Except to the extent of his employment and holding of his shares in the company, Mr. Raman Morzaria is Father of Mr. Jay Morzaria (Managing director of the company) & Mr. Kush Morzaria (Chief Financial Officer), he has not directly or indirectly has any relationship with the managerial personnel of the company or any other director of the company.

**Other Information:**

**Reasons for loss or inadequate profit:**

Due to increase in Non Performing Assets and their provisioning requirement, the company has incurred loss of Rs. 166.81 in the preceding financial year.

**Steps taken or proposed to be taken for improvement:**

Company is Non-banking Finance Company registered with RBI under section 45IA of RBI Act, 1934. Accordingly the company is in process of expanding its portfolio so as to add more business verticals such as auto loans, education loans, business loans and loan against property to its portfolio there by increasing the business of the company. So, taking in to consideration the above mentioned events, it is expected that the performance of the company will accordingly improve as compared to the current situation.

**Expected increase in productivity and profits in measurable terms:**

The company expects a significant increase in turnover as well as the profitability on accounts of the steps mentioned above.

The Board of Directors is of the view that the re-appointment of Mr. Raman Morzaria (DIN: 00203310) as Whole-Time Director will be beneficial to the operations of the Company and the remuneration payable to him is commensurate with his abilities and experience and accordingly recommends the Special Resolution at Item No. 3 of the accompanying Notice for approval by the Members of the Company.

Save and except Mr. Raman Morzaria, Mr. Jay Morzaria, Mr. Kush Morzaria and relatives of Mr. Raman Morzaria to the extent their shareholding in the Company, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at item No. 3.

The statement of additional information required to be disclosed as per Secretarial Standard II issued by ICSI is attached at the end of this Explanatory Statement and must be read as the part of this Notice.

#### **Item No. 4**

The Board of Directors of the company ("the board") at its meeting held on June 28, 2019 had appointed Mr. Jay Morzaria (DIN: 02338864) as a Managing Director of the company for a period of 5 years w.e.f. July 01, 2019 to June 30, 2024 and the same was approved by the members of the company in their meeting held on September 25, 2019. The said period of appointment was expired on June 30, 2024. So, the Board of Directors of the company at its meeting held on June 30, 2024 has, subject to the approval of members, re-appointed Mr. Jay Morzaria (DIN: 02338864) as a Managing Director for a further period of five (5) years w.e.f. July 1, 2024 to June 30, 2029, on the terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee has noted that the Company has not made any default in repayment of its dues to Banks or Financial Institutions.

It is proposed to seek the members' approval for the re-appointment of and remuneration payable to Mr. Jay Morzaria (DIN: 02338864) as a Managing Director in terms of the applicable provisions of the Act.

Further, in terms of SEBI (Listing Obligations and Disclosure Requirement) Amendment Regulations, 2018 the remuneration of the Promoter Executive Directors shall not exceed Rs. 5,00,00,000 (Rupees Five crore) or 2.5% of net profits whichever is higher or there is more than one Executive Directors, the aggregate annual remuneration to such directors is exceeds 5% of the net profit. The prescribed resolution required approval of Shareholders of the company as special resolution under these regulations.

Further, as per the provisions of Section 197 the Companies Act, 2013 as amended from time to time, the minimum Remuneration payable to Mr. Jay Morzaria (DIN: 02338864), in the event of loss or inadequacy of profit in any Financial Year, shall be as per the limit set out in be Section II of Part II of Schedule V to the Companies Act, 2013 or any other applicable limits, as provided by the Central Government in this regard, from time to time.

Pursuant to Sections 196, 197, 198, 203 and all other applicable provisions of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirement) Amendment Regulations, 2018, the re-appointment of and remuneration payable to Mr. Jay Morzaria (DIN: 02338864) as a Managing Director is now being placed before the Members for their approval by way of Special Resolution.

**Terms and Conditions along with brief details of director seeking re-appointment at the annual General Meeting:**

**Disclosure as required under Schedule V of the Companies Act, 2013**

**General Information**

**Nature of Industry:**

Company is basically a Non-banking Finance Company registered with Reserve Bank of India under section 45IA of the RBI Act, 1934 having certificate number 13.00064 dated February 24, 1998.

**Date or expected date of commencement of commercial production:** Not Applicable.

**In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:** Not Applicable.

**Financial performance based on given indicators:**

(Amount in Lakhs.)

Financial Parameters	Financial year 2023-24	Financial year 2022-23
Gross Income	304.10	277.50
Net Profit as per Profit and Loss Account	-166.81	56.11

**Export performance and net foreign exchange:** During the year under review, the company does not have any export performance and net foreign exchange earnings.

**Foreign Investment and collaborations, if any:** Not Applicable.

**Information about the Managing Director:**

**Background Details:** Mr. Jay Morzaria aged 35 years is core promoter of our company. He has completed bachelor of commerce from Mumbai University and law graduation in the year 2012 from Mumbai University. He has an overall experience of twelve years in the field of finance and construction business. The Board of Directors of the Company in their meeting held on June 28, 2019 had appointed Mr. Jay Morzaria (DIN: 02338864) as a Managing Director of the company for a period of 5 years w.e.f. July 01, 2019 to June 30, 2024 and the same was approved by the members of the company in their meeting held on September 25, 2019. The said period of appointment was expired on June 30, 2024. So, the Board of Directors of the company at its meeting held on June 30, 2024 has, subject to the approval of members, re-appointed Mr. Jay Morzaria (DIN: 02338864) as a Managing Director for a further period of five (5) years w.e.f. July 1, 2024 to June 30, 2029, on the terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee of the board and approved by the board.

**Past Remuneration:** Rs. 1,00,000 Per Month

**Recognition of Award:** None

**Job Profile and his suitability:** Mr. Jay Morzaria has completed bachelor of commerce from Mumbai University and law graduation in the year 2012 from Mumbai University. He has an overall experience of twelve years in the field of finance and construction business. He is the right person for dealing and managing the affairs of the company and therefore the board of directors has appointed him as a managing director.

**Remuneration Proposed:** up to Rs. 1,00,000/- per month. (No change in Remuneration)

**Comparative remuneration profile with respect to Industry, Size of the company, Profile of the position and person:**

Mr. Jay Morzaria has a very vast experience in the field of finance and construction business. The present job of Mr. Jay Morzaria is to manage the affairs of the company under the supervision of Board. Accordingly, keeping in the view present market scenario of pay package being offered by NBFC, the proposed remuneration package matches to the prevailing remuneration package in the concerned industry, size of the company, profile of the person.

**Pecuniary relationship directly or indirectly with the company or relationship with managerial personnel:**

Except to the extent of his employment and holding of his shares in the company, Mr. Jay Morzaria is son of Mr. Raman Morzaria (Whole-Time director of the company) & brother of Mr. Kush Morzaria (Chief Financial Officer), he has not directly or indirectly has any relationship with the managerial personnel of the company.

**Other Information:**

**Reasons for loss or inadequate profit:**

Due to increase in No Performing Assets and their provisioning requirement, the company has incurred loss of Rs. 166.81 in the preceding financial year.

**Steps taken or proposed to be taken for improvement:**

Company is Non-banking Finance Company registered with RBI under section 45IA of RBI Act, 1934. Accordingly the company is in process of expanding its portfolio so as to add more business verticals such as auto loans, education loans, business loans and loan against property to its portfolio there by increasing the business of the company. So, taking in to consideration the above mentioned events, it is expected that the performance of the company will accordingly improve as compared to the current situation.

**Expected increase in productivity and profits in measurable terms:**

The company expects a significant increase in turnover as well as the profitability on accounts of the steps mentioned above.

The Board of Directors is of the view that the re-appointment of Mr. Jay Morzaria (DIN: 02338864) as a Managing Director will be beneficial to the operations of the Company and the remuneration payable to him is commensurate with his abilities and experience and accordingly recommends the Special Resolution at Item No. 4 of the accompanying Notice for approval by the Members of the Company.

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

The statement of additional information required to be disclosed as per Secretarial Standard II issued by ICSI is attached at the end of this Explanatory Statement and must be read as the part of this Notice.

#### **Item No. 5**

The Company enters into various Non-Banking Financial Transactions with Related Parties from time to time. These transactions usually occur on a repetitive basis and are expected to exceed the prescribed threshold limits under the Listing Regulations so as to qualify as Material Related Party Transactions.

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015 ("Listing Regulations") read with SEBI Circular SEBI/HO/CFD/CMD1/CIR/P/2022/47 dated 08th April, 2022, all Related Party Transactions shall require prior approval of the Audit Committee and all Material Transactions with related parties require approval of the Members of the Company through Ordinary Resolution. A transaction with a Related Party shall be considered material under the Listing Regulations, if the transaction(s) in a contract to be entered into individually or taken together with previous transactions during a Financial Year,

exceeds 10% of the Annual Consolidated Turnover of the Company as per the last Audited Financial Statements of the Company or any other materiality threshold prescribed by any other applicable law.

Further, Section 188 of the Companies Act, 2013 ("the Act") read with the Companies (Meetings of Board and its Powers) Rules, 2014 states that no Company shall enter into transactions with a Related Party except with the consent of the Board and Members of the Company, where such transactions are either not (a) in Ordinary Course of Business or (b) on arm's length basis.

The Company proposes to enter into transactions with Related Parties as provided in Resolution No. 5, from time to time, at the agreed terms of the transactions between the parties. The said transactions with the Related Parties as per Resolution No. 5 are to be held at arm's length and in the ordinary course of business of the Company.

The Audit Committee has approved the said Related Party Transactions which were placed before it at its meeting held on 28th May, 2024 and has noted that these transactions are in the ordinary course of business and all the transactions are at arm's length. Further, the said transactions qualify as Material Related Party Transactions under the Listing Regulations. Accordingly, the Members' approval is sought for the same which shall be valid from a period of three financial year started from 2023-24 to 2025-26, subject to the ratification of the same at every annual general meeting proposed to be held during the said three financial years. Information relating to transactions viz. names of the related parties and relationships, monetary value of the transactions are mentioned in the resolution. The terms are determined from contract to contract, as agreed between the parties.

None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested in the resolution except Mr. Jay Morzaria and Mr. Raman Morzaria.

The Directors recommend the Resolution No. 5 of the Notice for approval of the Members by way of an Ordinary Resolution.

**Additional Information on the proposed Related Party Transactions under the SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662 for Item No. 5**

**a. Justification why the proposed transaction is in the interest of the Company:**

The Company being an NBFC, provides personal loans, unsecured business loans, education loans, auto loans, mortgage loans and various other loans to different entities/individuals in its normal course of business. Therefore, All the proposed transactions for receiving the loans from the related parties which are to be entered into by the Company with its Related Parties in the ordinary course of business and at arm's length contributes to the business of the Company and so are commercially beneficial to the Company.

**b. Valuation report or other external report relied upon in relation to the proposed transaction:**

The Company has been regularly transacting with the parties on the basis of various external information and market practices in relation to the proposed transactions.

**c. Information if the transaction relates to loans, ICD, Advances or Investments:**

**i. Whether any indebtedness is incurred to make or give loans, etc.:**

The Company being an NBFC has incurred indebtedness which is in the ordinary course of business and in furtherance to its main business activity. There is no specific indebtedness incurred in relation to the proposed transactions.

**ii. Applicable terms of the proposed transactions:**

**a. Tenure:** The approval sought shall be valid from a period of three financial years started from 2023-24 to 2025-26, subject to the ratification of the same at every annual general meeting proposed to be held during the said three financial years. however, the proposed transactions are continuous in nature and are generally made on demand.

**b. Interest Rate:** As stated in proposed resolution as mentioned in item no. 5

**c. Repayment:** On demand

**d. Secured / Unsecured:** Unsecured

**e. Nature of security:** Unsecured

**iii. The purpose for which the funds will be utilised by the ultimate beneficiary of such funds:**

The funds shall be utilised by the ultimate beneficiary towards its main business activity.

Accordingly, consent of the Members is sought by way of an Ordinary Resolution as set out in Item No. 5 of the accompanying Notice. This resolution enables the Board of Directors and/or their duly constituted committees of the Company to approve related party transactions, as may be required by the Company, from time to time, and also ratification of existing arrangements/ transactions/ contracts entered into by the Company till the date of the said resolution coming into effect.

Moreover, by the proposed resolution, approval of the members is also sought for the material related party arrangements/ transactions/ contracts for the financial years from 2023-24, 2024-25 and 2025-25 respectively with the various specified related parties.

Accordingly the Board of Directors recommends the Resolution as an Ordinary Resolution at Item No. 5 of the accompanying Notice for approval by the Members of the Company.

**Registered Office**

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra

By order of the Board  
For, Karnavati Finance Limited

Jay Morzaria  
Managing Director  
DIN: 02338864

Place: Mumbai

Date: September 05, 2024

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

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

Particulars / Name	Mr. Jay Morzaria	Mr. Raman Morzaria
Date of Birth	August 14, 1989	November 26, 1962
Qualification	B.Com & L.L.B	S.S.C
Experience - Expertise in specific functional areas - Job profile and suitability	<p>He is a commerce graduate and Law graduate from reputed NM Collage under Mumbai University. A calculated risk taker with deep technical and legal knowledge of the market, he started his career in real estate sector at a young age of 19.</p> <p>Mr. Jay Morzaria being a managing director of our company manages the day to day affairs of the company along with strategic planning regarding internal &amp; external risk about market vulnerabilities and other risk associated to market. He has helped the company to bring a positive worth applauding in competitive market.</p>	<p>He has an overall experience of 37 years in the field of finance and real estate development and he is driving operational growth, maximizing business opportunities and ensuring compliance with regulatory requirements.</p> <p>He is on our Board since acquisition and is responsible for strategic planning and administration of our Company. With the best efforts of Mr. Morzaria, KFL reaches to the new heights with the strong market position having a good customer based relationship and a great market reputation among other competitors in the field of Financing.</p>
No. of Shares held	11573500 Equity Shares	29388810 Equity Shares
Terms & Conditions	No change in existing terms and conditions	No change in existing terms and conditions
Remuneration Last Drawn	Up to Rs. 1,00,000/- per month	Up to Rs. 1,00,000/- per month
Remuneration sought to be paid	No change in existing terms and conditions	No change in existing terms and conditions
Number of Board Meetings attended during the Financial Year 2023-24	7 out of 7	7 out of 7
Date of Original Appointment	September 15, 2010	May 06, 2020
Date of Appointment in current terms	July 01, 2024	July 01, 2024
Directorships held in other public companies including deemed public companies	--	--
Memberships / Chairmanships of committees of public companies*	Membership - 2 Committees	--
Inter-se Relationship with other Directors.	<p>Mr. Jay Morzaria is a son of Mr. Raman Morzaria (Whole-Time Director of the company)</p> <p>Mr. Jay Morzaria is a brother of Mr. Kush Morzaria (Chief Financial Officer of the company)</p>	<p>Mr. Raman Morzaria is a Father of Mr. Jay Morzaria (Managing Director of the company) and Mr. Kush Morzaria (Chief Financial Officer of the company)</p>

**Registered Office**

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra

By order of the Board  
For, Karnavati Finance Limited

Jay Morzaria  
Managing Director  
DIN: 02338864

Place: Mumbai  
Date: September 05, 2024

**DIRECTOR'S REPORT**

To,

The Shareholders,

The directors have the pleasure in presenting 40<sup>th</sup> Annual Report of Your Company with the Audited Financial Statements of the Company for the financial year ended on March 31, 2024.

**FINANCIAL RESULTS**

(Amount in Rupees)

Particulars	F.Y. 2023-24	F.Y. 2022-23
Total Revenues	3,04,40,709	2,84,70,314
Total Expenditure except Depreciation & Financial Cost	3,04,35,555	1,75,95,108
Profit before Depreciation, Financial Cost & Tax	5,154	1,08,75,206
Less: Depreciation and amortization	34,078	66,229
Profit before Finance Cost & Tax	(28,924)	1,08,08,977
Less: Finance Cost	1,57,08,840	33,32,864
Profit/(Loss) before Exceptional Items and Tax	(1,57,37,764)	74,76,113
Less: Exceptional Items	-	-
Profit before Tax	(1,57,37,764)	74,76,113
Less: Current Tax	9,22,158	18,66,545
Less: Deferred Tax Liability (Assets)	5,206	1,073
Less: Prior Period Income Tax written off	16,141	-
Profit/(Loss) after Tax	(1,66,81,269)	56,10,641

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

During the financial year 2023-24, The Company has earned total income of Rs. 3,04,40,709/- from business activities as compared to Rs. 2,84,70,314/- in previous year. The total revenue of the company is increased by 6.93%.

The total Profit before tax (loss) for the financial year 2023-24 stood at Rs. (1,57,37,764) and the total net profit after tax (loss) for the financial year 2023-24 stood at Rs. (1,66,81,269).

**Dividend**

During the financial year 2023-24, the company has incurred the loss of Rs. 1,66,81,269/-and accordingly due to loss, your Directors regret to declare Dividend for the Financial Year 2023-24 (Previous year - Nil).

**Dividend Distribution Policy**

Dividend Distribution Policy in terms of regulation 43A of the SEBI (Listing Obligations and Disclosures Requirements), Regulations, 2015 is available on the website of the Company [www.karnavatifinancelimited.com/investors](http://www.karnavatifinancelimited.com/investors).

**Net Profit Transfer to Reserve**

The Company has incurred the loss of Rs. 1,66,81,269/-and accordingly due to loss, the company has not transferred the amount as required to transfer to Statutory Reserve Fund in terms of Section 45-1C of the Reserve Bank of India Act, 1934.

**Change in Nature of Business**

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

**Review of Business Operations & Future Prospects**

The management has taken various measures to control the No Performing Assets (NPA) and to increase the turnover and profitability and are hopeful, barring unforeseen circumstances, to achieve better results in upcoming years.

**SHARE CAPITAL**

During the year under review, the company has not issued any shares including equity shares, shares with differential voting rights, stock options, sweat equity etc. The company has not bought back any equity shares during the year 2023-24.

The paid up share capital of the company as on March 31, 2024 was Rs. 10.05 crores.

**Dematerialization of Shares**

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

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

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

**Board Meeting**

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



During the year under review, Board of Directors of the Company met 07 (seven) times viz., April 12, 2023, May 27, 2023, July 27, 2023, August 07, 2023, August 12, 2023, November 06, 2023, and February 10, 2024, respectively.

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

**Independent Directors**

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

A separate meeting of Independent Directors was held on March 28, 2024 to review the performance of Non-Independent Directors and Board as whole and performance of Chairperson of the Company including assessment of quality, quantity and timeliness of flow of information between Company management and Board that is necessary for the board of directors to effectively and reasonably perform their duties.

The terms and conditions of appointment of Independent Directors and Code for Independent Director are incorporated on the website of the Company at [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com).

The Company has received a declaration from the Independent Directors of the Company under Section 149(7) of Companies Act, 2013 and 16(1)(b) of Listing Regulations confirming that they meet criteria of Independence as per relevant provisions of Companies Act, 2013 for financial year 2023-24. The Board of Directors of the Company has taken on record the said declarations and confirmation as submitted by the Independent Directors after undertaking due assessment of the veracity of the same. In the opinion of the Board, they fulfill the conditions as Independent Directors and are independent of the Management. Further, all the Independent Directors have registered themselves with Independent Directors' Data Bank.

None of Independent Directors have resigned during the year.

**Information on Directors****Change in Board's composition**

During the year under review, Mr. Jay Morzaria has resigned from the chairman of the company w.e.f June 05, 2023. However he has continued his directorship as a Managing director of the company. Further the company has appointed Mr. Ashish Nandkishor Batavia as a chairman and Non-executive director on the board of the company w.e.f. June 05, 2023.

**Retirement by rotation and subsequent re - appointment**

In accordance with the provisions of the Articles of Association and Section 152 of the Companies Act, 2013, Mr. Jay Morzaria, Managing Director (DIN: 02338864) 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.

**Re-appointment of Managing Director and Whole-Time Director**

Mr. Jay Morzaria - Managing Director (DIN: 02338864) and Mr. Raman Morzaria - Whole Time Director (DIN: 00203310) of the company, whose tenure of appointment was expired on June 30, 2024 and reappointed by the board of directors of the company w.e.f. July 01, 2024 for a period of five years subject to the approval of members in the ensuing 40<sup>th</sup> Annual General Meeting of the company scheduled on September 28, 2024.

**Key Managerial Personnel**

In accordance with Section 203 of the Companies Act, 2013, the Company has already appointed Mr. Jay Morzaria Managing Director of the Company, Mr. Kush Morzaria as Chief Financial Officer and Ms. Akanksha Rai as Company Secretary and compliance officer of the Company. Further, there was no change in the Key Managerial Personnel of the Company during the financial year 2023-24.

However, during the financial year 2023-24, Mr. Jay Morzaria has resigned from the chairman of the company and company has appointed Mr. Ashish Batavia as Chairman and Non-Executive Director of the company w.e.f. June 05, 2023.

**Performance Evaluation**

The Board of Directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in the following manners;

- The performance of the board was evaluated by the board, after seeking inputs from all the directors, on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning etc.
- The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.
- The board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.
- In addition, the chairman was also evaluated on the key aspects of his role.

Separate meeting of independent directors was held to evaluate the performance of non-independent directors, performance of the board as a whole and performance of the chairman, taking into account the views of executive directors and non-executive directors. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

**Director's Responsibility Statement**

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

- a) In preparation of annual accounts for the year ended March 31, 2020, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- d) The Directors had prepared the annual accounts for the year ended March 31, 2020 on going concern basis.
- e) The Directors had laid down the internal financial controls to be followed by the Company and that such Internal Financial Controls are adequate and were operating effectively; and
- f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**COMMITTEES OF BOARD**

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

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

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

**Audit Committee**

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

As at March 31, 2024, the Audit Committee comprised Mr. Parth Maniar (Non-Executive Independent) as Chairperson and Mrs. Brimda Bilimoria (Non-Executive Independent) and Mr. Jay Morzaria (Executive) as Members. Details on dates of meetings and attendance of Members are detailed in the Report of Corporate Governance annexed to this Report.

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

**Vigil Mechanism**

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

**Nomination and Remuneration Policy**

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

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

**Remuneration of Directors**

The details of remuneration/sitting fees paid during the financial year 2023-24 to Executive Directors/Directors of the Company is provided in Form MGT-9 and Report on Corporate Governance which are the part of this report.

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

**DEPOSITS**

The company being Non-Deposit accepting Non-Banking Finance Company has not accepted any deposits from the public. Hence, the directives issued by the Reserve Bank of India & the Provision of Section 73 to 76 of the Company Act, 2013 or any other relevant provisions of the Act and the Rules there under are not applicable. Moreover, the Company is not holding any Deposit as at the financial year ended on March 31, 2020.

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

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

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

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

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

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO****A. Conservation of energy -**

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

**B. Technology absorption -**

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

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

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

**EXTRACTS OF ANNUAL RETURN**

In accordance with the Companies Act, 2013, the annual return in the prescribed format is available at [www.karnavatifinancelimited.com](http://www.karnavatifinancelimited.com).

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

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

**PARTICULAR OF EMPLOYEES**

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

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

**INTERNAL FINANCIAL CONTROL SYSTEM AND THEIR ADEQUACY**

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

The details on Internal Financial Control and their adequacy are provided in Management Discussion and Analysis Report forming part of Annual Report 2023-24.

**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.

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

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

During the financial year 2023-24, the Company has received Nil complaints on sexual harassment, out of which Nil complaints have been disposed of and Nil complaints remained pending as of March 31, 2024.

**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, 2024 and hence the same is not applicable to the company.

**RISK MANAGEMENT POLICY**

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

**PREVENTION OF INSIDER TRADING**

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

**CORPORATE GOVERNANCE**

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

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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

**MAINTENANCE OF COST RECORD**

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

**STATUTORY AUDITOR & THEIR REPORT**

In terms of provisions of section 139 of the companies act, 2013 and companies (Audit and Auditors) Rules, 2014, M/s. B. B. Gusani & Associates, Chartered Accountants were appointed as a statutory auditor of the company in 39<sup>th</sup> AGM for a period of 5 years till the conclusion of 44<sup>th</sup> AGM of the company subject to ratification of their appointment at every annual general meeting. However, in terms of provisions of companies Act (Amendments), 2017, the requirement for ratification of the auditors at every annual general meeting has been dispensed with.

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

**Reporting of frauds by auditors**

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

**SECRETARIAL AUDITOR & THEIR REPORT**

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Jitendra Parmar, Practicing Company Secretary, Ahmedabad to carry out the Secretarial Audit for the financial year ended on March 31, 2024. Secretarial Audit Report is annexed to the Board's Report as **Annexure - E-1**.

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

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

**Secretarial Standard**

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

**GENERAL DISCLOSURE**

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

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

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

**APPRECIATIONS AND ACKNOWLEDGEMENT**

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

**Registered Office**

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra

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

Place: Mumbai  
Date: September 05, 2024

**Jay Morzaria  
Managing Director  
DIN: 02338864**

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

## NOMINATION &amp; REMUNERATION POLICY

**1. Preface:**

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

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

**2. Objective:**

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

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

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

**3. Definition:**

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

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

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

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

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

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

**b) Independent Director:**

- i. An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.

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

**c) Evaluation:**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management at regular intervals (yearly). The evaluation of performance of the Board, its Committees and Individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

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

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

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

**d) Removal:**

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

**e) Retirement:**

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

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

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

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

- i. The Whole-time / Executive / Managing Director / KMP and Senior Management shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including but not limited to, employer's contribution to Provident Fund (P.F.), Superannuation Fund, Pension Scheme, medical expenses, club fees, leave travel allowance, etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the Shareholders and Central Government, wherever required.

**ii. Minimum Remuneration:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time / Executive / Managing Director in accordance with the provisions of Section 197 of the Act and Schedule V to the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

**iii. Provisions for excess remuneration:**

If any Whole-time / Executive / Managing Director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

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

**i. Remuneration / Commission:**

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

**ii. Sitting Fees:**

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

**iii. Limit of Remuneration/Commission:**

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

**iv. Stock Options:**

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

**6. Membership:**

- a) The Committee shall comprise of at least (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent Directors.
- b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act and the SEBI Listing Regulations.
- c) The quorum for the Meeting of the Nomination and Remuneration Committee shall either be two members or one third of the total strength of the Committee, whichever is higher (including at least one independent director in attendance).
- d) Membership of the Committee shall be disclosed in the Annual Report.
- e) Term of the Committee shall be continued unless terminated by the Board of Directors.

**7. Chairperson:**

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

**8. Frequency of Meetings:**

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

**9. Committee Members' interests:**

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

**10. Secretary:**

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

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

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

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

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

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

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

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

**12. Minutes of Committee Meeting:**

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

**13. Deviations from this Policy:**

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

**14. Amendment:**

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

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



## FORM NO. AOC 2

## Particulars of Contracts/arrangements made with related parties

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

Forms for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in section 188(1) of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

- A. Details of Contracts or arrangements or transactions not at arm's length basis: Not Applicable  
 B. Details of Contracts or arrangements or transactions at arm's length basis: Details are as stated below:

Particulars	RPT-1	RPT-2
Name(s) of the related party and nature of the relationship	Mr. Jay Morzaria, Managing Director of the company	Mr. Raman Morzaria, Whole-Time Director of the company
Nature of Contracts/ Arrangements/ Transactions	Payment of Interest Amount	Payment of Interest Amount
Duration of the contracts/arrangements/ transactions	F.Y. 2023-24	F.Y. 2023-24
Salient terms of the Contracts or arrangements or transactions including the value, if any	The transactions were entered into between the company and Mr. Jay Morzaria, Managing Director of the company. As per the terms of mutual understating between the board of directors and Mr. Jay Morzaria; the company shall pay monthly Interest at @ 9% on the loan amount given by Mr. Jay Morzaria from time to time till the final repayment of all outstanding dues to him.  During the year under review, the Company has paid total Interest of Rs. 26,59,953/- to him.	The transactions were entered into between the company and Mr. Raman Morzaria, Whole-Time Director of the company. As per the terms of mutual understating between board of directors and Mr. Raman Morzaria, Whole-Time Director; the company shall pay monthly Interest at @ 7% on the loan amount given by Mr. Raman Morzaria, Whole-Time Director from time to time till the final repayment of all outstanding dues to him.  During the year under review, the Company has paid total Interest of Rs. 23,320/- 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 more funding for further lending the same to its customers and thereby increasing its business activities. So, the company is taking loan from its director in normal course of business activities.	The company is engaged in the business of financing, so for smooth functioning of operation of companies business, company requires more funding for further lending the same to its customers and thereby increasing its business activities. So, the company is taking loan from its director in normal course of business activities.
Date of approval by the board	May 28, 2024	May 28, 2024
Amount paid as advance, if any	N.A.	N.A.
Date on which the resolution was passed in general meeting as required under first proviso to section 188	N.A.	N.A.

## Registered Office

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra

For and on behalf of Board of Directors  
Karnavati Finance Limited

Place: Mumbai  
Date: September 05, 2024

Jay Morzaria  
Managing Director  
DIN: 02338864

Raman Morzaria  
Whole-Time Director  
DIN: 00203310



## PARTICULARS OF EMPLOYEES

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

Disclosures pertaining to remuneration and other details as required under Section 197 (12) of the Companies Act, 2013 read with rules made there under.

- a) The ratio of remuneration of each director to the median remuneration of employees for the financial year and the Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Sr. No.	Name	Designation	Nature of Payment	Ratio against median employee's remuneration	Percentage Increase
1.	Mr. Jay Morzaria	Managing Director	Remuneration	3.33 : 1.00	-
2.	Mr. Raman Morzaria	Whole-Time Director	Remuneration	2.50 : 1.00	-
3.	Mr. Kush Morzaria	Chief Financial Officer	Salary	-	-
4.	Ms. Akanksha Rai	Company Secretary	Salary	-	-
5.	Mr. Ashish Nandkishor Batavia	Non-Executive Director	Sitting Fees	-	-
6.	Mr. Vineshkumar Popatlal Makadia	Non-Executive Director	Sitting Fees	-	-
7.	Mr. Parth Chandreshbhai Maniar	Independent Director	Sitting Fees	-	-
8.	Mrs. Brimda Minoobhai Bilimoria	Independent Director	Sitting Fees	-	-

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

- b) The percentage increase in the median remuneration of employees in the financial year: The average median remuneration of employees was decreased by 154.69% over previous year.
- c) The number of permanent employees on the rolls of the company : 17 Employees
- d) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: The Average 10.66% decrease was made in salary of employees whereas remuneration of executive directors were remained unchanged. There was no decrease in the remuneration of Employees as compared to last year, however, the same has been decreased due to resignations of employees.

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

**Registered Office**

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra

For and on behalf of Board of Directors  
Karnavati Finance Limited

Place: Mumbai  
Date: September 05, 2024

Jay Morzaria  
Managing Director  
DIN: 02338864

Raman Morzaria  
Whole-Time Director  
DIN: 00203310

## REPORT ON CORPORATE GOVERNANCE

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

## COMPANY'S POLICY ON CORPORATE GOVERNANCE

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

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

## BOARD OF DIRECTORS

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

## Constitution of Board

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

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

None of the Directors is a Director in more than ten Public Limited Companies. Further, none of the Directors on the Company's Board is a Member of more than ten Committees and Chairman of more than five Committees (Committees being, Audit Committee and Stakeholder's Grievance & Relationship Committee) across all the companies in which he/she is a Director. All the Directors have made necessary disclosures regarding Committee positions held by them in other companies and do not hold the office of Director in more than ten public companies as on March 31, 2024 / date of appointment. None of the Director of the Company is serving as a Whole-Time Director in any Listed Company and is holding position of Independent Director in more than three Listed Company and none of the Director of the Company is holding position as Independent Director in more than seven Listed Company. None of the Directors is Director in more than seven listed companies.

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

Name of Director	Category Cum Designation	Date of Appointment at current Term	Total Directorship in other Companies-	Total Directorship in other Listed Companies	No. of Committee <sup>^</sup>		No. of Shares held as on March 31, 2024	Inter-se Relation between Directors
					in which Director is Members	in which Director is Chairman		
Mr. Ashish Batavia	Non-Promoter Chairman Non-executive Director	June 05, 2023	-	-	-	-	-	No Relation
Mr. Jay Morzaria	Promoter Managing Director	July 1, 2024	6	-	2	-	11573500 Equity Shares	Son of Mr. Raman Morzaria
Mr. Raman Morzaria	Promoter Whole-Time Director	July 1, 2024	6	-	-	-	29388810 Equity Shares	Father of Mr. Jay Morzaria
Mr. Vineshkumar Makadia	Non-Promoter Non-Executive Director	January 16, 2021	-	-	-	-	-	No Relation
Mrs. Birmda Bilimoria	Non-Promoter Independent Director	September 01, 2023	-	-	2	-	-	No Relation
Mr. Parth Maniar	Non-Promoter	September 01, 2023	-	-	-	2	-	No Relation

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

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

None of the Directors of the Company is disqualified for being appointed as Director as specified in Section 164 (2) of the Companies Act, 2013. A Certificate from Mr. Jitendra Parmar, Practicing Company Secretary, Ahmedabad as stipulated under Regulation 34 read with Schedule V of the SEBI LODR Regulations, is attached as an **Annexure - F-1** to this Report.

#### Relationship between Directors inter-se

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

#### Board Meeting

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

During the year under review 7 (Seven) Board meetings were held viz. April 12, 2023, May 27, 2023, July 27, 2023, August 07, 2023, August 12, 2023, November 06, 2023, and February 10, 2024, 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	Mr. Ashish Batavia	Mr. Jay Morzaria	Mr. Raman Morzaria	Mr. Vineshkumar Makadia	Mrs. Brimda Bilimoria	Mr. Parth Maniar
No. of Board Meeting held	7	7	7	7	7	7
No. of Board Meeting eligible to attend	5	7	7	7	7	7
Number of Board Meeting attended	5	7	7	7	7	7
Presence at the previous AGM	Yes	Yes	Yes	Yes	Yes	Yes

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

#### Independent Directors

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

A separate meeting of Independent Directors was held on March 28, 2024 to review the performance of Non-Independent Directors and Board as whole and performance of Chairperson of the Company including assessment of quality, quantity and timeliness of flow of information between Company management and Board that is necessary for the board of directors to effectively and reasonably perform their duties.

The terms and conditions of appointment of Independent Directors and Code for Independent Director are incorporated on the website of the Company at [www.karnatifinancelimited.com](http://www.karnatifinancelimited.com).

The Company has received a declaration from the Independent Directors of the Company under Section 149(7) of Companies Act, 2013 and 16(1)(b) of Listing Regulations confirming that they meet criteria of Independence as per relevant provisions of Companies Act, 2013 for financial year 2023-24. The Board of Directors of the Company has taken on record the said declarations and confirmation as submitted by the Independent Directors after undertaking due assessment of the veracity of the same. In the opinion of the Board, they fulfill the conditions for appointment as Independent Directors and are independent of the Management.

None of Independent Directors have resigned during the year.

#### Training to Board Members - Familiarization Programme

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

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

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

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

#### Key Board qualifications, expertise and attributes

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

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

<b>Financial</b>	Leadership of a financial firm or management of the finance function of an enterprise, resulting in proficiency in complex financial management, capital allocation, and financial reporting processes, or experience in actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions.
<b>Gender, ethnic, national, or other diversity</b>	Representation of gender, ethnic, geographic, cultural, or other perspectives that expand the Board's understanding of the needs and viewpoints of our customers, partners, employees, governments, and other stakeholders
<b>Leadership</b>	Extended leadership experience for a significant enterprise, resulting in a practical understanding of organizations, processes, strategic planning, and risk management. Demonstrated strengths in developing talent, planning succession, and driving change and long-term growth
<b>Functional and managerial experience</b>	Knowledge and skills in accounting and finance, business judgment, general management practices and processes, crisis response and management, industry knowledge, macro-economic perspectives, human resources, labour laws, international markets, sales and marketing, and risk management.
<b>Personal values</b>	Personal characteristics matching the Company's values, such as integrity, accountability, and high performance standards.
<b>Strategy and Planning</b>	Appreciation of long-term trends, strategic choices and experience in guiding and leading management teams to make decisions in uncertain environments.
<b>Corporate governance</b>	Experience in developing and implementing good corporate governance practices, maintaining board and management accountability, managing stakeholders' interests and Company's responsibilities towards customers, employees, suppliers, regulatory bodies and the communities in which it operates.

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

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

#### COMMITTEES OF BOARD

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

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

There were no instances during the financial year 2023-24, wherein the Board had not accepted recommendations made by any committee of the Board.

#### A. Audit Committee

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

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

#### Role of Committee:

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. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

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 and auditor's report thereon before submission to the board for approval, with particular reference to:
  - a) Matters required being included in the Director's Responsibility Statement to be included in the Board's report 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 utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the Company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. Establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed;
19. Approval of appointment of CFO (i.e., the Whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Reviewing the Management letters/ letters of Internal Control weaknesses issued by Statutory Auditor;
21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee;
22. reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of the provision and
23. The audit committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company.

**Review of Information by the Committee:**

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters/letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the Audit Committee and
6. statement of deviations:
  - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
  - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).
7. Review and monitor the auditors' independence and performance, and effectiveness of audit process;
8. Examination of the financial statement and auditors' report thereon;
9. Approval or any subsequent modification of transactions of the Company with related parties;
10. Scrutiny of inter-corporate loans and investment;
11. Valuation of undertakings or assets of the Company, wherever it is necessary;
12. Evaluation of internal financial controls and risk management systems;
13. Monitoring the end use of funds raised through public offers and related matters;
14. Any other matters as prescribed by law from time to time.

**Powers of Committee:**

The Committee-

1. May call for comments of auditors about internal control system, scope of audit, including observations of auditors and review of financial statement before their submission to board;
2. May discuss any related issues with internal and statutory auditors and management of the Company;
3. To investigate into any matter in relation to above items or referred to it by Board;
4. To obtain legal or professional advice from external sources and have full access to information contained in the records of the Company;
5. To seek information from any employee;
6. To secure attendance of outsiders with relevant expertise, if it considers necessary;
7. Any other power as may be delegated to the Committee by way of operation of law.

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

Audit Committee meeting is generally held once in quarter for the purpose of recommending the quarterly / half yearly / yearly financial result and the gap between two meetings did not exceed one hundred and twenty days. Additional meeting is held for the purpose of reviewing the specific item included in terms of reference of the Committee. During the year under review, Audit Committee met 4 (Four) times viz. on May 27, 2023; August 12, 2023; November 06, 2023 and February 10, 2024 respectively.

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

Name of Members	Category	Designation in Committee	Number of meetings during the financial year 2023-24		
			Held	Eligible to attend	Attended
Mr. Parth Maniar	Independent & Non-Executive Director	Chairperson	4	4	4
Mrs. Brimda Bilimoria	Independent & Non-Executive Director	Member	4	4	4
Mr. Jay Morzaria	Executive Director	Member	4	4	4

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

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

Mr. Parth Maniar, the Chairman of the Committee had attended last Annual General Meeting of the Company held on September 01, 2023.

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

**B. Shareholder Relationship Committee**

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

**Terms of Reference:**

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

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

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

During the year under review, Stakeholder's Grievance & Relationship Committee met 1 (One) time viz. on February 10, 2024.

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

Name of Members	Category	Designation in Committee	Number of meetings during the financial year 2023-24		
			Held	Eligible to attend	Attended
Mr. Parth Maniar	Independent & Non-Executive Director	Chairperson	1	1	1
Mrs. Brimda Bilimoria	Independent & Non-Executive Director	Member	1	1	1
Mr. Jay Morzaria	Executive Director	Member	1	1	1

**Name and Designation of Compliance Officer**

Ms. Akanksha Rai, Company Secretary of the Company is acting as the Compliance Officer.

**Complaint**

Number of complaints outstanding as on April 1, 2023	Nil
Number of complaints received from the Investors from April 1, 2023 to March 31, 2024	Nil
Number of complaints solved to the satisfaction of the Investors from April 1, 2023 to March 31, 2024	Nil
Number of complaints pending as on March 31, 2024	Nil

**C. Nomination and Remuneration Committee:**

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

**Terms of reference:**

1. formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
2. formulation of criteria for evaluation of performance of independent directors and the board of directors;
3. devising a policy on diversity of board of directors;
4. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
5. whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
6. recommend to the board, all remuneration, in whatever form, payable to senior management.  
Explanation: Senior Management means personnel who are members of the core management team excluding BOD comprising all members of management one level below the executive directors, including functional heads.
7. Other terms of reference as prescribed under Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

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

Nomination and Remuneration Committee meeting is generally held at least once in a year. Additional meetings are held for the purpose of recommending appointment/re-appointment of Directors and Key Managerial Personnel and their remuneration. During the year under review, Nomination and Remuneration Committee met 1 (One) time viz. on May 27, 2023.

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

Name of Members	Category	Designation in Committee	Number of meetings during the financial year 2023-24		
			Held	Eligible to attend	Attended
Mr. Parth Maniar	Independent & Non-Executive Director	Chairperson	1	1	1
Mrs. Brimda Bilimoria	Independent & Non-Executive Director	Member	1	1	1
Mr. Vineshkumar Makadia	Non- Executive Non Independent Director	Member	1	1	1

**Performance Evaluation:**

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

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

#### Remuneration of Directors:

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

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

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

Sr. No.	Name of Directors	Designation	Component of payment	Remuneration paid (Rs.)	Tenure
1.	Mr. Jay Morzaria	Managing Director	Fixed Salary	12,00,000	5 years - Appointed as a chairman & Managing Director w.e.f. July 1, 2019 for a period of 5 years the same was approved by the members of the company in their meeting held on September 25, 2019
2.	Mr. Raman Morzaria	Whole-Time Director	Fixed Salary	9,00,000	5 years - Appointed as Whole-Time Director w.e.f. July 1, 2019 for a period of 5 years the same was approved by the members of the company in their meeting held on September 25, 2019

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

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

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

#### GENERAL BODY MEETINGS

##### Annual General Meetings

Financial Year	Date	Location of Meeting	No. of Special Resolutions passed
2022-23	September 01, 2023 (Friday) at 03.30 P.M.	Meeting was held through Video conferencing and deemed venue of the meeting was Registered office of the company: Vraj Group, 2 <sup>nd</sup> Floor, Simran Centre, Mogra Village 30H Parsi Panchayat Road, Andheri East, Mumbai - 400053, Maharashtra.	1. Re-appointment of Mr. Parth Chandreshbhai Maniar (DIN: 07980886) as an Independent director of the company 2. Re-appointment of Mrs. Brimda Minoobhai Bilimoria (DIN: 08196034) as an Independent director of the company
2021-22	September 30, 2022 (Friday) At 12.30 PM	Meeting was held through Video conferencing and deemed venue of the meeting was Registered office of the company: 705, Palm Spring Centre, Above Croma, Near New Infinity Mall, Link Road, Malad (West), Mumbai - 400064, Maharashtra	No special resolution was passed.
2020-21	September 29, 2021 (Wednesday) at 12.00 Noon	Meeting was held through Video conferencing and deemed venue of the meeting was Registered office of the company: 705, Palm Spring Centre, Above Croma, Near New Infinity Mall, Link Road, Malad (West), Mumbai - 400064, Maharashtra.	No special resolution was passed.

#### Passing of Special Resolution through Postal Ballot

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

#### MEANS OF COMMUNICATION

##### a. Financial Results

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

##### b. Website

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

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



**General Shareholders Information****Date, Time and Venue of 40<sup>th</sup> Annual General Meeting****Day and Date:** Saturday, September 28, 2024**Time:** 03:30 P.M. IST**Mode of AGM:** Through VC/OAVM**Financial Year**

12 months period starting from April 1 and ends on March 31 of subsequent year. This being financial year 2023-24 was started on April 1, 2023 and ended on March 31, 2024.

**Financial Calendar**

(Tentative and subject to change for the financial year 2024-25)

Quarter ending	Release of Results
June 30, 2024	Second week of August, 2024
September 30, 2024	Second week of November, 2024
December 31, 2024	Second week of February, 2025
March 31, 2025	End of May, 2025
Annual General Meeting for the year ending March 31, 2025	End of September, 2025

**Dividend Payment Date**

During the financial year 2023-24, the company has incurred the loss of Rs. 1,66,81,269/-and accordingly due to loss, your Directors regret to declare Dividend for the Financial Year 2023-24 (Previous year - Nil).

**Book closure date**The Register of Members and Share Transfer Books of the Company will be closed from Sunday, September 22, 2024 to Saturday, September 28, 2024 (both days inclusive) for the purpose of 40<sup>th</sup> AGM and same will be re-opened from Sunday, September 29, 2024 onwards.**Listing on Stock Exchanges**

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

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

**Stock Code/Symbol**

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

**Market Price Data**

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

Month	Karnavati Finance Limited			S & P BSE SENSEX	
	High Price	Low Price	No. of Shares	High Price	Low Price
April, 2023	10.04	5.41	1870233	61209.46	58793.08
May, 2023	7.99	5.40	1741949	63036.12	61002.17
June, 2023	6.55	4.96	892336	64768.58	62359.14
July, 2023	5.80	4.29	363374	67619.17	64836.16
August, 2023	4.67	2.38	1603242	66658.12	64723.63
September, 2023	2.86	2.05	7049645	67927.23	64818.37
October, 2023	2.67	1.90	3480719	66592.16	63092.98
November, 2023	2.57	2.00	1835889	67069.89	63550.46
December, 2023	2.50	1.92	4218665	72484.34	67149.07
January, 2024	2.47	2.16	2573492	73427.59	70001.6
February, 2024	2.84	2.14	2310584	73413.93	70809.84
March, 2024	2.39	2.07	1449904	74245.17	71674.42

**Registrar and Transfer Agents****Satellite Corporate Services Private Limited**

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

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

Transfers in physical form are lodged with the Company/Transfer Agent. The Transfer Agent has complete computerized facility for processing the transfer. After verification of the transfers lodged in physical form, the transfer agent prepares a statement of

transfer(s) and accordingly approves the transfer(s). The share certificate(s) duly transferred are sent by the transfer agent to the transferee, which completes the transaction. In case of any complaint from shareholder(s) for delay in transfer, the matter is actively followed up by the Company with the transfer agent and the same is resolved to the satisfaction of the shareholder(s).

#### Distribution of Shareholding (As on March 31, 2024)

On the basis of number of shares held and as provided by the RTA:

No. of Shares		No. of Shareholders		No. of Shares		% of Total
		Number	% of Total	Total Shares	Amount in (Rs.)	
Up to 5000		7102	93.6	3788463	3788463	3.77
5001	10000	231	3.04	1753125	1753125	1.74
10001	20000	123	1.62	1778903	1778903	1.77
20001	30000	22	0.29	553648	553648	0.55
30001	40000	25	0.33	863192	863192	0.86
40001	50000	17	0.22	816203	816203	0.81
50001	100000	21	0.28	1614261	1614261	1.61
100001 and Above		47	0.62	89332205	89332205	88.89
Total		7588	100.00	100500000	100500000	100.00

#### On the Category of Shareholders:

No. of Shares	Shareholders		Number of Shares held	
	Number	% of Total	Number	% of Total
Resident Individuals	7508	98.95	22582216	22.26
Corporate Promoter Under Same Management	1	0.00	23900	0.24
Bodies Corporate	11	0.14	12936881	12.87
Promoter	2	0.00	40962310	40.76
Promoter Relatives	2	0.00	17728500	17.64
LLP	2	0.00	4966260	4.94
N.R.I (Repartriable and non-repartriable)	15	0.02	24372	0.02
Hindu Undivided Family	47	0.62	1275561	1.27
Total	7588	100.00	100500000	100.00

#### Dematerialization of shares and Liquidity (as on March 31, 2024)

Mode	No. of Shares	Percentage
Demat		
NSDL	9749411	9.70%
CDSL	87746589	87.31%
Physical	3004000	2.99%

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

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

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

#### Plant Location

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

#### Address for Correspondence

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

Ms. Akanksha Rai (Company Secretary)

Karnavati Finance Limited

Registered Office: Vraj, 2nd Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri (East) Mumbai - 400053, India.

Contact No. +91-022-28809111

E-Mail ID: karnavatifinance@gmail.com

For transfer/dematerialization of shares, change of address of members and other queries:

Satellite Corporate Services Private Limited

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

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

**CREDIT RATINGS AND ANY REVISION THERETO:**

The Company has not issued any debt instruments and does not have any fixed deposit programme or any scheme or proposal involving mobilization of funds in India or abroad during the financial year ended March 31, 2024. The Company has not obtained any credit rating during the year.

**DISCLOSURE****Subsidiary Companies**

The Company does not have any subsidiary companies.

**Material Related Party Transactions**

During the year 2023-24, there was one transaction which materially significant related party transactions which does not have any potential conflict with the interests of the Company at large for which necessary approval of the Members has been obtained. All transactions entered into with Related Parties during the financial year were in the ordinary course of business and on an arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. Attention of members is drawn to the disclosure of transactions with the related parties set out in Notes to Accounts - Note No. 27, forming part of the Annual Report.

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

Further as per Regulation 23(9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2018 (Amendment), the listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosure of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchange and publish the same on its website. The company has duly submitted the details of Related Party Transactions for the year ended on March 31, 2024.

**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 year under review.

However, during the financial year 2022-23, the Company was in non-compliance of regulation 27(2) of SEBI (Listing Obligations and Disclosures Requirement) Regulation, 2015 ("SEBI LODR") for late submission of the corporate governance compliance report i.e after prescribed period under the said regulation. However, without prejudice in order to avoid any further violation contended allegation, the Company has transferred the imposed demanded fine to BSE.

**Risk Management**

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

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

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

**CEO/ CFO Certification**

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

**Accounting treatment**

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

**Whistle Blower**

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

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

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

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

Total fees of Rs. 2,00,000/- (Rupees Two Lakhs only) plus GST for financial year 2023-24, for all services, was paid by the Company to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

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

The Company has in place an effective mechanism for dealing with complaints relating to sexual harassment at workplace. The details relating to the number of complaints received and disposed of during the financial year 2023-24 are prescribed under Board's Report forming part of this Annual Report.

**Annual Secretarial Compliance Report**

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

Accordingly, the Company has availed the services of Mr. Jitendra Parmar (COP No. 15863), Practicing Company Secretary for providing this certification. The Company is publishing the said annual Secretarial Compliance Report, on voluntary basis and the same has been annexed as **Annexure - E-2** to the Board's Report forming part of this Annual Report.

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

Sr. No.	Particulars	Regulation Number	Compliance status (Yes/No/NA)
1	Independent director(s) have been appointed in terms of specified criteria of 'independence' and/or 'eligibility'	16(1)(b) & 25(6)	Yes
2	Board composition	17(1), 17(1A) & 17(1C), 17 (1D) & 17(1E)	Yes
3	Meeting of Board of directors	17(2)	Yes
4	Quorum of Board Meeting	17(2A)	Yes
5	Review of Compliance Reports	17(3)	Yes
6	Plans for orderly succession for appointments	17(4)	Yes
7	Code of Conduct	17(5)	Yes
8	Fees/compensation	17(6)	Yes
9	Minimum Information	17(7)	Yes
10	Compliance Certificate	17(8)	Yes
11	Risk Assessment & Management	17(9)	Yes
12	Performance Evaluation of Independent Directors	17(10)	Yes
13	Recommendations of Board	17(11)	Yes
14	Maximum number of Directorship	17A	Yes
15	Composition of Audit Committee	18(1)	Yes
16	Meeting of Audit Committee	18(2)	Yes
17	Role of Audit Committee and information to be reviewed by the Audit Committee	18(3)	Yes
18	Composition of nomination & remuneration committee	19(1) & (2)	Yes
19	Quorum of Nomination and Remuneration committee meeting	19(2A)	Yes
20	Meeting of Nomination and Remuneration Committee	19(3A)	Yes
21	Role of Nomination and Remuneration Committee	19(4)	Yes
22	Composition of Stakeholder Relationship Committee	20(1), 20(2) & 20(2A)	Yes
23	Meeting of Stakeholder Relationship Committee	20(3A)	Yes
24	Role of Stakeholder Relationship Committee	20(4)	Yes
25	Composition and role of risk management committee	21(1),(2),(3),(4)	NA
26	Meeting of Risk Management Committee	21(3A)	NA
27	Quorum of Risk Management Committee meeting	21(3B)	NA
28	Gap between the meetings of the Risk Management Committee	21(3C)	NA
29	Vigil Mechanism	22	Yes
30	Policy for related party Transaction	23(1) (1A), (5), (6), (7) & (8)	Yes
31	Prior or Omnibus approval of Audit Committee for all related party transactions	23(2), (3)	Yes
32	Approval for material related party transactions	23(4)	Yes

Sr. No.	Particulars	Regulation Number	Compliance status (Yes/No/NA)
33	Disclosure of related party transactions on consolidated basis	23(9)	Yes
34	Composition of Board of Directors of unlisted material Subsidiary	24(1)	NA
35	Other Corporate Governance requirements with respect to subsidiary of listed entity	24(2), (3), (4), (5) & (6)	NA
36	Alternate Director to Independent Director	25(1)	NA
37	Maximum Tenure	25(2)	NA
38	Appointment, Re-appointment or removal of an Independent Director through Special Resolution or the alternate mechanism	25(2A)	Yes
39	Meeting of independent directors	25(3) & (4)	Yes
40	Familiarization of independent directors	25(7)	Yes
41	Declaration from Independent Directors	25(8) & (9)	Yes
42	Directors and Officers Insurance	25(10)	NA
43	Confirmation with respect to appointment of Independent Directors who resigned from the listed entity	25(11)	Yes
44	Memberships in Committees	26(1)	Yes
45	Affirmation with compliance to code of conduct from members of Board of Directors and Senior management personnel	26(3)	Yes
46	Disclosure of Shareholding by Non-Executive Directors	26(4)	Yes
47	Policy with respect to Obligations of directors and senior management	26(2) & 26(5)	Yes
48	Approval of the Board and Shareholders for compensation or profit sharing in connection with dealing in the securities of the listed entity	26(6)	Yes
49	Vacancies in respect of Key Managerial Personnel	26A(1) & 26A(2)	Yes

**Compliance Certificate of the Auditors**

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

**Registered Office**

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra

For and on behalf of Board of Directors  
Karnavati Finance Limited

Place: Mumbai  
Date: September 05, 2024

Jay Morzaria  
Managing Director  
DIN: 02338864

**DECLARATION**

I, Jay Morzaria, Managing Director of Karnavati Finance Limited hereby declare that as of March 31, 2024, all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct and Ethics for Directors and Senior Management Personnel laid down by the Company.

**Registered Office**

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra

For and on behalf of Board of Directors  
Karnavati Finance Limited

Place: Mumbai  
Date: September 05, 2024

Jay Morzaria  
Managing Director  
DIN: 02338864

## CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

To,  
The Members of,  
**KARNAVATI FINANCE LIMITED**  
Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village,  
30H Parsi Panchayat Road, Andheri East, Andheri,  
Mumbai - 400053, Maharashtra

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Karnavati Finance Limited having CIN: L65910MH1984PLC034724 and having registered office at Vraj Group, 2nd Floor, Simran Centre, Mogra Village, 30H Parsi Panchayat Road, Andheri East, Andheri, Mumbai - 400053, Maharashtra (hereinafter referred to as "the Company"), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub Clause (10)(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2024 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No.	Name of Directors	Director Identification Number	Date of Appointment in the Company*
1.	Mr. Jay Ramanbhai Morzaria	02338864	15/09/2010
2.	Mr. Raman Pragjibhai Morzaria	00203310	29/09/2001
3.	Mrs. Birmda Minoobhai Bilimoria	08196034	13/08/2018
4.	Mr. Parth Chandreshbhai Maniar	07980886	20/09/2018
5.	Mr. Ashish Nandkishor Batavia	10181918	05/06/2023
6.	Mr. Vineshkumar Popatla Makadia	00362318	16/01/2021

\* As per website of Ministry of Corporate Affairs.

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

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

Date: September 05, 2024

Place: Ahmedabad

Jitendra Parmar  
Practicing Company Secretary  
FCS No.: 11336 COP No.: 15863  
UDIN: F011336F001140442

## CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE

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

To,  
The Members of  
**KARNAVATI FINANCE LIMITED**  
Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village,  
30H Parsi Panchayat Road, Andheri East, Andheri,  
Mumbai - 400053, Maharashtra

We have examined all the relevant records of Karnavati Finance Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("SEBI (LODR) Regulations, 2015) for the financial year ended March 31, 2024. We have obtained the record available on the website of the stock exchanges and all such other information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

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

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

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

Date: September 05, 2024

Place: Ahmedabad

Jitendra Pradipbhai Parmar  
Practicing Company Secretary  
FCS No.: 11336 COP No.: 15863  
UDIN: F011336F001140486

**SECRETARIAL AUDIT REPORT**

**Form No. MR-3**

**For the financial year ended March 31, 2024**

**[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**

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village,

30H Parsi Panchayat Road, Andheri East,

Andheri, Mumbai - 400053, 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, 2024, 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, 2024 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 (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circulars/guidelines/Amendments issued there under; and
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and circulars/guidelines/Amendments issued there under;

We have also examined compliance with the applicable clauses of the Secretarial Standards with respect to meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India under the provisions of Companies Act, 2013.

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

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

- i. Reserve Bank of India Act, 1934;
- ii. Master Direction - Know Your Customer (KYC) Direction, 2016;
- iii. KYC & PML Act and Policies framed thereunder;
- iv. Prevention of Money Laundering Act, 2002;
- v. Guidelines on Fair Practice Code for NBFCs;
- vi. Master Circular - Fair Practices Code;
- vii. Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023

I have relied on the representation made by the Company and its officers for system and mechanism framed by the Company for compliances of the aforesaid specific applicable acts, regulations, guidelines and direction to the company. However, the Company has not submitted the credit information in respect of Customers to all four CICs during the year under review. Moreover, the Company has not shared the KYC and other information of Customers to Central KYC Records Registry.

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

- i. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; - the Company is not registered as Registrar to an Issue & Share Transfer Agent. However, the Company has appointed Satellite Corporate Services Private Limited as Registrar & Share Transfer Agent as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 and circulars/guidelines/Amendments issued there under;
- iii. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and circulars/guidelines/Amendments issued there under;
- iv. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
- v. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and circulars/guidelines/Amendments issued there under;
- vi. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
- vii. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2021 and circulars/guidelines/Amendments issued there under;

- viii. The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 and circulars/ guidelines/Amendments issued there under; and
- ix. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and circulars/ guidelines/Amendments issued there under;
- x. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.

I further report that -

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

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

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

I further report that -

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

Place: Ahmedabad

Date: September 05, 2024

Signature:

Name of Practicing Company Secretary: Jitendra Parmar

FCS No. : 11336

C P No. : 15863

UDIN: F011336F001140521

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

**Annexure I**

To,

**The Members,**

**KARNAVATI FINANCE LIMITED**

Vraj Group, 2<sup>nd</sup> Floor, Simran Centre, Mogra Village,

30H Parsi Panchayat Road, Andheri East,

Andheri, Mumbai - 400053, 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: September 05, 2024

Signature:

Name of Practicing Company Secretary: Jitendra Parmar

FCS No. : 11336

C P No. : 15863

UDIN: F011336F001140521



**ANNUAL SECRETARIAL COMPLIANCE REPORT OF KARNAVATI FINANCE LIMITED**  
for the year ended on March 31, 2024

I, **Jitendra Parmar & Associates**, Company Secretaries, Ahmedabad have examined:

- (a) all the documents and records made available to us and explanation provided by **Karnavati Finance Limited** ("the listed entity"),
- (b) the filings/ submissions made by the listed entity to the stock exchanges,
- (c) website of the listed entity,
- (d) any other document/ filing, as may be relevant, which has been relied upon to make this certification, for the year ended **March 31, 2024** ("Review Period") in respect of compliance with the provisions of :
- (i) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
- (ii) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include: -

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended
- (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; **Not Applicable during the review period**
- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **Not Applicable during the review period**
- (e) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; **Not Applicable during the review period**
- (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **Not Applicable during the review period**
- (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021; **Not Applicable during the review period**
- (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (i) Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;
- (j) Securities and Exchange Board of India (Depositories and Participant) Regulation, 2018; and circular and guidelines issued thereunder;

and based on the above examination, We hereby report that, during the Review Period:

Sr. No.	Particulars	Compliance Status (Yes/No/NA)	Observations /Remarks by PCS*
1	<b>Secretarial Standards:</b> The compliances of listed entity are in accordance with the applicable Secretarial Standards (SS) issued by Institute of Company Secretaries India (ICSI)	Yes	-
2	<b>Adoption and timely updation of the Policies:</b> <ul style="list-style-type: none"> <li>• All applicable policies under SEBI Regulations are adopted with the approval of board of directors of the listed entities</li> <li>• All the policies are in conformity with SEBI Regulations and have been reviewed &amp; updated on time, as per the regulations /circulars/guidelines issued by SEBI</li> </ul>	Yes  Yes	-  -
3	<b>Maintenance and disclosures on Website:</b> <ul style="list-style-type: none"> <li>• The Listed entity is maintaining a functional website</li> <li>• Timely dissemination of the documents/ information under a separate section on the website</li> <li>• Web-links provided in annual corporate governance reports under Regulation 27(2) are accurate and specific which re- directs to the relevant document(s)/ section of the website</li> </ul>	Yes  Yes  Yes	-  -  -
4	<b>Disqualification of Director:</b> None of the Director(s) of the Company is/are disqualified under Section 164 of Companies Act, 2013 as confirmed by the listed entity.	Yes	-

5	<p><b>Details related to Subsidiaries of listed entities have been examined w.r.t.:</b></p> <p>(a) Identification of material subsidiary companies</p> <p>(b) Disclosure requirement of material as well as other subsidiaries</p>	<p>NA</p> <p>NA</p>	<p>The company does not have any subsidiary company.</p>
6	<p><b>Preservation of Documents:</b></p> <p>The listed entity is preserving and maintaining records as prescribed under SEBI Regulations and disposal of Records as per Policy of Preservation of Documents and Archival policy prescribed under SEBI LODR Regulations, 2015.</p>	<p>Yes</p>	<p>-</p>
7	<p><b>Performance Evaluation:</b></p> <p>The listed entity has conducted performance evaluation of the Board, Independent Directors and the Committees at the start of every financial year/during the financial year as prescribed in SEBI Regulations.</p>	<p>Yes</p>	<p>-</p>
8	<p><b>Related Party Transactions:</b></p> <p>(a) The listed entity has obtained prior approval of Audit Committee for all related party transactions; or</p> <p>(b) The listed entity has provided detailed reasons along with confirmation whether the transactions were subsequently approved/ratified/rejected by the Audit Committee, in case no prior approval has been obtained.</p>	<p>Yes</p> <p>NA</p>	<p>Since, all related party transactions were entered into by the company only with the prior approval of Audit Committee point (b) is not applicable.</p>
9	<p><b>Disclosure of events or information:</b></p> <p>The listed entity has provided all the required disclosure(s) under Regulation 30 along with Schedule III of SEBI LODR Regulations, 2015 within the time limits prescribed thereunder.</p>	<p>Yes</p>	<p>-</p>
10	<p><b>Prohibition of Insider Trading:</b></p> <p>The listed entity is in compliance with Regulation 3(5) &amp; 3(6) SEBI (Prohibition of Insider Trading) Regulations, 2015.</p>	<p>Yes</p>	<p>-</p>
11	<p><b>Actions taken by SEBI or Stock Exchange(s), if any:</b></p> <p>No action(s) has been taken against the listed entity/ its promoters/directors/subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars/guidelines issued thereunder except as provided under Separate paragraph herein.</p>	<p>Yes</p>	<p>As stated in Annexure - I</p>
12	<p><b>Resignation of statutory auditor from the listed entity or its material subsidiaries:</b></p> <p>In case of resignation of statutory auditor from the listed entity or any of its its material subsidiaries during the financial year, the listed entity and/or its material subsidiaries has/have complied with paragraph 6.1 and 6.2 of section V-D of the Chapter V of the Master Circular on compliance with the provisions of the LODR Regulations by listed entities.</p>	<p>NA</p>	<p>During the year under review, there was no resignation of statutory auditor from the listed entity. Further the company has no material subsidiary.</p>
13	<p><b>Additional Non-compliances, if any:</b></p> <p>No additional non-compliance observed for any SEBI regulation/circular/guidance note etc.</p>	<p>Yes</p>	<p>No additional non-compliance was observed for any SEBI regulation / circular / guidance note etc. during the year under review.</p>

The Additional disclosures of Annual Secretarial Compliance Report as below:-

(a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder, except in respect of matters specified below:

Sr. No.	Compliance Requirement (Regulations/ circulars/ guidelines including specific clause)	Regulation/ Circular No.	Deviations Action	Action Taken By	Type of Action	Details of Violation	Fine Amount	Observations/ Remarks of the Practicing Company Secretary	Management Response	Remarks
1.	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015	Regulation 23(9)	Non-Compliance with the disclosure of Related Party Transactions on consolidated basis in XBRL mode	BSE	Fine	Non-Compliance with the disclosure of Related Party Transactions on consolidated basis in XBRL mode	Rs. 11,800/-	It was observed that the company has filed the Related Party Transaction in PDF mode along with disclosure of Financial results for the quarter and year ended on March 31, 2023. However as the XBRL submission was made effective from that quarter, the company inadvertently failed to file the same on the same day and filed the respective XBRL submission within three working days.	It was observed that the company has filed the Related Party Transaction in PDF mode along with disclosure of Financial results for the quarter and year ended on March 31, 2023. However as the XBRL submission was made effective from that quarter, the company inadvertently failed to file the same on the same day and filed the respective XBRL submission within three working days.	-

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

Sr. No.	Compliance Requirement (Regulations / circulars/ guidelines including specific clause)	Regulation/ Circular No.	Deviations Action	Action Taken By	Type of Action	Details of Violation	Fine Amount	Observations/ Remarks of the Practicing Company Secretary in previous reports	Observations made in the secretarial compliance report for the year ended March 31, 2023	Comment of the practicing Company Secretary on the actions taken by the listed entity	Remedial actions, if any, taken by the listed entity	Management Response	Remarks
1.	Securities and Exchange Board of India (Listing Obligations and Disclosure	Regulation 17(1)(b)	Composition of Board of Directors	-	-	During the Period under review Ms. Vinita Parekh an Independent Director has been resigned	-	During the Period under review Ms. Vinita Parekh an Independent Director has been resigned w.e.f March 6, 2023. Further being Executive Director as Chairman of the Company, at least half of the board of	Observation made in Secretarial Compliance report for the year ended March 31, 2023	The company has appointed Mr. Ashish Batavia as a chairman & non-executive non-independent director on the board of the	Company has appointed Director within the prescribed timeline.	The company is in process to fill vacancy within time period of three (3) months in	

	Requirements) Regulations, 2015					w.e.f March 6, 2023. Further being Executive Director as Chairman of the Company, at least half of the board of directors of the listed entity shall consist of Independent directors. As on date the Company has 5 Director including 2 Independent. However, as informed By the management the Company is in process to fill vacancy within time period of 3 months in ensuing Board Meeting.		directors of the listed entity shall consist of independent Directors. As on date the Company has 5 Director including 2 Independent. However, as informed by the management the Company is in process to fill vacancy within time period of 3 months in ensuing Board Meeting.		company w.e.f. June 05, 2023 and thus complied with Regulation 17(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. However the comment made by the PCS in previous report was not a negative comment but the same was updated to the management of the company as a precautionary actions/clarification.		ensuing Board Meeting.
2.	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015	Regulation 27(2)	Delay in Submission of Quarterly QCGR	BSE	Fine	Non-compliance of Regulation 27(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for non-submission of the Corporate Governance Compliance Report within	Rs. 80,240/-	The listed entity has submitted Corporate Governance Compliance Report for the quarter ended on March 2022 as on May 25, 2022 and Stock Exchange has imposed fine as per SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020 of Rs. 80,240/- and the same is paid by the company.	Observation made in Secretarial Compliance report for the year ended March 31, 2023	The company had filed the delayed corporate Governance Report and paid the fine to BSE and after that Board has device a framework for timely compliance of all the applicable regulations.	Company has submitted Corporate Governance report on May 25, 2025 and Paid the fine charged by the Stock Exchange and complied the same	The company was in non-compliance of Regulation 27(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI

						the period provided under the said regulation.							LODR”) for non-submission of the Corporate Governance Compliance Report within the period provided under the said regulation
3.	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015	Regulation 29(2) and 29(3)	Delay in furnishing prior intimation about the meeting of board of directors	BSE	Fine	The company has given intimation as on August 04, 2022 for the meeting of board of directors held as on August 09, 2022 to inter alia consider and approve unaudited financial for the quarter ended on June 2022.	Rs. 11,800 /-	The company has given intimation as on August 04, 2022 for the meeting of board of directors held as on August 09, 2022 to inter alia consider and approve unaudited financial for the quarter ended on June 2022 and Stock Exchange has imposed fine as per SEBI circular no. SEBI/HO/CFD/C MD/CIR/P/2020/12 dated January 22, 2020 of Rs. 11,800 and the same is paid by the Company.	Observation made in Secretarial Compliance report for the year ended March 31, 2023	The company has intimated the same to the stock exchange and paid the fine and after that Board has device a framework for timely compliance of all the applicable regulations.	Company has intimated to the Stock Exchange and Paid the fine charged by the Stock Exchange and complied the same.	The company has given delayed intimation as on August 04, 2022 for the meeting of board of directors held as on August 09, 2022 to inter alia consider and approve unaudited financial for the quarter ended on June 2022 and paid fine of Rs. 11,800/-.	
4.	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015	Regulation 34(1)(a), 36(2)	Delay in dispatch of Annual reports to the Shareholders			The Company has disseminated the notice of the AGM (September 30, 2022) and Annual Report on the website of the stock exchange as on September		The Company has disseminated the notice of the AGM (September 30, 2022) and Annual Report on the website of the stock exchange as on September 9, 2022 in compliance with the statutory requirements which are publicly available to the all Stakeholders However, due to some pending formalities and confirmations between the management and NSDL and	Observation made in Secretarial Compliance report for the year ended March 31, 2023	The company has completed the pending formalities.	Yes	The Company Has disseminated the notice of the AGM (September 30, 2022) and Annual Report	

						<p>9, 2022 in compliance with the statutory requirements which are publicly available to the all stakeholders</p> <p>However, due to some pending formalities and confirmations between the management and NSDL the same was not released to the members on the same day and the same was delivered as on September 14, 2022</p>		<p>NSDL the same was not released to the members on the same day and the same was delivered as on September 14, 2022.</p>			<p>on the website of the stock exchange as on September 9, 2022 in compliance with the statutory requirement s. which are publicly available to the all stakeholders However, due to Some pending formalities and confirmation s between the managemen t and NSDL the same was not released to the members on the same day and the same was delivered as on September 14, 2022.</p>	
5.	<p>Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015</p>	<p>Regulation 46</p>	<p>Dissemination of the information on the website of the company</p>	-	-	<p>The company has not disseminated information as required under Regulation 46. Details of familiarization programmes imparted to</p>	-	<p>The company has not disseminated information as required under Regulation 46. However, the management of the company has informed that the same is pending due to some technical issue and will get it resolved.</p>	<p>Observation made in Secretarial Compliance report for the year ended March 31, 2023</p>	<p>The company has resolved the technical issue and updated the website of the company.</p>	<p>Company has updated its website properly and disseminate the required informati</p>	<p>The company has not disseminated information as required under Regulation 46. However, the</p>

					<p>independent directors,                  - Shareholding patterns, Financials,                  - notices of meeting of board of directors where financial results shall be discussed.                  - Financial results, on conclusion of the meeting of board of directors where the financial results were approved                  - complete copy of the annual report including balance sheet, profit and loss account, directors report,                  - corporate governance report etc. ;                  - Newspaper advertisement of                  - Financial Results;,                  Notices given to shareholders by advertisements;                  - Notices of AGM/EGM.                  Annual Secretarial</p>				<p>on on the same</p>	<p>managemen t of the company has informed that the same is pending due to some technical issue and will get it resolved.</p>	
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						of board of directors; - the email address for grievance redressal and other relevant details, contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances etc.						
6.	The securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”)	Regulation 3 (2B), 3(5) and 3(6)	Maintenance of Structure Database and notices to the Insiders			Pursuant to the Regulation 3(5) and 3(6) of The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) the company has not upgraded to System Driven Disclosure system during the period under review. Further, we are unable to express our opinion in respect of		Pursuant to the Regulation 3(5) and 3(6) of The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) the company has not upgraded to System Driven Disclosure system during the period under review. Further, we are unable to express our opinion in respect of compliance of to any person to maintain confidentiality with whom any unpublished price sensitive information pursuant to ‘legitimate purpose’ if any shared by the Company. Except dissemination of window closer on Stock Exchange.	Observation made in Secretarial Compliance report for the year ended March 31, 2023	The company has purchased the SDD software and also faced the inspection from BSE Team regarding SDD compliance and successfully completed the inspection and comply with SDD requirement	Company is now updating SDD data on timely basis	The company is in process of evaluation of suitable software.

						Compliance of Reg. 3(2B) of PIT Regulations in the course of audit as we did not find any instance of notice given by the Company to any person to maintain confidentiality with Whom any unpublished price sensitive information pursuant to 'legitimate purpose' if any shared by the Company. Except dissemination of window closer on Stock Exchange.							
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FOR, JITENDRA PARMAR & ASSOCIATES,  
COMPANY SECRETARIES

JITENDRA PARMAR  
PROPREITOR  
FCS No.: 11336  
COP No.: 15863  
FRN: S2023GJ903900  
UDIN: A061110E000430545  
Date: 30/05/2023  
Place: Ahmedabad

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### BACKGROUND

Karnavati Finance Limited (KFL) is a Non-Banking Finance Company (“NBFC”), holding a Certificate of Registration from the Reserve Bank of India (“RBI”). The KFL is a non-deposit accepting NBFC engaged in financial services. The Company is registered with the Reserve Bank of India (RBI) as a non-deposit accepting NBFC. As per RBI’s ‘Scale Based Regulations’ (SBR), the Company is classified as NBFC- Base Layer (NBFC-BL).

The Company is listed with the Bombay Stock Exchange. The Company is an Investment and Credit Company (ICC) and does not have any other operations of its own. The company mainly engaged in providing finance of personal loan, business loan, auto loan, education loan and mortgage loans.

### Macroeconomic Overview

Despite three turbulent years which witnessed a global pandemic, supply chain disruptions, conflict in Ukraine, and elevated interest rates to counter high inflation, India emerged as the fastest growing major economy of the world. Notwithstanding conflicts in Europe and Gaza and rising tensions in West Asia, a global recession that experts thought was imminent has not occurred. Indeed, the key indicators have turned positive: inflation is falling across all major countries; unemployment has not risen as economists thought it would; and the major central banks have put an end to monetary tightening, though they have not yet begun reducing their key interest rates.

According to the IMF’s World Economic Outlook (April 2024), inflation is falling faster than expected in most regions; and it has forecasted global headline inflation to fall to 5.9% in 2024 and further to 4.5% in 2025, with the possibility of the 2025 forecast being further revised downwards.

In a milieu where the IMF has projected the world’s real GDP growth at 3.2% in 2024 and 3.2% in 2025, its forecasts for India are impressive: 6.8% in 2024 followed by yet another stint of 6.5% in 2025. Indeed, the IMF has placed India as the fastest growing major economy in the world.

With a fair degree of control over retail inflation despite high and growing domestic demand and significant governmental capital expenditure, India has recorded robust growth in FY2024. The second advance estimate of national income released by the national statistics office (NSO) on 29 February 2024 has pegged real GDP growth in FY2024 to be 7.6% versus 7% (first revised estimate) in FY2023. Table 1 gives the data.

**Table 1: Real Gross Domestic Product (GDP) and Gross Value Added (GVA)**

	FY2021 (2nd RE)	FY2022 (2nd RE)	FY2023 (1st RE)	FY2024 (2nd AE)
Real GDP (₹ in trillion)	136.9	150.2	160.7	172.9
Real GVA (₹ in trillion)	126.8	138.8	148.0	158.3
Real GDP growth	(5.7%)	9.7%	7.0%	7.6%
Real GVA growth	(4.1%)	9.5%	6.7%	6.9%

**Source:** Government of India, National Statistical Office (CSO). AE denotes advance estimate, and RE denotes revised estimate.

The first three quarters of FY2024 have witnessed impressive real GDP growth. Q1, FY2024 saw 8.2% growth; this was followed by 8.1% in Q2, FY2024; and then by 8.4% in Q3, FY2024. If numbers such as these prevail in the fourth quarter, then it is safe to assume that the actual GDP growth FY2024 will comfortably exceed the second advanced estimate of 7.6%.

The major driver of growth has been the central government-led capital expenditure. The present government had considerably raised this to counter the overall demand and GDP suppression during the pandemic; and it has continued to rely upon it as a significant component of growth. To give an example: according to the second advance estimate for FY2024, gross fixed capital formation (GFCF) is expected to contribute over 34% of the GDP in FY2024 – an impressive ratio by any standard.

India’s current account deficit (CAD) for Q3 FY2024 stood at US\$10.5 billion, or 1.2% of GDP versus US\$11.4 billion (1.3% of GDP) in Q2 FY2024. For the first three quarters of FY2024, the CAD aggregated US\$31 billion, or 1.2% of GDP – compared to 2.6% over same period of FY2023. This narrowing of the CAD was due to a fall in merchandise trade deficit, robust growth in the export of services exports and strong remittances. According to the RBI, India is the largest recipient of remittances in the world.

Consumer price inflation (CPI) moderated in first three quarters of FY2024, with average retail inflation easing to 5.5%. The decline was account of benign core (non-food, non-fuel) inflation, which reduced to a four-year low of 3.8% in December 2023. CPI was 5.1% in January 2024 and 5.09% in February 2024. The monetary policy report of the RBI dated 5 April 2024 suggests that the moderation in inflation in Q3 and Q4 FY2024 was a result of weakening of supply side shocks especially in food prices and from the transmission of past monetary policy actions. Of course, regarding inflation, adverse weather conditions and escalating geopolitical hostilities remain key risks. Nevertheless, the CPI averaged at the rate of 5.4% in FY2024, and it is fair to expect it to further reduce to something like 4.5% in FY2025 subject to, of course, the usual upside risks.

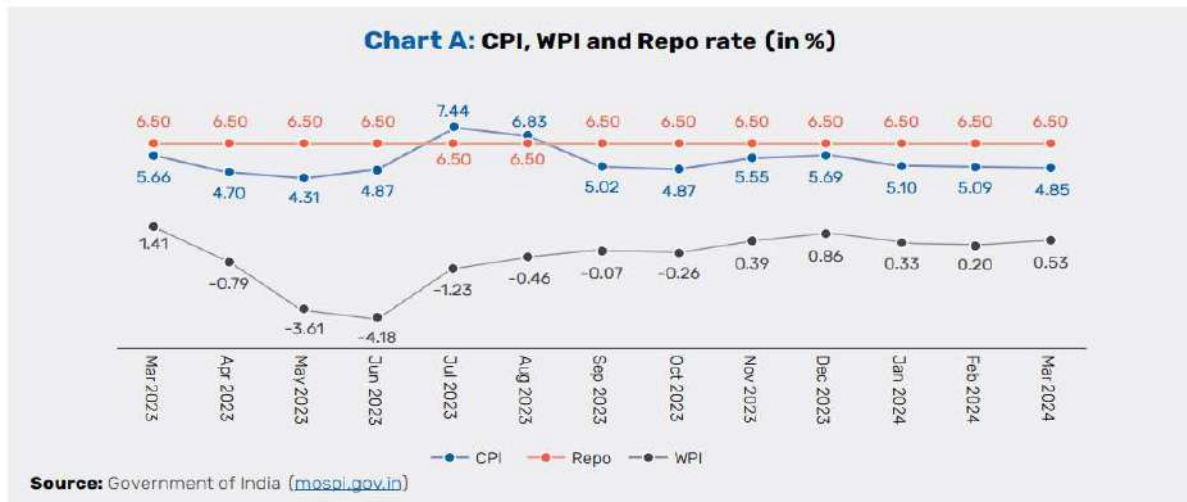
In any event, overall retail inflation is now stable and within the tolerance band of the RBI.

The RBI’s Monetary Policy Report of 5 April 2024 expects India’s real GDP for FY2024 will grow by 7.6% and that CPI inflation will decline from 5.4% in FY2024 to 4.5% in FY2025, with most of the decline occurring in the first half of FY2025.

Non-food credit growth of the scheduled commercial banks was 20.5% as on 23 February 2024 over 24 February 2023 versus 15.9% for the same period in the previous year. This growth was largely driven by services industry and personal loans which recorded a growth of 24% and 28.3%, respectively as on 23 February 2024 versus 20.5% and 20.6% for the same period in the previous year. Credit to industry registered a growth of 9.1% in February 2024 over the previous year against 6.8% in February 2023.

Credit to large industry rose by 7.1% versus 4.6% a year ago; to medium industries it was 12.5% as against 12.8%; to micro and small industries it was a growth of 14.7% in February 2024 as against 12.8% a year ago.

Chart A depicts the movement of consumer price index (CPI), wholesale price index (WPI) and the repo rate since March 2023 over the respective month.



The Indian economy has weathered the external shocks reasonably well. It is by far the fastest growing major economy in the world. The growth impetus continues across all major sectors. Inflationary pressures have abated. The CAD is well under control. And, at the very least, we can expect yet another stellar year in FY2025.

#### An Industry Overviews (NBFCs):

NBFCs remain an important constituent of India's financial sector, and continue to leverage their superior understanding of regional dynamics and customized products and services to expedite financial inclusion in India. Lower transaction costs, innovative products, quick decision making, customer orientation and prompt service standards have differentiated NBFCs from banks.

Considering the reach and expanse of NBFCs, these entities are well-suited to bridge the financing gap in a large country like India. Systemically important NBFCs have demonstrated agility, innovation and frugality to provide formal financial services to millions of Indians.

The sector has undergone remarkable growth and has established itself as a significant player in the country's financial landscape. As of FY2023, the NBFC sector reached an impressive size of US\$ 326 billion, underscoring its influence in the financial domain. Growth in the business of NBFCs is primarily attributed to a substantial increase in the demand for specialised financial services, particularly from Micro, Small, and Medium Enterprises (MSMEs), which typically face challenges in obtaining loans from traditional banks. Moreover, the rise of digitisation has been a driving force behind the NBFC sector's growth. Adoption of digital platforms has enabled NBFC's to broaden their customer base, streamline operations, reduce costs and enhance overall customer experience. This transformation is further accentuated by the role of emerging technologies like artificial intelligence, machine learning, robotic process automation and big data.

The latest edition of the RBI's Financial Stability Report notes that aggregate lending by NBFCs rose by 20.8% (y-o-y) in September 2023 from 10.8% a year ago, primarily led by personal loans and loans to industry. The gross nonperforming assets (GNPA) and net non-performing assets (NNPA) ratios of NBFCs continued on their downward trajectory. The overall GNPA ratio in September 2023 was 4.6% versus 5.9% in September 2022; and NNPA ratio was 1.5% compared to 3.2% across the same period. Capital adequacy has also improved to 27.6% from 27.4% during this period. So too has the profitability-as evident from increase in the return on assets (RoA) to 2.9% from 2.5%.

Over the past two years, banks and NBFCs have seen rapid and persistent growth in retail loans, especially unsecured lending. Between September 2021 to September 2023, banks' retail loans grew at a compound annual growth rate (CAGR) of 25.5%, which exceeded the headline credit growth of 18.6%. Consequently, the share of retail lending in gross advances increased from 37.7% in September 2021 to 42.2% in September 2023. Alongside, unsecured retail lending grew by 27% during the same period, taking its share in total retail lending to 23.3% (or 9.8% of total gross advances of the banks).

Despite the sharp growth in retail lending, underlying asset quality has improved. The GNPA ratio of total retail advances improved to 1.6% in September 2023 from 2% in September 2022; and that of unsecured retail advances improved to 2% in September 2023 from 2.5% a year earlier.

A related development which has facilitated rapid growth in retail loans is bank lending to NBFCs, which constituted 9.9% of total bank credit at the end of June 2023. Bank lending to NBFCs increased at a CAGR of 26.3% during the past two years (i.e., from June 2021 to June 2023), which has been well above the growth of 14.8% in overall bank credit. However, such lending is mostly limited to top-rated NBFCs with close to 80% of credit given to those with AA-rating and above. Although there are no imminent signs of stress in the retail credit segment, its rapid growth amidst the disinflationary monetary policy stance raises concerns in terms of procyclicality of lending and higher debt servicing costs.

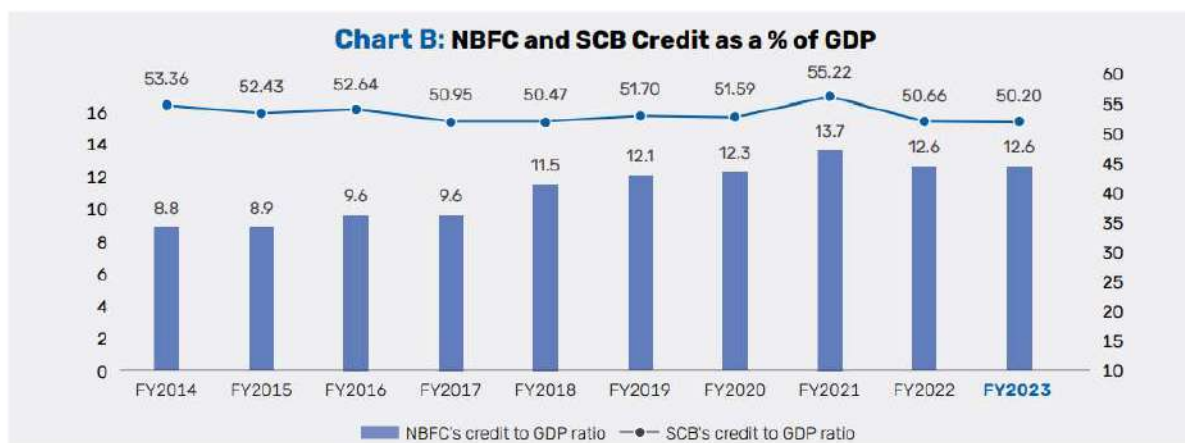
Recognising the importance of NBFCs, a series of measures have been implemented which have played an important role in strengthening the NBFCs. For instance, considering the growing size, complexity and interconnectedness of NBFCs, a revised scale-based regulatory framework has been implemented to harmonise the regulations of NBFCs with those of banks, wherever appropriate. In addition, the formal Prompt Corrective Action (PCA) framework was extended to NBFCs which enables supervisory intervention at appropriate times and requires the supervised entity to initiate and implement remedial measures in a timely manner.

As banks and NBFCs have entered into various co-lending models with divergent underwriting practices and banks have been the major lender to NBFCs, this rising interconnectedness raises risks emanating from cross-sectional dimensions. Thus, on 16 November 2023, the RBI increased risk weight on unsecured retail loans from 100% to 125% and also increased risk weight on bank exposures to NBFCs by 25% subject to a cap of 100%. The RBI's Financial Stability Report states that "the Reserve Bank took proactive regulatory measures, such as increase in risk weights on certain segments of consumer credit by banks and NBFCs as well as bank credit to NBFCs, along

with a strengthening of credit standards in respect of various sub-segments under consumer credit, to prevent build-up of risks and spill-over to the wider financial system."

This decision to increase risk weights is both stability enhancing and credit positive. First, banks and NBFCs will be required to allocate higher capital for unsecured retail loans, which will improve their loss-absorbing buffers; and second, it will dampen growth exuberance among lenders and improve credit quality.

Based on Report on Trend and Progress of Banking in India 2022-23, Chart B depicts how credit as a percentage of nominal GDP of NBFCs and scheduled commercial banks has moved between FY2014 to FY2023



This is a privileged track record despite the NBFCs being severely tested by four large external events in the last few years: (i) demonetisation, (ii) GST implementation, (iii) failure of a few large NBFCs, and (iv) the pandemic. The fact that several NBFCs have managed to overcome these stresses without a significant impact on their financial positions is a testament to their resilience and agility.

As NBFCs have become more significant, the RBI has enhanced its regulation of the sector in recent years to address the industry specific issues such as contagion risk in the financial system, oversimplified underwriting processes, concentration of credit risk, exposure towards technology related risks, etc. Accordingly, the RBI, over last few years, has issued various guidelines such as (i) vigil over asset-liability management practices, (ii) maintaining liquidity ratios, (iii) increased reporting requirements, and (iv) scale-based regulations. These have led to NBFCs adopting practices in line with banks. The regulatory vigil is based on four key cornerstones of: (i) responsible financial innovation, (ii) accountable conduct, (iii) responsible governance, and (iv) centrality of the customer.

The NBFC sector is an important stakeholder of the Indian financial sector. Strengthened regulation and enhanced oversight are in place to further strengthen the resilience of this key sector. Given this, we reiterate what we underscored in the previous year. We believe that NBFCs with superior capital adequacy, better margins, frugal cost and prudent risk management, and those incorporating above four key cornerstones in their business models will continue to deliver sustainable growth in the foreseeable future.

#### THE COMPANY

Karnavati Finance Limited (KFL) is a Non-Banking Finance Company ("NBFC"), holding a Certificate of Registration from the Reserve Bank of India ("RBI"). The KFL is non-deposit accepting NBFC engaged in financial services. The Company is registered with the Reserve Bank of India (RBI) as a non-deposit accepting NBFC. As per RBI's 'Scale Based Regulations' (SBR), the Company is classified as NBFC- Base Layer (NBFC-BL).

The Company is listed with the Bombay Stock Exchange. The Company is an Investment and Credit Company (ICC) and does not have any other operations of its own. The company mainly engaged in providing finance of

- a. personal loan,
- b. business loan,
- c. auto loan,
- d. education loan and
- e. mortgage loans.

#### FINANCIAL PERFORMANCE

KFL's net income from operations for the financial year ended March 31, 2024 is Rs. 304.10/- as against 277.50/- in the previous year. During the year under review due to increase in non-performing assets and their provisioning requirement, the company has incurred the loss of Rs. 1,66,81,269/-.

#### RESOURCES AND LIQUIDITY

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

#### PORTFOLIO

KFL's investment portfolio stood at Rs. 2,830.63/- as on March 31, 2024. KFL's strategy for its portfolio is to focus on asset quality and asset mix to achieve good returns.

#### OPPORTUNITIES AND THREATS

The RBI has been continually strengthening the supervisory framework for NBFCs in order to ensure sound and healthy functioning and avoid excessive risk taking. It has issued several new guidelines in the recent past.

The uncertainties and volatility in the financial market are a continuing threat to the organizational performance. However, the twin features of foresightedness and focused analysis of the market have challenged the threat of adverse performance.

#### OUTLOOK

India continues to be one of the fastest growing economies in the world and this is expected to continue in financial year 2024-25, as per the latest economic survey, finance sector being the key growth sectors of the economy. The Outlook of the Company for the year

ahead is to drive profitable growth. Non-Banking Financial Companies are competing with the banks in providing financial services and has been playing a complementary role with other financial institutions in the Indian Economy.

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

**RISK MANAGEMENT**

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

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

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

**SUBSIDIARY COMPANY**

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

**HUMAN RESOURCES**

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

**SEGMENT-WISE OR PRODUCT WISE PERFORMANCE**

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

**CAUTIONARY STATEMENT**

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

**INDEPENDENT AUDITORS' REPORT**

To the members of Karnavati Finance Limited

**Report on the Indian Accounting Standards (Ind AS) Financial Statements**

We have audited the accompanying financial statements of Karnavati Finance Limited (the "Company"), which comprise the Balance sheet as at March 31, 2024, and the Statement of Profit and Loss for the period then ended, the Cash flow Statement for the year ended March 31, 2024 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 Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

**Auditors' responsibility**

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

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

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

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

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

**Opinion**

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

- (a) In the case of Balance sheet, of the State of Affairs of the Company as at March 31, 2024; and
- (b) In the case of Statement of profit and loss, of the Profit for the Year ended on March 31, 2024; and
- (c) Its cash flow statement for the year ended March 31, 2024.
- (d) Statement of changes in the equity for the year ended March 31, 2024.

**Basis for Opinion**

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

**Key Audit Matters**

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

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

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

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Corporate Overview, Board's Report, Management Discussion and Analysis Report and Report on Corporate Governance in the Annual Report of the Company for the financial year 2023-24, but does not include the financial statements and our auditor's report thereon. The reports containing the other information as above are expected to be made available to us after the date of this auditor's report.

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

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

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

#### Report on other Legal and Regulatory Requirements

(1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure 1, statement on the matters specified in paragraphs 3 and 4 of the order to the extent applicable.

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

- a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
- c. The Balance Sheet and Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the balance sheet and statement of profit and loss and Cash Flow Statement dealt with by this report comply with the Indian Accounting Standards referred to in section 133 of the Act read with rules issued thereunder;
- e. On the basis of written representations received from the directors as at 31st March 2024, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31st March 2024, from being appointed as a director in terms of subsection (2) of section 164 of the Companies Act, 2013.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Section 197(16) of the Act, in our opinion and to the best of our information and according to the explanations given to us: the remuneration paid/ provided by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
- h. With respect to the matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - a. The Company has disclosed the impact of pending litigations as at 31 March 2024 on its financial position in its standalone financial statements - Refer Note (vii) of Annexure - A to the standalone financial statements
  - b. The Company did not have any long-term and derivative contracts as at March 31, 2024.
  - c. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2024.
  - d. The management has;
    - i. represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall:



- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever (“Ultimate Beneficiaries”) by or on behalf of the Company or
- provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
- ii. represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Company shall:
  - directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever (“Ultimate Beneficiaries”) by or on behalf of the Funding Party or
  - provide any guarantee, security or the like from or on behalf of the Ultimate Beneficiaries; and
- iii. Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under subclause (d) (i) and (d) (ii) contain any material mis-statement.
- e. The company has neither declared nor paid any dividend during the year under Section 123 of the Act.
- f. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023. Based on our examination, which included test checks, and other generally accepted audit procedures performed by us, we report that the Company has used accounting software ‘Tally Prime System’ for maintaining its books of account which has a feature of recording audit trail facility and the same has not been operated throughout the period for all transactions recorded in the software and the hence we are unable to comment on audit trail feature of the said software.

**FOR B B Gusani & Associates.**  
**(Chartered Accountants)**  
**Firm Reg No. :0140875W**

**Date : May 28, 2024**  
**Place : Jamnagar**

**Bhargav Gusani**  
**Proprietor**  
**M. No. : 120710**  
**UDIN: 24120710BJZWFQ7439**

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

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

**(i) Property, Plant & Equipment and Intangible Assets:**

- a. The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment and relevant details of right-of-use assets.
- b. The Company has maintained proper records showing full particulars of intangible assets.
- c. Property, Plant and Equipment have been physically verified by the management at reasonable intervals; any material discrepancies were noticed on such verification and if so, the same have been properly dealt with in the books of account.
- d. According to the information and explanation given to us the title deeds of all the immovable properties. (Other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the company.
- e. The Company has not revalued any of its Property, Plant and Equipment (including right-of-use assets) and intangible assets during the year.
- f. No proceedings have been initiated during the year or are pending against the Company as at March 31, 2024 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (as amended in 2016) and rules made thereunder.

**(ii) Inventory and working capital:**

- a. The stock of inventory has been physically verified during the year by the Management at reasonable intervals, except stock lying with third parties. Confirmations of such stocks with third parties have been obtained by the Company in most of the cases. No discrepancies were noticed on verification between the physical stocks and the book records that were 10% or more in the aggregate for each class of inventory.
- b. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks on the basis of security of current assets.

**(iii) Investments, any guarantee or security or advance or loans given:**

- a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any investments, provided guarantee or security or granted any advances in the nature of loans, secured or unsecured, to companies, firms, limited liability partnerships or any other parties during the year.
  - 1. The Company has not provided any loans or advances in the nature of loans or stood guarantee or provided security to any other entity during the year.
  - 2. In our opinion, the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are not prejudicial to the company’s interest;
  - 3. In respect of loans granted by the Company, the schedule of repayment of principal and payment of interest has been stipulated and the repayments of principal amounts and receipts of interest have generally been regular as per stipulation.
  - 4. In respect of loans granted by the Company, there is no overdue amount remaining outstanding as at the balance sheet date.
  - 5. No loan granted by the Company which has fallen due during the year, has been renewed or extended or fresh loans granted to settle the over dues of existing loans given to the same parties.

6. The Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment during the year. Hence, reporting under clause 3(iii)(6) is not applicable.

**(iv) Loan to directors:**

a) According to the information and explanations given to us and on the basis of our examination of the records, the Company has not given any loans, or provided any guarantee or security as specified under Section 185 of the Companies Act, 2013 and the Company has not provided any guarantee or security as specified under Section 186 of the Companies Act, 2013. Further, the Company has complied with the provisions of Section 186 of the Companies Act, 2013 in relation to loans given and investments made.

**(v) Deposits:**

a) The company has not accepted any deposits from the public within the meaning of sections 73 to 76 or any relevant provisions of the 2013 act and the rules framed there under to the extent notified.

**(vi) Maintenance of Cost Records:**

a) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Companies Act, 2013 for the products manufactured by it (and/ or services provided by it). Accordingly, clause 3(vi) of the Order is not applicable.

**(vii) Statutory Dues:**

a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Duty of Customs, GST, Cess and any other statutory dues applicable to it. According to the information and explanations given to us, there is undisputed amounts payable in respect of income tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2024 for a period of more than six months from the date they became payable.

Name of Statute	Nature of Dues	Financial Year	Amount (Rs.)
Income Tax Act 1961	Income Tax	2011-12	7,400
Income Tax Act 1961	Tax Deducted at Source	2015-16	510
Income Tax Act 1961	Tax Deducted at Source	2017-18	20
Income Tax Act 1961	Tax Deducted at Source	2020-21	190
Income Tax Act 1961	Tax Deducted at Source	2021-22	940

b) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, GST, excise duty and cess which have not been deposited on account of any dispute.

Name of Statute	Nature of Dues	Financial Year	Amount (Rs.)
Income Tax Act 1961	Income Tax	2020-21	5,45,770 (Under Rectification)

**(viii) Disclosure of Undisclosed Transactions:**

a) There According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not surrendered or disclosed any transactions, previously unrecorded as income in the books of account, in the tax assessments under the Income-tax Act, 1961 as income during the year.

**(ix) Loans or Other Borrowings:**

a) Based on our audit procedures and according to the information and explanations given to us, The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.

b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

c) According to the information and explanations given to us, term loans were applied for the purpose for which the loans were obtained.

d) On an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.

e) On an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.

f) The Company has not raised any loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.

**(x) Money Raised by IPOs, FPOs:**

a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under clause 3(x)(a) of the Order is not applicable.

b) During the year, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence reporting under clause 3(x)(b) of the Order is not applicable.

**(xi) Fraud:**

a) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the company or no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

b) No report under sub-section (12) of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and up to the date of this report.

c) We have taken into consideration the whistle blower complaints received by the Company during the year (and up to the date of this report), while determining the nature, timing and extent of our audit procedures.

**(xii) Nidhi Company:**

a) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

**(xiii) Related Party Transactions:**

a) In our opinion, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 with respect to applicable transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

**(xiv) Internal Audit System:**

- a) In our opinion the Company has an adequate internal audit system commensurate with the size and the nature of its business.  
b) We have considered the internal audit report for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures.

**(xv) Non-cash Transactions:**

- a) According to the information and explanations given to us and based on our examination of the records of the company, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

**(xvi) Registration under section 45-IA of RBI Act, 1934:**

- a) In our opinion, the company is Non-Banking Finance Company registered under section 45-IA of the Reserve Bank of India Act, 1934 vide certificate of registration no. 13.00064 dated February 24, 1998.  
b) In our opinion, there is no core investment company within the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) and accordingly reporting under clause 3(xvi)(d) of the Order is not applicable.

**(xvii) Cash losses:**

- a) The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

**(xviii) Resignation of statutory auditors:**

- a) There has been no resignation of the statutory auditors of the Company during the year.

**(xix) Material uncertainty on meeting liabilities:**

- a) On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

**(xx) Compliance of CSR:**

According to the information and explanations given to us and based on our examination of the records of the company, the company is not required to spent amount towards Corporate Social Responsibility (CSR) as per the section 135 of companies' act, 2013, reporting under clause 3(xx)(a) of the Order is not applicable for the year.

**FOR B. B. Gusani & Associates  
(Chartered Accountants)  
Reg No. :0140875W**

**Date : May 28, 2024  
Place : Jamnagar**

**Bhargav Gusani  
Proprietor  
M. No. : 120710  
UDIN: 24120710BJZWFQ7439**

**Annexure B to The Independent Auditor's Report of Even Date on the Financial Statements of Karnavati Finance Limited Report on the Internal Financial Controls under Clause (i) of Sub Section 3 of section 143 of the Companies Act, 2013 ("the Act")**  
We have audited the internal financial controls over financial reporting of Karnavati Finance Limited ("the company") as of 31<sup>st</sup> March, 2024 in conjunction with our Audit of the standalone financial statements of the company for the period ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the Guidance Note ) and the standards on Auditing ,issued by ICAI and deemed to be prescribed under section 143 (10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India Those Standards and the Guidance Note require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external Purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company,(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with authorizations of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of internal Financial Controls over Financial Reporting**

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

**Opinion**

In our opinion, the company , has in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2024, 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 B. B. Gusani & Associates**  
**(Chartered Accountants)**  
**Reg No. : 0140875W**

**Date : May 28, 2024**  
**Place : Jamnagar**

**Bhargav Gusani**  
**Proprietor**  
**M. No. : 120710**  
**UDIN: 24120710BJZWFQ7439**

KARNAVATI FINANCE LIMITED  
CIN NO. L65910MH1984PLC034724  
BALANCESHEET AS AT MARCH 31, 2024

(Amount in Lakhs)

	Particulars	Note No.	AS AT 31 March 2024		AS AT 31st MARCH 2023	
			3	4	5	6
	1	2				
I	<b>ASSETS</b>					
1	<b>Financial Assets</b>					
A	Cash and cash equivalents	3		14.30		168.82
B	Bank Balances other than cash and cash equivalents	4				-
C	<u>Receivables</u>	5				
	(i) Trade receivables			-		-
	(ii) Other receivables			-		-
D	Loans	6		2,830.63		2,534.78
E	Investments					
F	Other Financial assets	7		9.56		12.86
2	<b>Non-Financial Assets</b>					
A	Inventories	8		1.88		1.85
B	Current tax assets (net)					
C	Deffered tax assets (net)			0.98		1.03
D	Property, plant and equipment	9		0.56		0.90
E	Intangible assets					
F	Other non - financial assets			15.20		15.20
	<b>TOTAL</b>			<b>2,873.11</b>		<b>2,735.45</b>
II	<b>LIABILITIES AND EQUITY</b>					
1	<b>Liabilities</b>					
A	<b>Financial liabilities</b>	10				
A	<u>Payables</u>					
	(I) <u>Trade payables</u>					
	(i) Total Outstanding dues of micro enterprises and small enterprises			-		
	(ii) Total Outstanding dues of creditor other than micro enterprises and small enterprises		106.36	106.36	74.72	74.72
	(II) <u>Other payables</u>					
	(i) Total Outstanding dues of micro enterprises and small enterprises					
	(ii) Total Outstanding dues of creditor other than micro enterprises and small enterprises					
B	Debt Securities					
C	Borrowings (other than debt securities)	11		1,554.61		1,272.60
D	Deposits					
E	Subordinate debts					
F	Other Financial Liabilities	12		-		-
B	<b>Non - financial liabilities</b>					
	Current tax liabilities (net)					

	Provisions	13		16.92		24.98
	Other non - financial liabilities	14		4.46		5.57
<b>2</b>	<b>Equity</b>					
A	Equity Share Capital	15	1,005.00		1,005.00	
B	Other Equity	16	185.77	1,190.77	352.58	1,357.58
	<b>TOTAL</b>			<b>2,873.11</b>		<b>2,735.45</b>

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

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

**For B. B. Gusani & Associates [FRN: 0140875W]**  
Chartered Accountants

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

**Bhargav Gusani**  
Proprietor  
[M. No. 120710]  
UDIN: 24120710BJZWFQ7439

**Akanksha Rai**  
Company Secretary  
PAN: BFZPR9132P

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

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

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

Date : May 28, 2024  
Place: Jamnagar

Date: May 28, 2024  
Place: Mumbai

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Place: Mumbai

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Place: Mumbai

Date : May 28, 2024  
Place: Mumbai

KARNAVATI FINANCE LIMITED  
CIN NO. L65910MH1984PLC034724  
PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2024

(Amount in Lakhs)

	Particulars	Refer Note No.	For the year ended 31st March 2024	For the year ended 31st March 2023
	<b>Revenue From Operations</b>			
A	Interest Income	17	304.10	277.50
B	Fees and commission income	17A	-	7.13
C	Net gain on Fair Value Changes		-	-
D	Sale of Services		-	-
I.	<b>Total Income From Operations</b>		<b>304.10</b>	<b>284.63</b>
II.	<b>Other income</b>		<b>0.30</b>	<b>0.07</b>
III.	<b>Total Revenue (I + II)</b>		<b>304.41</b>	<b>284.70</b>
	<b>Expenses:</b>			
A	Finance costs	18	157.09	33.33
B	Fees and commission Expenses		-	-
C	Net Loss on Fair Value Changes		-	-
D	Purchases of Stock-in-Trade	19	-	-
E	Changes in inventories of finished goods work-in-progress and Stock-in-Trade	20	(0.03)	(0.14)
F	Employee benefits expense	21	71.22	68.10
G	Depreciation and amortization expense	22	0.34	0.66
H	Other expenses	23	233.16	107.99
IV.	<b>Total expenses</b>		<b>461.78</b>	<b>209.94</b>
V.	<b>Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>(157.38)</b>	<b>74.76</b>
VI.	<b>Exceptional items</b>		<b>-</b>	<b>-</b>
VII.	<b>Profit before extraordinary items and tax (V - VI)</b>		<b>(157.38)</b>	<b>74.76</b>
VIII	<b>Extraordinary Items</b>		<b>-</b>	<b>-</b>
IX.	<b>Profit before tax (VII- VIII)</b>		<b>(157.38)</b>	<b>74.76</b>
X	<b>Tax expense:</b>			
	(1) Current tax		9.22	18.67
	(2) Deferred tax		0.05	(0.01)
	(3) Prior Period Income Tax written off		0.16	-
XI	<b>Profit (Loss) for the period from continuing operations (VII-VIII)</b>		<b>(166.81)</b>	<b>56.11</b>
	Profit/(loss) from discontinuing operations		-	-
	Tax expense of discontinuing operations		-	-
XII	<b>Profit/(loss) from Discontinuing operations (after tax)</b>		<b>-</b>	<b>-</b>
XIII	<b>Profit (Loss) for the period (XI + XII)</b>		<b>(166.81)</b>	<b>56.11</b>
	<b>Other Comprehensive Income</b>			
(A)	(i) Items that will not be reclassified to profit or loss		-	-

		(ii) Income Tax on items that will not be reclassified to profit or loss		-	-
		<b>Subtotal (A)</b>		-	-
	(B)	(i) Items that will be reclassified to profit or loss		-	-
		(ii) Income Tax on items that will be reclassified to profit or loss		-	-
		<b>Subtotal (B)</b>		-	-
XIV		<b>Other Comprehensive Income (A+B)</b>		-	-
XV		<b>Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit and Loss and Other Comprehensive Income For the period)</b>		(166.81)	56.11
XVI		<b>Earnings per equity share:</b>			
		(1) Basic		(1.66)	0.56
		(2) Diluted		-	-

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

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

For B. B. Gusani & Associates [FRN: 0140875W]  
Chartered Accountants

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

**Bhargav Gusani**  
Proprietor  
[M. No. 120710]  
UDIN: 24120710BJZWFQ7439

**Akanksha Rai**  
Company Secretary  
PAN: BFZPR9132P

**Kush R Morzaria**  
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Date : May 28, 2024  
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KARNAVATI FINANCE LIMITED  
CIN NO. L65910MH1984PLC034724  
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2024

(Amount in Lakhs)

PARTICULAR	For the year ended 31 <sup>st</sup> March 2024	For the year ended 31 <sup>st</sup> March 2023
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Taxation	(157.38)	74.76
<u>Adjustment For :</u>		
Audit Fees	-	-
Depreciation	0.34	0.66
Reversal of NPA Provision	-	-
Written Off	-	-
NPA Provision	209.43	34.61
General Provision on Standard Assets	(0.42)	1.71
Finance Cost	157.09	33.33
Operating Profit before change in Working Capital	209.06	145.07
<b>Movement in Working Capital</b>		
Decrease/-Increase in Loan Advance	(505.23)	(1,151.38)
Decrease/-Increase in Inventory	(0.03)	(0.14)
Decrease/-Increase in Trade Receivable	-	1.62
Decrease/-Increase in other Current Assets	3.30	(0.55)
Decrease/-Increase in Current Liabilities	31.65	66.44
Decrease/-Increase in Other Current Liabilities	(1.11)	4.69
Decrease/-Increase in Provision		
Movement in Working Capital	(471.42)	(1,079.33)
<b>Net Cash Generation From Operation</b>	(262.36)	(934.26)
Direct Tax Paid	(17.07)	(10.21)
<b>Net Cash From Operating Activities</b>	(279.43)	(944.47)
<b>Cash Flow From Investing Activates</b>		
Purchase/Sale of Fixed Assets	-	-
<b>Net Cash Flow from Investing Activates</b>	-	-
<b>Cash Flow from Financial Activities</b>		
-Decrease/Increase in Long Term Borrowings	282.00	1,136.23
Decrease/-Increase in Long Term Advances	-	-
Finance Cost	(157.09)	(33.33)
Issue of Share Capital	-	-
<b>Net Cash From Financial Activities</b>	124.92	1,102.90
Net Increase/Decrease in Cash & Cash Equivalent	(154.52)	158.43
Cash at the Beginning of Year	168.82	10.39
Cash at the End of Year	14.30	168.82
This is the Cash Flow Statement referred to in our report of even date.		

For B. B. Gusani & Associates [FRN: 0140875W]  
Chartered Accountants

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

Bhargav Gusani  
Proprietor  
[M. No. 120710]  
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KARNAVATI FINANCE LIMITED  
CIN NO. L65910MH1984PLC034724  
STATEMENT OF CHANGES IN EQUITY AS ON 31<sup>ST</sup> MARCH, 2024

**Equity Share Capital**

Equity Shares of Rs. 1/- each issued, subscribed and fully paid up

Particulars	Number of Shares	Amount
As at March 31,2021	100.50	1,005.00
Issue of shares during the year	-	
As at March 31,2022	100.50	1,005.00
Issue of shares during the year	-	
Equity Shares have been subdivided to face Value of Re. 1 from Face Value of Rs. 10 on 24th February 2023		
Equity Shares of Re. 1 each issued subscribed and fully paid up as at March 31,2023	1,005.00	1,005.00
Issue of shares during the year		
Equity Shares have been subdivided to face Value of Re. 1 from Face Value of Rs. 10 on 24th February 2023		
Equity Shares of Re. 1 each issued subscribed and fully paid up as at March 31,2024	1,005.00	1,005.00

**Other Equity**

Particulars	Reserves and Surplus				Other Comprehensive Income	Total Other Equity
	Securities premium	Retained Earnings	General Reserve	Reserve fund as per RBI Act		
Balance as at 1 April 2021	101.40	109.02	0.15	55.59	-	266.16
Changes in accounting policy/ prior period errors	-	-	-	-	-	-
Restated Balance at the beginning of the reporting period	-	-	-	-	-	-
Profit after tax	-	30.31	-	-	-	30.31
Other Comprehensive Income (Net of tax)	-	-	-	-	-	-
Transfer to reserve fund in terms of section 45-IC(1) of the RBI Act,1934	-	-	-	-	-	-
Any other changes (to be specified)	-	-	-	-	-	-
Balance as at 31st March 2022	101.40	139.34	0.15	55.59	-	296.47
Changes in accounting policy/ prior period errors	-	-	-	-	-	-
Restated Balance at the beginning of the reporting period	-	-	-	-	-	-
Profit after tax	-	56.11	-	-	-	56.11

Other Comprehensive Income (Net of tax)	-	-	-	-	-	-
Transfer to reserve fund in terms of section 45-IC(1) of the RBI Act, 1934	-	-	-	-	-	-
Any other changes (to be specified)	-	-	-	-	-	-
<b>Balance as at 31st March 2023</b>	<b>101.40</b>	<b>195.44</b>	<b>0.15</b>	<b>55.59</b>	<b>-</b>	<b>352.58</b>
Changes in accounting policy/ prior period errors	-	-	-	-	-	-
Restated Balance at the beginning of the reporting period	-	-	-	-	-	-
Profit after tax	-	(166.81)	-	-	-	(166.81)
Other Comprehensive Income (Net of tax)	-	-	-	-	-	-
Transfer to reserve fund in terms of section 45-IC(1) of the RBI Act, 1934	-	-	-	-	-	-
Any other changes (to be specified)	-	-	-	-	-	-
<b>Balance as at 31st March 2024</b>	<b>101.40</b>	<b>28.63</b>	<b>0.15</b>	<b>55.59</b>	<b>-</b>	<b>185.77</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1. NOTES TO ACCOUNTS

#### Corporate Information

Karnavati Finance Limited, incorporated on 05-12-1984 is a Non banking Finance Company registered with Reserve Bank of India engaged in business of financing. The company has its registered office at Vraj Group, 2nd Floor, Simran Centre, Mogra Village 30H Parsi Panchayat Road, Andheri (East) Mumbai-400053, Maharashtra and Its Administrative & Corporate Office at "Vraj" 5th Floor, Near Teen Batti, Limda Lane, Jamnagar - 361001

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

The Company has initiated the process of obtaining the confirmation from suppliers who have registered under the Micro, Small and Medium enterprise development Act, 2006 (MSMED Act, 2006) based on the information available with the Company. No Interest has been paid under MSMED Act, 2006 during the year.

The disclosures required in terms of paragraph 18 of the Non Banking Financial Company - Non Systematically Important Non - Deposit taking (Reserve Bank) Directions, 2016 are given in the Annexure forming part of these Financial Statements

### 2. BASIS OF PREPARATION

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

For all periods up to and including the year ended 31 March 2024, the Company had prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 and the NBFC Master Directions (hereinafter referred as 'Previous GAAP'). These financial statements for the year ended 31 March 2024 are prepared in accordance with IND - AS.

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

#### 2.1.

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

The Company presents its Balance Sheet in order of liquidity.

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

#### Critical accounting estimates and judgments

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

#### b. IND AS - 10 Events After the Reporting Period: -

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

#### c. IND AS - 8 Accounting Policies, Changes in Accounting Estimates & Errors: -

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

#### d. IND AS - 115 Revenue from contract with customer :-

##### Interest income

The Company recognises interest income using Effective Interest Rate (EIR) on all financial assets subsequently measured at amortised cost or fair value through other comprehensive income (FVOCI). EIR is calculated by considering all costs and incomes attributable to acquisition of a financial asset or assumption of a financial liability and it represents a rate that exactly discounts estimated future cash payments/receipts through the expected life of the financial asset/financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

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

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

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

##### Other revenue from operations

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

##### Taxes

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

##### Expenditures

##### Finance costs

Borrowing costs on financial liabilities are recognised using the EIR.

##### Fees and commission expenses

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

##### Taxes

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

#### e. IND AS - 109 Financial Instruments :-

##### (A) Financial Assets

##### I. Initial recognition and measurement

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

##### II. Subsequent Measurement

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

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

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

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

A financial asset is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of financial asset give rise on

specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

**(B) Financial liabilities**

**a) Initial recognition and measurement**

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

**b) Subsequent Measurement**

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

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

**a) Financial Assets**

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

**b) Financial Liability**

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

**(D) Offsetting**

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

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

**(E) Impairment of Financial assets**

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

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

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

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

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

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

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

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

**For Non - Impaired financial assets**

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

**For impaired financial assets:**

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

## 2) Estimation of Expected Credit Loss

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

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

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

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

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

### f. IND AS - 16 Property, Plant and Equipment :-

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

#### Depreciation on property, plant and equipment

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

### g. IND AS 21 - The effects of changes in foreign exchange rates :-

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

#### Initial recognition

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

#### Conversion

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

#### Exchange differences

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

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

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

### h. IND AS - 24 Related Party Disclosure :-

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

### i. IND AS - 33 Earnings Per Share :-

Basic earnings per share are calculated by dividing the net profit or loss attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

Partly paid equity shares are treated as a fraction of equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period.

The Weighted average number of equity shares outstanding during the period is adjusted for the events such as bonus issue, right issue that have changed the number of equity shares.

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

**Current Tax:-**

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

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

**Deferred Taxes:**

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

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

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

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

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

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

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

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

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

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

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

**m. Cash and Cash Equivalents**

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

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

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

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

**i) Business Model Assessment**

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

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

The Company's EIR methodology, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given and recognises the effect of potentially different

interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

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

**iii) Impairment of loans portfolio**

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

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

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

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**v) Fair Value Measurement**

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

**For B. B. Gusani & Associates [FRN: 0140875W]  
Chartered Accountants**

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

**Bhargav Gusani  
Proprietor  
[M. No. 120710]  
UDIN: 24120710BJZWFQ7439**

**Akanksha Rai  
Company Secretary  
PAN: BFZPR9132P**

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

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

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

**Date : May 28, 2024  
Place: Jamnagar**

**Date: May 28, 2024  
Place: Mumbai**

**Date : May 28, 2024  
Place: Mumbai**

**Date : May 28, 2024  
Place: Mumbai**

**Date : May 28, 2024  
Place: Mumbai**



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

(Amount in Lakhs)

3	CASH & CASH EQUIVALENTS	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	Cash In Hand	1.63	0.09
	Balance with Banks (of the nature of Cash & Cash Equivalent)	12.67	168.73
	Fixed Deposits with Banks (Maturity of Less than 12 Months)		
	EEFC A/c		
	<b>TOTAL</b>	<b>14.30</b>	<b>168.82</b>

(Amount in Lakhs)

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

4	Bank Balance Other Than Cash & Cash Equivalent	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	Embarked Balance With Bank	-	-
	Balances with Bank to the extent held as margin money or security against the borrowings, guarantees or any other commitments	-	-
	Repatriation restrictions, if any	-	-
	<b>TOTAL</b>	<b>-</b>	<b>-</b>

(Amount in Lakhs)

## NOTE No. 5 : TRADE RECEIVABLES

5	TRADE RECEIVABLES	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	(A) Trade Receivable		
	Considered Good - Secured	-	-
	Considered Good - Unsecured	-	-
	Others	-	-
	(B) Other Receivable	-	-
	<b>TOTAL</b>	<b>-</b>	<b>-</b>

(Amount in Lakhs)

## NOTE No. 5.1 : CLASSIFICATION OF TRADE RECEIVABLES

5.1	CLASSIFICATION OF TRADE RECEIVABLES	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	(A) Ageing of Trade Receivable		
	Less than 6 months		
	6 Months - 1 Year		
	1 year - 2 Years		
	2 year - 3 Years		
	More than 3 Years		
	(B) Considered Good - Secured		
	Undisputed Trade Receivables - considered good		
	Disputed Trade Receivables - considered good		
	(C) Trade Receivable which have significant increase in credit risk		
	Undisputed Trade Receivables - which have significant increase in credit risk		
	Disputed Trade Receivables - which have significant increase in credit risk	-	-
	(D) Trade Receivable - credit impaired		
	Undisputed Trade Receivable - credit impaired	-	-
	Disputed Trade Receivable - credit impaired	-	-

## NOTE No. 6 : Loans

(Amount in Lakhs)

6	Loans	As on 31 <sup>st</sup> March 2024			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
<b>A)</b>	<b><u>Secured Loan</u></b>				
	i) Mortgage Loan	-	-	111.01	111.01
	ii) Business Loan	-	-	-	-
	iii) Personal Loan	-	-	-	-
	iv) Education Loan	-	-	-	-
	<b>Total (A) - Gross</b>	-	-	111.01	111.01
	Less :- Impairment Loss Allowance	-	-	-	-
	<b>Total (A) - Net</b>	-	-	111.01	111.01
<b>B)</b>	<b><u>Unsecured Loan</u></b>				
	i) Mortgage Loan	-	-	-	-
	ii) Business Loan	-	-	2,012.29	2,012.29
	iii) Personal Loan	-	-	1,737.71	1,737.71
	iv) Education Loan	-	-	2.16	2.16
	<b>Total (B) - Gross</b>	-	-	3,752.17	3,752.17
	Less :- Impairment Loss Allowance	-	-	(1,032.55)	(1,032.55)
	<b>Total (B) - Net</b>	-	-	2,719.16	2,719.16
	<b>TOTAL (A) + (B)</b>	-	-	<b>2,830.63</b>	<b>2,830.63</b>

6	Loans	As on 31 <sup>st</sup> March 2023			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
<b>A)</b>	<b><u>Secured Loan</u></b>				
	i) Mortgage Loan	-	-	195.21	195.21
	ii) Business Loan	-	-	-	-
	iii) Personal Loan	-	-	-	-
	iv) Education Loan	-	-	-	-
	<b>Total (A) - Gross</b>	-	-	195.21	195.21
	Less :- Impairment Loss Allowance	-	-	-	-
	<b>Total (A) - Net</b>	-	-	195.21	195.21
<b>B)</b>	<b><u>Unsecured Loan</u></b>				
	i) Mortgage Loan	-	-	-	-
	ii) Business Loan	-	-	951.47	951.47
	iii) Personal Loan	-	-	1,970.77	1,970.77
	iv) Education Loan	-	-	0.12	0.12
	<b>Total (B) - Gross</b>	-	-	<b>2,922.37</b>	<b>2,922.37</b>

6	Loans	As on 31 <sup>st</sup> March 2023			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
	Less :- Impairment Loss Allowance	-	-	(582.80)	(582.80)
	<b>Total (B) - Net</b>	-	-	2,339.57	2,339.57
	<b>TOTAL (A) + (B)</b>	-	-	<b>2,534.78</b>	<b>2,534.78</b>

## NOTE No. 7 : Other Financial Assets

(Amount in Lakhs)

7	Other Financial Assets	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	Security Deposits	5.00	5.00
	Advances Given	-	-
	Provision for Interest	-	-
	Amortisation of annual fees	0.04	-
	<b>Others Financial Assets</b>	-	-
	Income Tax refundable	1.41	1.41
	Advance Tax	-	-
	TDS credit	3.11	6.45
	GST Credit	-	-
	<b>TOTAL</b>	<b>9.56</b>	<b>12.86</b>

(Amount in Lakhs)

## NOTE No. 8 : Inventories

8	Inventories	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	Foreign Currency Stock	1.88	1.85
	<b>TOTAL</b>	<b>1.88</b>	<b>1.85</b>

## NOTE No. 9 : FIXED ASSETS

(Amount in Lakhs)

Sr. No.	DESCRIPTION	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		AS ON 01/04/2023	ADDITIONS DURING THE PERIOD	DEDUCTIONS DURING THE PERIOD	AS ON 31/03/2024	AS ON 01/04/2023	DEPRECIATION FOR THE PERIOD	ON DELETIONS PERIOD	UPTO 31/03/2023	AS ON 31/03/2024	AS ON 31/03/2023
	<b>TANGIBLE ASSETS :</b>										
	<b>OWN ASSETS:</b>										
1	<b>Furniture &amp; Fixtures</b>										
	Furniture	10.75	-	-	10.75	10.07	0.23	-	10.30	0.46	0.69
2	<b>Motor Vehicles</b>	-	-	-	-	-	-	-	-	-	
3	<b>Computer</b>										
	Computer & Printers	0.92	-	-	0.92	0.89	0.00	-	0.90	0.03	0.03
4	<b>Other Assets</b>	0.79	-	-	0.79	0.61	0.11	-	0.71	0.08	0.19
	<b>SUB-TOTAL</b>	<b>12.47</b>	<b>-</b>	<b>-</b>	<b>12.47</b>	<b>11.57</b>	<b>0.34</b>	<b>-</b>	<b>11.91</b>	<b>0.56</b>	<b>0.90</b>

	LEASE ASSETS :	-	-	-	-	-	-	-	-	-	
	TOTAL - A	12.47	-	-	12.47	11.57	0.34	-	11.91	0.56	0.90
	INTENGIBLE ASSETS :	-	-	-	-	-	-	-	-	-	-
	TOTAL - B	-	-	-	-	-	-	-	-	-	-
	TOTAL A + B	12.47	-	-	12.47	11.57	0.34	-	11.91	0.56	0.90
	PREVIOUS YEAR	12.47	-	-	12.47	10.91	0.66	-	1.16	0.90	1.57
	CAPITAL WORK IN PROGRESS									-	-
	INTENGIBLE ASSETS UNDER DEVELOPMENT									-	-
	PREVIOUS YEAR									-	-
	CAPITAL WORK IN PROGRESS									-	-
	INTENGIBLE ASSETS UNDER DEVELOPMENT									-	-

## NOTE No. 10 : TRADE PAYABLES

(Amount in Lakhs)

10	TRADE PAYABLES	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	Total outstanding dues of micro enterprises and small enterprises	-	-
	Total outstanding dues of creditors other than micro enterprises and small enterprises	106.36	74.72
	<b>TOTAL</b>	<b>106.36</b>	<b>74.72</b>

Details of dues to Micro, small &amp; medium Enterprises as per MSMED Act, 2006

The Company has initiated the process of obtaining the confirmation from suppliers who have registered under the Micro, Small and Medium enterprise development Act, 2006 (MSMED Act, 2006) based on information available with the company, the balance due to micro and small enterprise as defined under the MSMED Act, 2006 is Rs 82,016.52/- . No interest has been paid or payable under MSMED Act, 2006 during the year

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

10	Trade Payables ageing schedule	Ageing as on 31 <sup>st</sup> March 2024	Ageing as on 31 <sup>st</sup> March 2023
(i)	MSME	-	-
(ii)	Others	-	-
	Less than 1 Year	32.77	73.39
	1 year - 2 year	33.28	0.27
	2 year - 3 year	0.16	1.06
	More than 3 years	40.15	-
(iii)	Disputed Dues - MSME	-	-
(iv)	Disputed Dues - Other	-	-

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

(Amount in Lakhs)

1	Borrowings (Other Than Debt Securities)	As on 31 <sup>st</sup> March 2024			Total
		Valued at Fair Value through		Value At Amortised Cost	
		Other Comprehensive Income	Profit and Loss account		
<u>A)</u>	<u>Term Loan</u>				

1	Borrowings (Other Than Debt Securities)	As on 31 <sup>st</sup> March 2024			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
	i) From Bank	-	-	-	-
-	ii) From Other	-	-	-	-
<b>B)</b>	Defferred Payment Laibilities	-	-	-	-
<b>C)</b>	Loan from Related Parties	-	-	-	-
<b>D)</b>	<b>Loan Repayable on Demand</b>	-	-	-	-
	(i) From Bank	-	-	21.52	21.52
	(ii) From Related Parties	-	-	357.65	357.65
	(iii) From Other	-	-	-	-
<b>E)</b>	<b>Other Loan</b>	-	-	-	-
	(i) Inter Corporate Loan Under Pass through Arrangement	-	-	1,175.44	1,175.44
	<b>Total Borrowings</b>	-	-	<b>1,554.61</b>	<b>1,554.61</b>
	Borrowings in India	-	-	<b>1,554.61</b>	<b>1,554.61</b>
	Borrowings Outside India	-	-	-	-
	<b>Total Borrowings</b>	-	-	<b>1,554.61</b>	<b>1,554.61</b>
	Unsecured Borrowings	-	-	1,533.09	1,533.09
	Secured Borrowings	-	-	21.52	21.52
	<b>Total Borrowings</b>	-	-	<b>1,554.61</b>	<b>1,554.61</b>
	<b>TOTAL</b>	-	-	<b>1,554.61</b>	<b>1,554.61</b>

11	Borrowings (Other Than Debt Securities)	As on 31 <sup>st</sup> March 2023			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
<b>A)</b>	<b>Term Loan</b>	-	-	-	-
	i) From Bank	-	-	-	-
-	ii) From Other	-	-	-	-
<b>B)</b>	Defferred Payment Laibilities	-	-	-	-
<b>C)</b>	Loan from Related Parties	-	-	-	-
<b>D)</b>	<b>Loan Repayable on Demand</b>	-	-	-	-
	(i) From Bank	-	-	8.45	8.45
	(ii) From Related Parties	-	-	6.13	6.13
	(iii) From Other	-	-	-	-
<b>E)</b>	<b>Other Loan</b>	-	-	-	-
	(i) Inter Corporate Loan Under Pass through Arrangement	-	-	1,258.03	1,258.03
	<b>Total Borrowings</b>	-	-	<b>1,272.60</b>	<b>1,272.60</b>
	Borrowings in India	-	-	<b>1,272.60</b>	<b>1,272.60</b>

11	Borrowings (Other Than Debt Securities)	As on 31 <sup>st</sup> March 2023			
		Valued at Fair Value through		Value At Amortised Cost	Total
		Other Comprehensive Income	Profit and Loss account		
	Borrowings Outside India	-	-	-	-
	<b>Total Borrowings</b>	-	-	<b>1,272.60</b>	<b>1,272.60</b>
	Unsecured Borrowings	-	-	1,264.16	1,264.16
	Secured Borrowings	-	-	8.45	8.45
	<b>Total Borrowings</b>			<b>1,272.60</b>	<b>1,272.60</b>
	<b>TOTAL</b>	-	-	<b>1,272.60</b>	<b>1,272.60</b>

## NOTE No. 12 : Other Financial Liabilities

(Amount in Lakhs)

12	Other Financial Liabilities	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	Interest Accrued	-	-
	Unpaid Dividend	-	-
	Unpaid Matured Deposits & interest Accrued thereon	-	-
	Others	-	-
	<b>TOTAL</b>	<b>-</b>	<b>-</b>

## NOTE No. 13 : Provisions

(Amount in Lakhs)

13	Provisions	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	Provision for Income Tax	9.22	18.67
	General Provision on Standard Assets	4.09	4.51
	Provision for Audit Fees	3.60	1.80
	<b>TOTAL</b>	<b>16.92</b>	<b>24.98</b>

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

(Amount in Lakhs)

14	Other Non- Financial Liabilities	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	Statutory Dues	-	-
	Revenue Received in Advance	-	-
	Other Payables	-	-
	TDS Payable	4.38	5.49
	GST Payable	0.08	0.08
	<b>TOTAL</b>	<b>4.46</b>	<b>5.57</b>

## NOTE No. 15 : SHARE CAPITAL

(Amount in Lakhs)

15	SHARE CAPITAL	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	<b>AUTHORISED SHARE CAPITAL</b>		
	1,05,00,000 Equity Shares of Rs.1/- Each	1,005.00	1,005.00
	<b>Issued, Subscribed &amp; Paid-up</b>		
	Equity Shares of Rs. 1/- Each Fully paid up	1,005.00	1,005.00

15.1 The reconciliation of Numbers of Shares outstanding is set out below:

	Particulars	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
		Number of Shares	Number of Shares
	Equity Shares at the beginning of the year	100.50	100.50
	Add: Shares Issued at Par	904.50	-
	<b>Equity Shares at the end of the year</b>	<b>1,005.00</b>	<b>100.50</b>

<b>15.2</b>	<b>Terms/Rights attached to Equity Shares</b>
	The Company has only one class of equity shares having a value of Rs 1/ 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

<b>15.3</b>	<b>Details of Shareholders holding more than 5% shares in company</b>				
	<b>Particulars</b>	<b>No. of Shares</b>	<b>% of Total Holding</b>	<b>No. of Shares</b>	<b>% of Total Holding</b>
	Raman Pragjibhai Morzaria	29388810	29.24%	29388810	29.24%
	Kush R Morzaria	14788500	14.71%	14788500	14.71%
	Jay Ramanbhai Morzaria	11573500	11.52%	11573500	11.52%
	Beeline Merchant Banking Private Limited	6762780	6.73%	6762780	6.73%
	As per the record of the company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal & beneficial ownership of shares.				

**NOTE No. 16 : RESERVES & SURPLUS**

(Amount in Lakhs)

<b>16</b>	<b>RESERVES &amp; SURPLUS</b>	<b>As at 31<sup>st</sup> March 2024</b>	<b>As at 31<sup>st</sup> March 2023</b>
	<b>Reserve Fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934</b>		
	<b>Securities Premium Reserve</b>		
	As per Last Balance Sheet		
	Add: On Issue of Shares		
	Less: On Issue of Bonus Shares		
	Balance as per Last Financial Statement	72.87	61.65
	Add: Set aside during the Year	(33.36)	11.22
	Closing Balance	39.51	72.87
	<b>General Reserve</b>	0.15	0.15
	<b>Profit &amp; Loss Account</b>		
	As per Last Balance Sheet	178.16	133.27
	Add: Profit for the year	(166.81)	56.11
		11.35	189.38
	Less: Appropriations		
	Transferred to Statutory Reserve Fund	33.36	(11.22)
	Provision for Reduction in Value of Investments		
	Proposed Dividend		
	Tax on Dividend		

16	RESERVES & SURPLUS	As at 31 <sup>st</sup> March 2024	As at 31 <sup>st</sup> March 2023
	Closing Balance	44.71	178.16
	Securities Premium on Equity Shares	101.40	101.40
	<b>TOTAL</b>	<b>185.77</b>	<b>352.58</b>

## NOTE No. 17 : Interest Income

(Amount in Lakhs)

17	Interest Income	As on 31 <sup>st</sup> March 2024			
		On Financial Assets Measured through			Total
		Other Comprehensive Income	Profit and Loss account	At Amortised Cost	
<b>A)</b>	<b>Term Loan</b>				
	Interest on Loan	-	-	304.10	304.10
	Interest on Income from Investment	-	-	-	-
	Interest on Deposits with Bank	-	-	-	-
	<u>Other Interest Income</u>	-	-	-	-
	Interest on Income Tax Refund	-	-	-	-
	<b>TOTAL</b>			<b>304.10</b>	<b>304.10</b>

## NOTE No. 17 : Interest Income

(Amount in Lakhs)

17	Interest Income	As on 31 <sup>st</sup> March 2023			
		On Financial Assets Measured through			Total
		Other Comprehensive Income	Profit and Loss account	At Amortised Cost	
	Interest on Loan	-	-	277.50	277.50
	Interest on Income from Investment	-	-	-	-
	Interest on Deposits with Bank	-	-	-	-
	<u>Other Interest Income</u>	-	-	-	-
	Interest on Income Tax Refund	-	-	-	-
	<b>TOTAL</b>			<b>277.50</b>	<b>277.50</b>

## NOTE No. 17A : Fees and Commission Income

(Amount in Lakhs)

	Particulars	As on 31 <sup>st</sup> March 2024		As on 31 <sup>st</sup> March 2023	
	Infrastructure Fees	-	-	-	7.00
	Loan Processing Fees - One Arc	-	-	-	-
	Document Processing Charges - ECO FIN	-	-	-	0.13
	Infrastructure Fees - One Arc Labs Private Limited	-	-	-	-
	<b>TOTAL</b>				<b>7.13</b>



## NOTE No. 18 : Finance Cost

(Amount in Lakhs)

18	FINANCE COST	As at 31 <sup>st</sup> March 2024		As at 31 <sup>st</sup> March 2023	
		On Financial Liabilities measured at fair value through Profit and loss	On Financial Liabilities measured at fair value through Other comprehensive Income	On Financial Liabilities measured at fair value through Profit and loss	On Financial Liabilities measured at fair value through Other comprehensive Income
	Interest on Deposits	-	-	-	-
	Interest on Borrowings	155.03	-	30.32	-
	Other Interest Expenses	-	-	-	-
	Bank Interest	2.06	-	3.00	-
	<b>TOTAL</b>	<b>157.09</b>	<b>-</b>	<b>33.33</b>	<b>-</b>

## NOTE No. 19 : Cost of Purchase

(Amount in Lakhs)

19	COST OF PURCHASE	For the year ended on	For the year ended on
		31 <sup>st</sup> March 2024	31 <sup>st</sup> March 2023
	USD Purchase		
	LOCAL	-	-
	<b>TOTAL</b>	<b>-</b>	<b>-</b>

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

(Amount in Lakhs)

20	CHANGES IN INVENTORIES OF FOREIGN CURRENCY	For the year ended on		For the year ended on	
		31 <sup>st</sup> March 2024		31 <sup>st</sup> March 2023	
	Inventories (At Close)	1.88	-	1.85	-
	Closing Stock of Foreign Currency	-	1.88	-	1.85
	Inventories (At Commencement)	1.85	-	1.71	-
	Opening Stock of Foreign Currency	-	1.85	-	1.71
	<b>TOTAL</b>	<b>-</b>	<b>(0.03)</b>	<b>-</b>	<b>(0.14)</b>

## NOTE No. 21 : EMPLOYEES BENEFIT EXPENSES

(Amount in Lakhs)

21	EMPLOYEES BENEFIT EXPENSES	For the year ended on	For the year ended on
		31 <sup>st</sup> March 2024	31 <sup>st</sup> March 2023
	Salaries & Bonus	49.64	45.84
	Director's Remuneration	21.00	21.00
	Staff Welfare Expenses	0.58	1.26
	<b>TOTAL</b>	<b>71.22</b>	<b>68.10</b>

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

(Amount in Lakhs)

22	DEPRICIATION & AMORTIZATION EXPENSES	For the year ended on	For the year ended on
		31 <sup>st</sup> March 2024	31 <sup>st</sup> March 2023
	Depreciation	0.34	0.66
	Preliminary Expenses Written off	-	-
	<b>TOTAL</b>	<b>0.34</b>	<b>0.66</b>

## NOTE No. 23 : OTHER EXPENSES

(Amount in Lakhs)

23	OTHER EXPENSES	For the year ended on 31 <sup>st</sup> March 2024	For the year ended on 31 <sup>st</sup> March 2023
	<b>Indirect Expenses</b>		
	Advertisement Expenses	0.69	0.85
	Annual Fees Expenses	5.06	5.45
	Audit Fees	2.16	3.01
	Bank Charges	0.07	0.70
	Brokerage Expenses	-	12.98
	BSE Non Compliance Penalty	0.10	0.10
	CGST Expenses	0.61	2.22
	Customer Credit Report Exp	0.05	0.01
	Demat Account Charges	0.01	0.01
	Electricity Expenses	0.12	0.11
	E Voting Expenses	0.25	0.57
	Equity Share Sub-Division Expense	-	3.68
	Flat Brokerage Expense	-	1.69
	IGST Expenses	0.81	(0.22)
	Interest on T D S	1.65	0.03
	Interest expenses	-	0.02
	Internet Expenses	0.07	0.07
	Kasar	0.00	(0.01)
	Legal Fees	-	0.89
	Marketing Expenses	-	18.00
	Mumbai Flat Rent	-	6.75
	News Paper Expenses	-	0.02
	NPA Expenses	209.43	34.61
	Office Expenses	0.43	0.18
	Office Rent	6.00	6.00
	Printing & Stationery Expenses	-	0.13
	Professional Fees	2.27	3.60
	ROC Fees	0.13	0.23
	SGST Expenses	0.61	2.04
	Software Renewal Fees	0.11	0.14
	Travelling Expenses	0.06	0.51
	Vehicle Expenses	2.46	3.63
	<b>TOTAL</b>	<b>233.16</b>	<b>107.99</b>

## NOTE No. 24 : Contingent Liabilities

(Amount in Lakhs)

24	Contingent Liabilities	For the year ended on 31 <sup>st</sup> March 2024	For the year ended on 31 <sup>st</sup> March 2023
	Claim against the Company not acknowledge as debt	-	-
	Guarantees excluding Financial Guarantees	-	-
	Other Money for which Company is Contingently Liable	-	-
	<b>TOTAL</b>	<b>-</b>	<b>-</b>

The Company has borrowing in the form of Inter Corporate Loans carried in the Balance Sheet at Rs. 1086.80 Lakhs, interest to the extent of Rs. 119.87 Lakhs is not provided thereon for current year due to litigation with the party, outcome of the same is yet to

come. The Company has corresponding NIM (Net Interest Margin) based Advances in the nature of Pass-through transaction that have become NPA and provision to the extent of Rs. 55.86 Lakhs towards Expected Interest Loss(EIL) and Expected Credit Loss(ECL) to the extent of Rs.102.47 Lakhs over and above ECL provision on Standard Assets.

**25. Earning Per Share:-**

Particulars	Period Ended on 31 <sup>st</sup> March, 2024 (in Lakhs)	Period Ended on 31 <sup>st</sup> March, 2023 (in Lakhs)
Profit / (Loss) after tax attributable to Equity Shareholders (A)	-136.77	56.11
Weighted Number of Equity Share outstanding During the year (B) (In Nos.)	1,00,50,000	1,00,50,000
Basic Earnings Per Share for each Share of Rs. 10/- (A) / (B)	-1.36	0.56

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

Statutory Audit Fees: Rs. 2,00,000/- (previous year Rs.,1,70,000/-)

**27. Related Party Disclosure :-**

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

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

Name of the person	Relation With Company
Mr. Raman Morzaria	Whole Time Director (Promoter)
Mr. Jay Raman Morzaria	Managing Director (Promoter)
Mr. Kush Raman Morzaria	Chief Financial Officer (CFO-KMP) (Promoter Group)
Mr. Parth chandreshbhai maniar	Non- Executive-( Independent) Director
Mrs. Birmda Minoobhai Maniar	Non- Executive-( Independent) Director
Mr. Ashish Nandkishor Batavia	Non- Executive-( Non-Independent) Director
Mr. Vineshkumar Popatlal Makadia	Non- Executive-( Non-Independent) Director
Ms. Akanksha Rai	Company Secretary (KMP)

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

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

Sr. No.	Name of Related Party	Nature of Interest	
		Name of the Entities	Nature of Interest
3	Mr. Kush Raman Morzaria	Midas Impex Private Limited	Director
		Vraj Bvg Infrasheltors LLP	Designated Partner
4.	Mr. Parth Chandreshbhai Maniar	NIL	NIL
5.	Mrs. Birmda Minoobhai Bilimoria	NIL	NIL
6.	Mr. Ashish Nandkishor Batavia	NIL	NIL
7.	Mr. Vineshkumar Popatlal Makadia	NIL	NIL
6.	Ms. Akanksha Rai	NIL	NIL

iii) **Transactions With Related Parties:**

Sr. No.	Name of the person	Nature of Transaction	Amount (in Lakhs)
1	Mr. Raman Morzaria	Remuneration	9.00
2	Mr. Raman Morzaria	Rent	6.00
3	Mr. Raman Morzaria	Interest on Loan	0.23
4	Mr. Kush Morzaria	Salary	3.00
5	Mr. Jay Morzaria	Remuneration	12.00
6	Mr. Jay Morzaria	Interest on Loan	26.60
7	Ms. Akanksha Rai	Salary	1.80

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

Name of person	Balance as on 01-04-2023	Addition during the period	Repayment during the period	Balance as on 31-03-2024
Raman Morzaria	6,12,670	9,04,248	14,45,933	70,985
Jay Morzaria	0.00	6,11,59,953	2,54,66,000	3,56,93,953

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

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

30. **Risk Management**

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

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

Risk Management department shall be responsible for the following:

- Identifying the various risks associated with the activities of the Company and assessing their impact on the business.
- Measuring the risks and suggesting measures to effectively mitigate the risks.

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

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

**Impairment Assessment**

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

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

The Company's impairment assessment and measurement approach is set out in this note. It should be read in conjunction with the Summary of significant accounting policies.

#### Definition of default and cure

The Company considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for Expected Credit.

Loss (ECL) calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2, as appropriate.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

#### Exposure at Default (EAD)

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

#### Probability of default (PD)

The Probability of Default is an estimate of the likelihood of default over a given time horizon. To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Company uses historical information wherever available to determine PD. PD is calculated using Incremental 91 DPD approach considering fresh slippage using historical information.

Company's internal credit rating grades and staging criteria for loans are as follows:

Rating	Loan Days past Due (DPD)	Stages
High Grade	Not Yet Due	Stage 1
Standard Grade	1 - 30 DPD	Stage 1
Sub - Standard Grade	31 - 60 DPD	Stage 2
Past due but not impaired	61 - 90 DPD	Stage 2
Individually Impaired	91 DPD or Mores	Stage 3

#### 31. Notes forming part of accounts in relation to MSME

Based on information available with the company, on the status of the suppliers being Micro or small enterprises, on which the auditors have relied, the disclosure requirements with regard to the payments made/due to Micro and small Enterprises are given below:

Sr. No.	Particulars	Year Ended 31-03-2024		Year Ended 31-03-2023	
		Principal	Interest	Principal	Interest
I	Amount due as at the date of Balance sheet	Nil	Nil	Nil	Nil
li	Amount paid beyond the appointed date during the year	Nil	Nil	Nil	Nil
lii	Amount of interest due and payable for the period of delay in making payments of principal during the year beyond the appointed date	Nil	Nil	Nil	Nil
lv	The amount of interest accrued and remaining unpaid as at the date of Balance sheet	Nil	Nil	Nil	Nil

#### 32. Details of Benami Property Held

There are no proceedings have been initiated or pending against the company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and the Rules made thereunder

#### 33. Security of current assets against borrowings

The company has not borrowings 'during any point of time of the year' from banks or financial institutions on the basis of security of current assets

#### 34. Wilful Defaulter

The company is not declared as wilful defaulter (at any time during the financial year or after the end of reporting period but before the date when financial statements are approved or in an earlier period and the default has continued for the whole or part of the current year) by any bank or financial institution or other lender.

**35. Relationship with struck off companies**

The company do not have any transaction with companies struck off under section 248 of the Companies Act, 2013 or section 560 of the Companies Act, 1956.

**36. Registration of charges or satisfaction with Registrar of companies**

The company do not have any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period.

**37. Ratios**

FY 2023-24				
Ratio	Formula	Variables		Result
1. Debtors Turnover	To/Drs	3,04,10,459	-	-
2. Inventory Turnover	To/Inv	3,04,10,459	1,88,041.80	161.72
3. Interest Coverage Ratio	EBIT / Interest Exp	-28,923.70	1,57,08,840	-0.00
4. Current Ratio	Current Assets / Current Liabilities	23,86,870.29	1,06,36,238	0.22
5. Debt Equity Ratio	Debt / Equity	15,54,60,712.72	11,90,76,616.82	1.31
6. Operating Profit Margin(%)		-	-	-
7. Net Profit Margin(%)	Net Profit/Turnover	-1,66,81,269.40	3,04,10,459	-0.55
8. Return on Net worth		-1,66,81,269.40	11,90,76,616.82	-0.14
FY 2022-23				
Ratio	Formula	Variables		Result
1. Debtors Turnover	To/Drs	28,463,334.50	-	-
2. Inventory Turnover	To/Inv	28,463,334.50	185,323.80	153.59
3. Interest Coverage Ratio	EBIT / Interest Exp	10,808,976.77	3,332,863.62	3.24
4. Current Ratio	Current Assets / Current Liabilities	18,168,016.83	7,471,620.52	2.94
5. Debt Equity Ratio	Debt / Equity	127,260,300.86	135,757,885.00	0.09
6. Operating Profit Margin(%)				
7. Net Profit Margin(%)	Net Profit/Turnover	5,610,641.15	28,463,334.50	12.63
8. Return on Net worth		5,610,641.15	135,757,885.00	2.33

For B. B. Gusani & Associates [FRN: 0140875W]  
Chartered Accountants

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

Bhargav Gusani  
Proprietor  
[M. No. 120710]  
UDIN: 24120710BJZWFQ7439

Akanksha Rai  
Company Secretary  
PAN: BFZPR9132P

Kush R Morzaria  
Chief Financial Officer  
PAN: BAJPM1377E

Raman P Morzaria  
Whole Time Director  
DIN: 00203310

Jay R Morzaria  
Managing Director  
DIN: 02338864

Date : May 28, 2024  
Place: Jamnagar

Date: May 28, 2024  
Place: Mumbai

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