



KARNAVATI FINANCE LIMITED

ANNUAL REPORT

2014-15



INDEX

PARTICULARS OF CONTENT	PAGE NOS.
CORPORATE INFORMATION	1
NOTICE	2
DIRECTORS' REPORT	6
CORPORATE GOVERNANCE REPORT	29
MANAGEMENT DISCUSSION AND ANALYSIS REPORT	38
AUDITORS' REPORT	39
BALANCE SHEET	44
STATEMENT OF PROFIT AND LOSS ACCOUNT	45
CASH FLOW STATEMENTS	46
NOTES TO FINANCIAL STATEMENTS	47
PROXY FORM	57
ATTENDANCE SLIP	58

CORPORATE INFORMATION

CIN: U65910MH1984PLC034724

Board of Directors

Mr. Jay R. Morzaria

Managing Director

DIN:02338864

Mr. Raman P. Morzaria

Whole Time Director

DIN:00203310

Mr. Jay K. Somaiya

Independent Director

DIN: 06933178

Mr. Kaushal B. Ruparel

Independent Director

DIN:06939630

Registrar to the Issue

Satellite Corporate Services Pvt Ltd

B-302, Sony Apartment, Opp. St. Jude's

High School, 90 ft. Road, Off Andheri

Kurla Rd, Jarimari, Sakinaka, Mumbai –

400 072, Maharashtra – India.

Tel No.: 022-28520461/462

Fax No.: 022- 28511809

Email: service@satellitecorporate.com

Website: www.satellitecorporate.com

Auditors

M/S Maharishi & Co.

Chartered Accountants

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

Secretarial Auditor

Anand S. Lavingia

Practicing Company Secretary

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

Registered Office

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

Tel No : +91-022-31908900

Email: karnavatifinance@gmail.com

Web Site: www.karnavatifinancelimited.in

Corporate Office

Vraj, 5th Floor, Opp. President Hotel,
Near Bhumi Press, Limda Lane,
Jamnagar – 361001, Gujarat.

Tel No.: 0288-2663042

Fax No.:0288-2673759

E-Mail: karnavatifinance@gmail.com

Website: www.karnavatifinancelimited.in

NOTICE OF MEETING

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

ORDINARY BUSINESSES:-

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

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

“RESOLVED THAT pursuant to provisions of Section 139 and other applicable provisions of the Companies Act 2013, and the Rules framed there under M/s. Maharishi & Co., Chartered Accountants, Ahmedabad [FRN: 124872W] be and are hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting to the conclusion of 36th Annual General Meeting of the Company (Subject to ratification of appointment at every subsequent AGM) and that the Board of Directors of the Company be and is hereby authorized to fix their remuneration.”

Registered Office

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

By Order of the Board

For, KARNAVATI FINANCE LIMITED

Jay Morzaria
Managing Director
DIN: 02338864

PLACE: Jamnagar

DATE : August 24, 2015

NOTES

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

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

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

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

2. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
3. The Register of Members and the Share Transfer books of the Company will remain closed from Saturday, September 12, 2015 to Monday, September 21, 2015 (both days inclusive) for 31st Annual General Meeting of the Company.
4. Details under Clause 52 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking re-appointment at the Annual General Meeting, forms integral part of the notice.
5. Electronic copy of the Annual Report for the financial statement 2014-15 is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for the financial statement 2014-15 is being sent in the permitted mode.

6. **GREEN INITIATIVE**

The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No. 17/2011 dated 21 April, 2011 and Circular No. 18/2011 dated 29 April, 2011, has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and allowed companies to send Annual Report comprising of Balance Sheet, Statement of the Profit & Loss, Directors' Report, Auditors' Report and Explanatory Statement etc., through electronic mode to the registered e-mail address of the members.

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

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

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

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

ANNEXURE TO NOTICE

DETAILS OF DIRECTORS SEEKING APPOINTMENT

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

DIRECTORS' REPORT

Dear Shareholders,

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

(Rs. In Lakh)

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

REVIEW OF BUSINESS OPERATION

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

DIVIDEND

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

NET PROFIT TRANSFER TO RESERVE

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

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

Composition:

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

Board Meeting:

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

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

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

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

- Audit Committee
- Stakeholders' Grievances and Relationship Committee

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

Appointment, Re-appointment and Resignation of Directors:

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

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

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

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

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

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

Declaration by Independent Directors:

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

SHIFTING OF REGISTERED OFFICE

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

CHANGE IN CAPITAL

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

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

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