

# Karnika Industries Limited

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To,  
National Stock Exchange of India Ltd.,(NSE-SME EMERGE)  
Exchange Plaza, 5th Floor, Plot No.C/1,  
G Block, Bandra-Kurla Complex, Bandra (E),  
Mumbai – 400 051.

Date- 05.09.2024

SCRIP CODE: KARNIKA

Sub.: Regulation 34 - Notice of 2<sup>nd</sup> Annual General Meeting (AGM) & Annual Report for the Financial Year 2023-24.

Dear Sir/Madam,

This is to inform that

1. 2<sup>nd</sup> Annual General Meeting of the company is to be convened on Saturday, September 28th, 2024 through Video Conferencing ("VC")/Other Audio-Visual Means ("OAVM") facility. The deemed venue of the meeting shall be the registered office of the Company.
2. Please find enclosed copy of the Notice of the 2<sup>nd</sup> AGM & Annual Report for the Financial Year 2023-24, which will be sent to the members of the Company whose e-mail address is registered with the Company / Company's Registrar and Transfer Agent, Skyline Services Private Limited ("Skyline") / Depository Participant(s)/ Depositories and which is also being uploaded on the website of the Company at www.karnikaindustries.com.

The Company is providing e-voting facility at AGM to the members through electronic voting platform of National Securities Depository Limited (NSDL). Members holding shares as on cut-off date 19<sup>th</sup> day of September 2024 may cast their votes electronically on the resolutions included in the Notice of AGM. The remote e-voting shall commence from 9:00 A.M. am (IST) on Tuesday, September 24, 2024 and shall end at 05:00 p.m. (IST) on Friday, September 27, 2024.

To support Green Initiative and as permitted by MCA and SEBI Circulars, the copy of Notice of AGM and Annual Report 2023-24 are being sent in electronic mode to Members whose e-mail address is registered with the Company or the Depository Participant(s).

Request you to kindly take the aforesaid information on your record.

Thanking You.  
Yours Faithfully,  
For Karnika Industries Limited

**NIRANJAN** Digitally signed by  
NIRANJAN MUNDHRA  
**MUNDHRA** Date: 2024.09.05  
15:02:54 +05'30'

Niranjan Mundhra  
Managing Director  
DIN- 05254448

# POISED FOR GROWTH

Karnika Industries Limited  
Annual Report 2023-24



### Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether because of new information, future events or otherwise.

# Welcome to our 2024 Annual Report



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# POISED FOR GROWTH

This is the first annual report of Karnika Industries following its initial public offer.

The Company mobilized ₹25.07 Crore through its IPO that served as growth capital.

This infusion is expected to enhance the Company's visibility, revenues and surplus.

The complement of these realities is expected to create a platform of profitable and sustainable growth for the Company



**Karnika** - a respected brand in the Indian garment industry with a legacy spanning over two decades.



As a leading manufacturer and exporter in India, Karnika Industries is celebrated for its diverse product range, exceptional craftsmanship, and customer-centric approach.

CORPORATE SNAPSHOT

## Karnika Industries Limited.

A respected name in the Indian garments industry, possessing a track record of more than two decades.

A leading Indian garments manufacturer and exporter.

A company that offers a diverse range of products, respected for craftsmanship and quality.

A company that addresses a growth phase that is intended to enhance value for all stakeholders.



## Vision

Be an unmatched apparel manufacturing solution and a market leader in the domestic as well as international fashion industry.

## Mission

Karnika Industries Limited is committed to creating a unique fashion environment having the widest range of clothing at an exceptional price while using the most superior raw materials.

As a garment manufacturer with a reputation of well-managed, financially sound and a customer oriented company, we believe in producing a wide range of innovative designs with a team of highly skilled workforce while complying with all the existing social standards.

## Values

### Creativity at work

Our products are made by a team of designers who use them as a platform to express the unique nuances of our culture and society. The passion truly shows in each of the individual design that relies on powerful images to show the world why India is a special place. You won't find this anywhere else.

### Eco friendly

At each stage of our production process, we always keep in mind both the environment and human safety. Whether it's choosing a material or packaging for our products, we feel that all roads must support these goals.

### Attention to Detail

Attention to detail is the name of the game. From investing in high quality fabric to using state-of-the-art printing techniques, we pay close attention to its stitch and seam in the pursuit of creating a perfect product every time.

### Reliability & Trust

At Karnika, we follow one simple principle of respecting our own words and do as we said, building a relationship with customers solely based on trust and reliability.

## Background

Karnika International Limited was originally formed as a partnership firm known as Karni International in 2017, which was converted into a public limited company - Karnika Industries Limited. Headquartered in Kolkata, West Bengal, the Company is led by Mr. Niranjana Mundhra, Managing Director, Mr. Shiv Shankar Mundhra and Mr. Mahesh Kumar Mundhra, Whole-time Directors, with seven years of individual experience in the garment industry.

## Presence

The Company possesses two manufacturing units in Howrah and distributes products pan-India across 28 States.

## Products and services

The Company manufactures, through job work, all types of kidswear such as shorts, joggers, capri, tees, rompers, sleep suits, pyjamas, winter wear, infant wear etc. The Company produces quality fabrics and garments. The Company offers customers fabric alternatives for their existing collections, creating value in terms of pricing, quality and delivery.

## Brand

The Company sells its products under the brand of KARNIKA and sub category KARNIKA Care, KARNIKA Cool, KARNIKA Cube, KARNIKA Life, KARNIKA Key and KARNIKA Club.

Over the years, the Company built a reputed client base, including diverse reputed commission agents and retail sectors clients.

## Manufacturing

The Company possesses ISO 14001:2015 certified manufacturing units for designing, preparation of sample, quality inspection, ironing and packing of garments. The Company manufactures products through job work, undertaking bulk requirements of clients.

## Talent

As of March 31, 2024, the Company employed 155 individuals on payroll and had no contractual laborers.

## Market capitalization

Karnika Industries Limited, was listed in 2023 under Emerge Platform of National Stock Exchange (NSE). As of March 31, 2024, the Company's market capitalization stood at ₹374.09 Crore





# Our performance over the years

## Revenues (Revenues from Operations + Other Income)



FY 21 & FY 22 was a partnership firm

### Definition

Growth in revenues net of taxes.

### Why this is measured

It highlights the success of the Company's business process and vision, translating into revenues.

### What this means

The growth in revenues provides the Company with the critical mass to amortise fixed costs, service customers with on-time and in-full deliveries and enhance profitability

### Performance

Aggregate revenue increased by 1.90% to ₹128.46 Crore in FY 2023-24.

## Profit after tax



The Company was a partnership firm in FY 21 and FY 22

### Definition

Profit earned during the year after deducting all expenses and provisions.

### Why this is measured

This highlights the strength of the business model in enhancing shareholder value.

### What this means

This ensures that adequate cash is available for reinvestment, strengthening the virtuous cycle of business sustainability

### Performance

The Company reported a 23.50% growth in profit after tax in FY 2023-24.

## EBITDA



### Definition

Earnings before the deduction of interest, depreciation, extraordinary items and tax.

### Why this is measured

It showcases the Company's ability to optimise operating costs, an index of its competitiveness.

### What this means

Helps create a robust surplus-generating growth engine that enhances reinvestment.

### Performance

The Company's EBITDA for FY 2023-24 was ₹19.26 Crore, a 15.71% growth over the previous financial year.

### EBITDA margin



#### Definition

EBITDA margin is a profitability index used to measure the effectiveness of a Company's business model.

#### Why is this measured

The EBITDA margin gives an idea of how much a Company earns (before accounting for interest and taxes) on each rupee of earnings (expressed as a percentage).

#### What this means

This ensures that adequate cash is available for reinvestment, strengthening the virtuous cycle of business sustainability

#### Performance

The Company reported a 179-basis points improvement in EBITDA margin for FY 2023-24 due to a decrease in operational expenditure.

### RoCE



#### Definition

It is a financial ratio that measures a Company's profitability and the efficiency with which its capital is employed in the business.

#### Why is this measured

ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use - especially in capital-intensive sectors.

#### What this means

Enhanced ROCE can potentially drive valuations and market perception

#### Performance

The Company generated a 558 bps de-growth in RoCE in FY 2023-24 on account of an issuance of shares through the IPO that could not be immediately deployed.

### Debt-equity ratio



#### Definition

This is derived through the ratio of debt to net worth (less revaluation reserves).

#### Why is this measured

It is a measure of a Company's financial solvency.

#### What this means

This indicates whether the Company enhances shareholder value by keeping the equity side constant while moderating debt

#### Performance

The Company's gearing improved to 0.98x in FY 2023-24 from 2.92x in FY 2022-23.

STRATEGIC OVERVIEW

**At Karnika Industries, we are at the cusp of significant and sustainable growth.**



**Niranjan Mundhra**  
Managing Director

**Overview**

I am pleased to present the performance of Karnika Industries during the year under review. Following a successful initial public offering during the last financial year, your Company reported revenue growth to ₹128.46 Crore in FY 2023-24, EBITDA strengthened 15.71 % to ₹19.26 Crore in FY 2023-24 and Net profit increased 23.50% to ₹10.10 Crore in FY 2023-24.

I am pleased to communicate that the Company's EBITDA margin increased from 13.20 % to 14.99 % in FY 2023-24. The Company's Net worth strengthened from ₹17.93 Crore to ₹53.11 Crore during FY 2023-24.

We do recognise that the Company's performance does not do justice to the knowledge capital and headroom. Following the IPO, the Company is now more attractively placed to build on its advantages and leverage its growth capital to grow sustainably faster.

## India story

At Karnika, much of our optimism comes from the unfolding India story.

India represents a unique convergence of sustainable realities that could translate into a long runway for companies like ours.

**One**, India is the most populous market in the world; and this market continues to grow at around 3.81% per year from 2024 to 2028. The annual population increment is not only larger than any other country but is larger than the entire population of some countries. This assures a sustainable growth in the demand for our products.

**Two**, there has been a consistent growth in the demand for our products on account of a sustained increase in per capita incomes. The country's economic reforms during the last decade has helped lift an estimated 415 Million individuals out of poverty. This has helped accelerate the offtake of garments, especially those related to children, a segment of the family that for long been overlooked with regard to personal lifestyle spending.

**Three**, there has been an extensive transformation in the need for people to dress well and look better following the social media revolution over the last couple of decades. As India's spending on staples has declined and discretionary expenditure increased, one of the first areas of spending to have benefited has been wardrobe creation or expansion. The rise of 'mini-me' fashion, where children's clothing mirrors adult styles, has also catalyzed demand.

**Four**, the children's wear segment has been a relatively stable segment of the textile value chain on account of parental pride, gifting and the relatively inexpensive nature of the product.

**Five**, the deepening of e-commerce has helped widen the market on account of a wider product choice, purchase convenience and superior price-value proposition.

**Six**, the 0-14 age group comprises around 26% of the country's population, driving products demand with a higher replacement frequency than seen in other age segments. The result is evident in the numbers: in FY 2023-24, the Indian children's wear segment accounted for USD 15 Billion, accounting for around 21% of the total apparel market and expected to grow faster than the overall market at a CAGR of 11%.

**Seven**, innovations in textile technology have led to the development of durable, comfortable, and functional fabrics suitable for children's wear. These advancements help in maintaining quality and enhancing the overall appeal of children's garments.

**Eight**, the increasing frequency of celebrations and events, such as birthdays, holiday seasons, and festivals, encourages parents to buy new clothing for their children, creating a consistent demand for seasonal collections and occasion-specific attire.

**Nine**, the growth of physical and online retail outlets specializing in children's apparel has made children's products more accessible. Specialty stores, department stores, and multi-brand outlets dedicated to children's fashion have contributed to market expansion.

## Competitive strengths

At Karnika Industries, we are attractively placed to capitalize on the unfolding India story for a number of reasons.

The Company possesses a comprehensive product portfolio ranging from infants to young adults, making it an effective one-stop solution provider.

The Company is not just a volume producer; it has generated the respect for being a design-driven garments manufacturer with a proprietary design team.

The Company deployed its IPO proceeds in enhancing production efficiency and moderating the average production turnaround time.

The Company deepened its governance-centric practices, marked by an enhanced focus on processes, practices, safety, compliances, certifications and operating hygiene, making it a credible partner to prominent brands.

The Company's sales team comprises a dedicated team focused on expanding its presence, liberating the production team to focus design and quality.

The Company expects to export around 10% of its total volume to the Middle East, addressing the growing demand of the Indian diaspora.

The Company has enhanced its brand visibility through trade shows and exhibitions, widening pan-India opportunities.

## Going ahead

The Company is deepening its strategic relevance through various initiatives.

The Company ventured into the fabric segment, offering customers fabric alternatives, adding value in terms of pricing, quality and delivery terms.

The Company is enhancing product quality through process improvements.

The Company implemented EHS-friendly measures across its supply chain to produce quality and sustainable products.

## Outlook

The Company will build on this foundation, strengthened now by growth capital, and will seek to enhance value in a sustainable way for its stakeholders.



Niranjana Mundhra, Managing Director

PERFORMANCE REVIEW

# ‘Our Balance Sheet is positioned for growth from this point onwards’



Krishan Kumar Karnani  
Chief Financial Officer

## Q: What was the highlight of the Company's performance during the year under review?

The year under review was marked by several milestones. The most notable development was the listing of the Company on the SME Emerge platform of the National Stock Exchange of India Ltd., increasing the Company's visibility and credibility. This initial public offering was subscribed 3.07 times, which enabled the Company to raise ₹25.07 Crore. The proceeds will support working capital needs and cover IPO-related expenses.

During the year under review, the Company made substantial

investments in operational capabilities. It imported an automated cutting machine with the objective to enhance production efficiency and output. The Company repaid its debt of ₹14 Crore in FY 2022-23, improving our gearing from 2.93x to 0.98x in FY 2023-24. The Company repaid all unsecured loans, strengthening its financial position.

## Q: What challenges were addressed by the Company during the last financial year?

Firstly, the Company navigated the complexities of its first-time listing on the stock exchange, which required adherence to regulatory compliances. The Company appointed professional advisors to ensure the timely and accurate filing of compliance documents, maintaining regularity under various acts and rules.

Secondly, the Company faced delays in receiving export proceeds, which impacted cash flows. In response, the Company revised its export policy to ensure timely payments.

Thirdly, the new provisions under Section 43B of the Income Tax Act, 1961, affected working capital management due to MSME Act payment terms. The Company addressed this by adjusting payment terms with debtors and ensuring that payments were made in a timely manner as per the Act. These strategic adjustments helped the Company maintain operational stability and financial health despite the challenges.

## Q: What is Karnika's competitive strength?

Karnika's strategic approach encompasses key areas.

Firstly, through product diversification, Karnika expanded its product range to include various categories and styles, mitigating risks associated with dependence on a single product line and buffering against market volatility and evolving consumer preferences. Market diversification reduced risks, with the Company entering new geographical markets and customer segments, protecting the Company from economic downturns or political instability in any one region.

In supply chain management, Karnika practices supplier diversification by sourcing materials and products from multiple suppliers to prevent an over-reliance on any single source, minimizing the risk of supply chain disruptions. Building robust strategic partnerships with key suppliers and logistics providers ensures reliability and allows the Company to negotiate better terms, enhancing cost efficiency.

Operational efficiency is enhanced through process optimization, involving streamlining production processes and implementing lean manufacturing principles to reduce costs and improve efficiency. The integration of advanced technologies enhanced operational capabilities and reduced manual errors, leading to enhanced efficiency.

Financial risk management is achieved through hedging, using financial instruments to protect against risks such as currency fluctuations, interest rate changes, and commodity price volatility. Implementing strong financial controls and risk management practices ensure effective financial risks monitoring and management.

Adherence to regulatory compliance is another critical area, with Karnika ensuring compliance with local and international regulations to avoid legal penalties and protect its reputation. Regular internal and external audits help identify and address compliance gaps and potential risks.

Market intelligence activities, including thorough market research and risk assessments, help Karnika anticipate potential

threats and opportunities, enabling proactive decision-making. Monitoring competitors and market trends allows the Company to stay ahead of changes that could impact its business.

Karnika prioritizes crisis management planning by developing detailed contingency plans and crisis management protocols to respond effectively to unexpected events such as natural disasters or supply chain disruptions. Regular training and drills ensure employees are prepared for crisis situations, enhancing the Company's resilience.

Cybersecurity measures help protect against data breaches, hacking, and other cyber threats, with regular security audits and updates ensuring that systems and data remain secure.

Sustainability initiatives include adopting sustainable practices and reducing environmental impact, which mitigates risks related to regulatory changes and meets consumer preferences for eco-friendly products. Ensuring fair labor practices and ethical sourcing builds a positive reputation and reduces risks associated with social responsibility.

Finally, securing comprehensive insurance coverage for various aspects of the business, including property, liability, and business interruption insurance, protects Karnika against unforeseen risks, ensuring business continuity and stability.

### Q: What has helped Karnika prepare for the future?

Karnika's preparation is anchored in its financial performance, strategic investments, and forward-looking initiatives. The Company increased profitability, reflecting a strong operational performance and effective cost management. Strategic financial investments provided additional stability, while timely debt repayment strengthened the financial position.

Karnika plans to optimize cost efficiency by investing in advanced manufacturing technologies and strengthening supplier

relationships to negotiate bulk discounts. The Company aims to widen its global reach by exploring untapped regions and emerging markets, increasing market share and diversifying revenue streams. Implementing agile manufacturing techniques and optimizing supply chain processes will enable Karnika to adjust to changing consumer needs and shorten lead times.

Investing in cutting-edge technologies, such as 3D printing and advanced fabric technologies, will help the Company stay ahead of competitors and enhance product offerings. Expanding the product range and collaborating with designers to introduce innovative collections, particularly eco-friendly clothing lines, will cater to diverse and environmentally conscious consumer preferences.

Building strategic partnerships with key suppliers and logistics partners will ensure a reliable supply chain, while practices that enhance transparency and traceability will build trust with consumers. By investing in targeted marketing campaigns and digital advertising, Karnika will reinforce its brand identity and reach new audiences. Strengthening customer engagement through social media, loyalty programs, and personalized experiences will enhance customer loyalty. The Company plans to create employment opportunities by expanding the workforce in key areas such as design, marketing, and technology, and offering training and development opportunities to enhance employee skills and productivity.

A deeper collaboration between designers and other departments will drive innovation and creativity, while allocating resources to research and development will explore new materials, techniques, and fashion trends. Increasing the range of customization options available to customers and utilizing technology for personalized recommendations will differentiate the brand and enhance customer satisfaction.

These comprehensive strategies position Karnika for sustained growth.

# Our broad-based *products portfolio*

## Girls' wear



## Infants' wear



Boys' wear





BUSINESS MODEL REVIEW

# Karnika's business model

How we intend to enhance value from it

- Karnika is a customer-driven organization. All customer services starting from order placement to product quality, delivery and complaint resolution are designed to enhance customer satisfaction.
  - This satisfaction is driven by the Company's commitment to timely deliveries, seamless order processes, and exceptional customer service.
  - As a result, it has successfully built a diverse customer base, including retailers, semi-wholesalers, and more.
- 
- The Company cultivated strong relationships with its key customers, with more than 90% of its revenue coming from clients older than three years.
  - This success in building a solid client base has resulted in a high rate of repeat orders. These long-term partnerships have strengthened our customer retention strategy and contributed to our sustained growth.
  - The Company believes that its established client relationships gives it a competitive edge in attracting new customers and expanding its business.
- 
- With over seven years of track record, the Company has demonstrated the ability to navigate economic and business cycles, supported by a competent management team with over a decade of relevant experience.
  - This stability reflects its capability to sustain business viability and overcome operational challenges. The management and employees bring expertise and experience, enabling it to plan effectively for the Company's prospects. The Company's Promoter and Managing Director, who has significant industry experience, has been instrumental in its consistent growth.
  - Backed by a seasoned team familiar with the business, it believes that its knowledge and experience empowers it to identify new opportunities, respond swiftly to market conditions, adapt to changes in the business landscape and drive continued business growth.
- 
- The Company's business model is order-driven and focuses on the optimal use of its manufacturing, processing, and trading facilities, maximizing capacity utilization, establishing strong relationships with quality raw material suppliers, and achieving economies of scale.
  - This model has been both successful and scalable in recent financial years, allowing us to expand in response to growing demand.
  - The potential for scaling is driven by opportunities in new domestic and international markets, supported by aggressive marketing strategies, product innovation and consistent quality maintenance.

08  
Customer-centricity

07  
Strong client relationship

06  
Organizational stability and management expertise

05  
Scalable business model

## 01 Our goals

- Strengthen long-term relationships across stakeholders.
- Expand the products portfolio to sustain growth.
- Optimize potential across business segments.
- Reinforce leadership in the garment manufacturing industry.
- Remain competitive through customized services and a widening product range.

## 02 Comprehensive product offering

- The Company possesses a diverse kids wear portfolio (shorts, joggers, capri, tees, rompers, sleep suits, pyjamas, winter wear, infant wear etc.).
- The Company's product portfolio positions it as a one-stop solutions provider.

## 03 Quality and service driven

- The Company is ISO 14001:2015-certified for Environmental Management Systems.
- It adheres to strict quality standards in its manufacturing processes to ensure that its products consistently meet customer requirements.
- These standards guarantee product quality by ensuring that the Company employs skilled personnel and maintains well-equipped facilities and proper manufacturing infrastructure.

## 04 Efficient production and timely order fulfillment

- Timely order fulfillment is essential in this industry.
- The Company implemented several measures to ensure punctual delivery while enhancing cost efficiency.
- It continuously strives to optimize its procurement policy for production inputs, ensuring cost-effective sourcing that leads to more efficient and economical production processes.

VALUE-CREATION STRATEGY

# How Karnika is positioned to enhance stakeholder value

**Overview**

Karnika’s success is the result of a value-creation strategy that combines strategic conservatism, allowing it to consistently deliver value to its stakeholders.

The Company fosters strong, long-term relationships with key stakeholders.

The Company strives to strengthen manufacturing processes and service activities by investing in

customized systems that enhance management control.

The Company is dedicated to maintaining the highest standards of quality across the entire value chain, from raw material procurement to the delivery of finished products.

The Company upholds principles of transparency, commitment and coordination in its dealings with suppliers, customers, government

authorities, and financial institutions.

The Company leverages its marketing expertise and strong relationships to boost customer satisfaction and expand its client base.

The Company’s comprehensive stakeholder value-creation framework allows it to steadily generate and deliver value to its stakeholders.

**Value-creation strategy**

**Process optimization:** The Company will continue to invest in developing customized systems and processes to ensure effective management control. It periodically audits its existing policies to identify and address bottlenecks, improving efficiency and ensuring optimal use of resources.

**Infrastructure investment:** The Company took initiatives to modernize its manufacturing facilities with the latest and specialized infrastructure.

**Research and development:** During the year under review, the Company expanded its on-roll design team, increasing its focus on innovation and creating new designs that are aligned with the evolving consumer preferences.

**Quality commitment:** The Company deployed supervisors at various stages of the value chain to conduct quality checks. Its commitment to quality helped it earn ISO 14001:2015 certification for Environment Management System, enhancing product excellence.

**Building a robust network:** The Company leverages its long-term relationship with suppliers to widen its footprint across India, generating greater cost efficiency and enabling the business to grow and develop.

**Enhancing brand:** The Company built a dedicated sales office to promote its products and strengthen its brand among customers by leveraging its marketing skills and build relationships among old and new customers.

**Value created in FY 2023-24**

**Financial capital**

**Turnover**  
₹**127.27** Crore  
(₹124.59 Crore in FY 2022-23)

**Earnings per share**  
₹**8.15**  
(₹8.99 in FY 2022-23)

**ROCE**  
**17.57%**  
(23.14% in FY 2022-23)

**Manufacturing capital**

**Total manufacturing capacity**  
**44**  
Lakh pieces(41 Lakh pieces in FY 2022-23)

**Human capital**

**Permanent employees**  
**155**  
(217 in FY 2022-23)

**Total employee cost**  
₹**62.77** Crore  
(₹58.47 Crore in FY 2022-23)

**Social and relationship capital**

**Number of customers**  
**303+** (248+ in FY 2022-23)

**Number of vendors:**  
**765+**  
(712+ in FY 2022-23)

## MANUFACTURING

# Our manufacturing excellence



## Overview

At Karnika Industries, manufacturing efficiency represents the cornerstone of the Company's strategy, impacting its ability to deliver products that are not only visually appealing but also consistently reliable. By prioritizing efficiency in its production processes, the Company ensures that it can meet high standards of quality while minimizing waste and reducing costs. This focus on efficiency allows the Company to maintain a strong position in the market, as it can offer quality products at competitive prices.

The Company employs advanced manufacturing techniques that integrate the latest technology with optimized processes. These techniques enable the Company to produce goods at a faster rate without compromising on quality. Moreover, the implementation of stringent quality control measures throughout the production cycle guarantees that every product meets the Company's exacting standards before reaching the customer. This meticulous attention to quality not only enhances customer satisfaction but also builds trust and loyalty, key factors in maintaining long-term success.

The Company's commitment to manufacturing efficiency empowers it to remain agile in a dynamic marketplace. The Company is well-equipped to quickly respond to shifting fashion trends and evolving consumer demands. By efficiently managing its production processes, the Company can rapidly introduce new products and make necessary adjustments to existing ones, ensuring that it stays ahead of the competition. The Company possesses two manufacturing facilities located in Howrah, West Bengal.

### Strengths

- Management of blended fabrics: Cotton, polyester and viscose
- Superior apparel comfort
- Eco-friendly products
- Extensive range of fabrics managed
- Non-allergenic natural fibers used
- State-of-the-art manufacturing facility

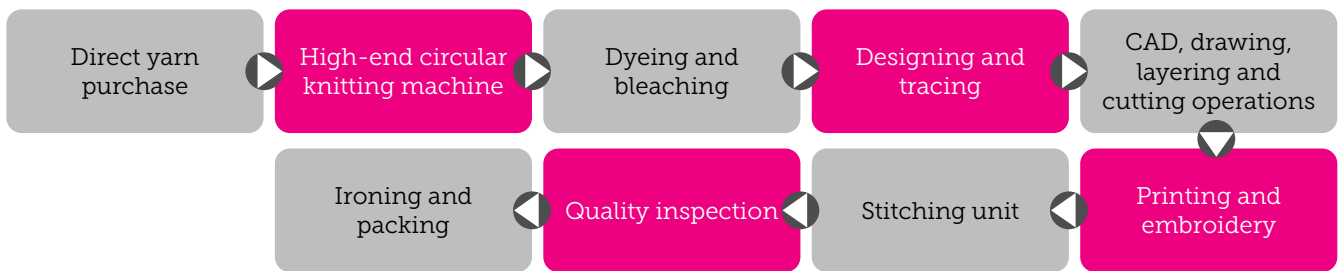
- Stringent quality control measures

### Locational advantage

- Proximity to major metropolitan markets and administrative services.
- Connectivity through railways, roadways and waterways enhances import-export opportunities.

- Access to a large pool of skilled and semi-skilled labor.
- Compared to other textile hubs in India, Howrah offers more affordable real estate and labor, reducing the capital and operational expenditures .
- Kolkata is a major hub for kids garments.

### Manufacturing process of our products



**Direct yarn purchase:** High quality yarn is locally procured and tailored to client specifications, as the first step in the manufacturing process.

**High-end circular knitting machine:** Yarn is loaded into circular knitting machines to produce knitted fabric, typically outsourced on a job work basis.

**Dyeing and beaching:** Various equipment is used to bleach and dye fabrics, often outsourcing these processes to enhance and customize textiles.

**Designing and tracing:** Garment design and tracing are performed in-house to create stylish, functional clothing and track production progress.

**CAD, spreading, layering, and cutting:** CAD technology and specialized machinery is used to spread, layer, and cut fabric for precise garment production.

**Printing and embroidery:** Textile printing and embroidery are done in-house or outsourced, adding decorative and brand-specific elements to garments.

**Stitching unit:** Cut fabric pieces are stitched in an assembly line process, typically outsourced as job work, to create finished garments.

**Quality inspection:** Quality inspectors rigorously check garments at every production stage to ensure they meet our high standards.

**Ironing and packing:** Garments are pressed and carefully packaged in-house, ready for shipment in pristine condition.

### Our manufacturing technology

**Auto CAD system:** Our design process is streamlined by CAD technology, enabling easy digital pattern-making and modifications with Optitex software's 2D and 3D capabilities.

**Enterprise resource planning (ERP):** Our ERP system digitalizes operations like purchase orders, inventory management, and production scheduling, using advanced accounting software.

**Real-time production tracking:** The ERP system provides real-time production tracking, enhancing operational visibility and work-in-progress management.

**Advanced sewing machine technology:** Our sewing machines feature computerized panels for precise stitch selection and automated stopping, primarily used for sample piece production.

**Digital garment and textile printing:** We use digital printing machines to quickly produce high-quality prints, catering to fast fashion and custom design needs.

### Highlights, FY 2023-24

The Company manufactured 44 Lakh pieces during the year as against 41 Lakh pieces in FY 2022-23.

The Company has installed an auto layer and auto cutting high end machine during the year.

### Big numbers

**44**

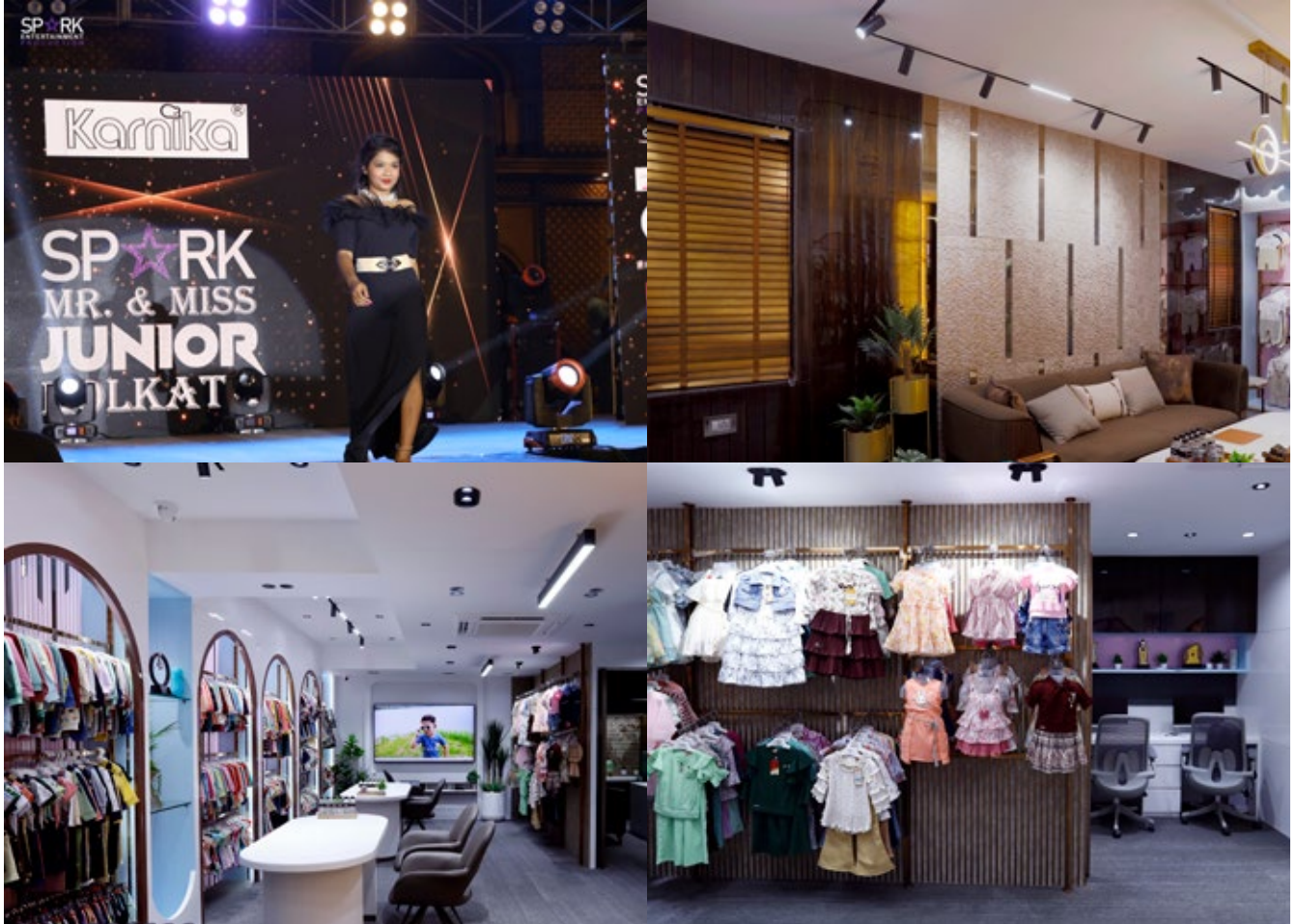
Lakh pieces manufactured, FY 2023-24

**41**

Lakh pieces manufactured, FY 2022-23

## BRANDING AND MARKETING

## Our strengthening brand

**Strengths**

For Karnika Industries, a manufacturer and wholesaler specializing in children's clothing, branding and marketing are essential tools for standing out in a competitive market.

Effective branding helps Karnika establish a unique identity and resonates with both retailers and end-consumers by emphasizing quality, innovation and style in kids' fashion.

Marketing, on the other hand, allows Karnika to communicate directly with its audience, showcasing product ranges, seasonal collections and special offers that appeal to retailers looking to attract discerning customers. By developing a strong

brand presence and proactive marketing strategies, Karnika Industries can enhance its visibility, build customer loyalty and ultimately drive sales by positioning itself as a go-to source for trendy and reliable children's apparel.

Karnika benefits from a dedicated marketing team led by promoters-directors who bring extensive legacy experience in branding and marketing ready-made garments. This team is tasked with researching and studying the latest fashion trends and market demands. Our designing and production teams then use this comprehensive research to develop products that not only explore new markets but also retain traditional

marketplaces, increasing the Company's current market share.

**Our client base**

Our Company boasts a distinguished client base, comprising esteemed commission agents and retail sector clients. Our strategy focuses on acquiring new customers while simultaneously securing more business from existing clients by delivering timely and enhanced services. We are confident that our existing capabilities and future plans will position us effectively to forge and nurture new customer relationships. We consider new business opportunities based on factors like compatibility of capabilities with customer expectations, business volume



and future potential, prospects for a long-term partnership, and an evaluation of initial costs.

### Pedigree

Karnika consistently strives to ensure prominent visibility of its premium brands in the market. We hold in high regard the reputable and well-known marketplaces and departmental stores across India that have a long-standing association with us and actively promote and display our products and brands.

We market our products under various brand names through a well-established network across India. We are now looking to expand our reach to international markets, particularly in Southeast and Middle East Asia.

### Our competitive strengths

Our industry experiences moderate competition from a mix of unorganized local and international players. Numerous competitors manufacture and trade products similar to ours.

**Quality and pricing:** Our ability to compete effectively hinges on maintaining consistent service quality and timely delivery at competitive prices, which have strengthened our brand over time. Adapting to constant changes, improving quality, staying attuned to customers' preferences, and keeping up with the latest fashion trends are essential for survival in this industry, and our Company is committed to these principles.

**Customer satisfaction:** Our competitive edge is bolstered by our cost-effective, integrated offerings, a strong focus on customer satisfaction, reliability, and a commitment to quality.

**Quality assurance:** We are confident that our technical capabilities and extensive experience in this business, along with our commitment to quality assurance, are crucial in navigating the competition from both organized and unorganized sectors.

### Our strength-enhancing initiatives

**Trade shows and exhibitions:** Karnika periodically organizes trade shows and exhibitions across India, significantly enhancing its brand visibility, and creating networking and collaboration opportunities with others.

**Fashion shows:** As a leading manufacturer in children's clothing, Karnika hosts fashion shows that have captivated audiences with our unique collections and creative themes. Each event showcase its position in kids' fashion, highlighting creativity, quality and attention to detail.

**Garment fairs:** We actively participate in garment fairs in India and internationally. Engaging in these fairs is instrumental in attracting new customers and penetrating new markets. Participation often leads to advance

orders from customers, which contributes to our steady and rapid growth. This approach enhances sales and ensures the Company's sustainability. Moreover, our business model and product offerings are designed to be largely immune to seasonal fluctuations and carry minimal risk.

**Product trends:** Karnika is adept at keeping up with current trends and understanding consumer preferences. This insight guides our production of high-quality fabrics, ensuring comfort, fit and customer satisfaction.

**Product differentiation:** Our expertise extends to identifying market gaps and venturing into unexplored garment segments with distinctive products, setting the Company apart in the industry.

**Robust governance:** Our strong market position is upheld by adhering to the vision of our promoter and senior management team, whose decade-long industry experience has fostered sustained customer relationships and consistent order flow. Our promoter-Directors view competition as a challenge to be met and surpassed, a philosophy that drives our 'sustainable transition' toward achieving a competitive advantage.

### How our branding and marketing functions convert into purchases

**Design and pattern:** Designs and patterns for garments are obtained



from a select group of suppliers who manufacture the garments for our trading operations and provide the necessary designs and patterns for distribution. These include details such as gender orientation (boys or girls wear), design category, color and piece count.

**Social media marketing:** We share the received designs and patterns to our customer base via social

media platforms, focusing on a group of repeat customers who regularly purchase garments from us.

**Order placement:** The customers specify their requirements by selecting designs and quantities from options available with our suppliers and place the orders accordingly.

**Fulfilment and dispatch:** The agreed-upon designs and quantities are shipped directly to our customers from the supplier's premises. Garments sold under the "Karnika" brand name are also dispatched directly from our suppliers to our customers post branding.



### Our revenue distribution (in category classification)

	FY 24	FY 23
Manufacturing through Job work (%)	82.26	87.54
Trading (%)	17.74	12.46
<b>Total (%)</b>	<b>100</b>	<b>100</b>

### Our revenue distribution (in product classification)

	FY 24	FY 23
Girls' garments(%)	40.24	43.91
Boys' garments(%)	54.74	51.93
Others (%)	5.02	4.16
<b>Total (%)</b>	<b>100</b>	<b>100</b>

### Our revenue distribution (top customers)

	FY 24	FY 23
Top 5 customers(%)	34.82	38.39%
Top 10 customers (%)	47.00	54.49%



COMMUNITY

# Our CSR commitment



*The Company contributed to numerous cow shelters for cattle welfare*

## Overview

Karnika recognizes the importance of expanding its positive influence beyond the confines of the organization, with a particular focus on uplifting marginalized communities. The Company believes that its success is intertwined with the well-being of the communities it serves, and therefore, it actively seeks to address pressing social issues through targeted initiatives.

Understanding that sustainable development requires a

multifaceted approach, Karnika is committed to driving meaningful change in the area of animal welfare. The Company's social responsibility efforts are not just peripheral activities but are embedded into its core values and operations. By adopting a proactive and well-structured approach to community development, Karnika ensures that its initiatives are impactful, sustainable, and aligned with the specific needs of the communities it serves.

CSR contribution,  
FY 2023-24

₹ **22.75** Lakh

# Corporate Information

## Executive Directors

**Mr. Niranjan Mundhra** (DIN- 05254448)  
Chairman & Managing Director

**Mr. Shiv Shankar Mundhra** (DIN- 02926873)  
Whole-time Director

**Mr. Mahesh Kumar Mundhra** (DIN- 08577538)  
Whole-time Director

## Non-Executive Women Director

**Mrs. Kirti Mundhra** (DIN- 09549207)

## Independent Directors

**Mrs. Kirti Taparia** (DIN- 10083439)

**Mr. Shashikant Soni** (DIN- 09798016)

## Chief Financial Officer

**Mr. Krishan Kumar Karnani**

## Registered Address & Manufacturing Unit

6 & 6/1, Gurgola Ghat Road, P. O. Salkia,  
Howrah – 711106 (West Bengal) India.

## Registrar & Share Transfer Agents

**Skyline Financial Services Private Limited**

D-153A, First Floor, Okhla Industrial Area,  
Phase – 1, New Delhi 110 020, India

Contact: 011-40450193-97

E-mail: info@skylinerta.com

Website: www.skylinerta.com

## Bankers

**Citi Bank N.A.**

**HDFC Bank**

## Company Secretary & Compliance Officer

**Ms. Muskan Mundhra**

## Statutory Auditors

**AAAJ & Associates** (FRN-322455E)

(Formerly Uttam Agarwal & Associates)

Chartered Accountants

115, Cotton Street

Kolkata 700007

## Secretarial Auditor

**Ms. Poonam Binani** (COP-12552)

Practicing Company Secretary

19, Maharshi Debendra Road

Kolkata 700007

## Internal Auditor

**Ajay Mundhra & Associates** (FRN-329704E)

Chartered Accountant

Address - 21, Hemanta Basu Sarani,

4<sup>th</sup> Floor, Kolkata - 700001

# NOTICE

**NOTICE** is hereby given that the 2<sup>nd</sup> Annual General Meeting ("AGM") of the Members of Karnika Industries Limited will be held on Saturday, 28<sup>th</sup> September, 2024 at 1:00 PM to transact the following business:

## ORDINARY BUSINESS

1. To consider and adopt the Audited Accounts of the Company for the financial year ended March 31, 2024, along with the Reports of the Directors and Auditors thereon.
2. To consider the re-appointment of Mrs. Kirti Mundhra (DIN - 09549207) as a director, liable to retire by rotation, and being eligible, offers herself for re-appointment

**For Karnika Industries Limited**

**Sd/-**

**Niranjan Mundhra**

Chairman & Managing Director

DIN: 05254448

Place: Howrah  
Date: 05.09.2024

### Registered Office:

6 & 6/1, Gurgola ghat Road, Howrah – 711106

Contact: 033-2655-8101

Email: [info@karnikaindustries.com](mailto:info@karnikaindustries.com)

CIN: L17299WB2022PLC25303

Website: [www.karnikaindustries.com](http://www.karnikaindustries.com)

## NOTES

1. Additional information as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and Circulars issued thereunder are also annexed.
2. General instructions for accessing and participating in the AGM through VC/OAVM Facility and voting through electronic means including remote e-Voting:
  - a. Generally, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC/OAVM, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members under Section 105 of the Act will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
  - b. Pursuant to the Circular No. 14/2020 dated April 08, 2020, Circular No.17/2020 dated April 13, 2020 issued by the Ministry of Corporate Affairs followed by Circular No. 20/2020 dated May 05, 2020 and Circular No. 02/2021 dated January 13, 2021 and all other relevant circulars issued from time to time, physical attendance of the Members to the AGM venue is not required and general meeting be held through video conferencing (VC) or other audio visual means (OAVM). Hence, Members can attend and participate in the ensuing AGM through VC/OAVM.
3. Pursuant to the Circular No. 14/2020 dated April 08, 2020, issued by the Ministry of Corporate Affairs, the

facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, the Body Corporates are entitled to appoint authorised representatives to attend the AGM through VC/OAVM and participate there at and cast their votes through e-voting.

4. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
5. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
6. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and the Circulars issued by the Ministry of Corporate Affairs dated April 08, 2020, April 13, 2020 and May 05, 2020 the Company is providing facility of remote e-Voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-Voting system as well as venue voting on the date of the AGM will be provided by NSDL.
7. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling the AGM has been uploaded on the website of the Company at <https://www.karnikaindustries.com/>. The Notice can also be accessed from the websites of the Stock Exchange i.e. National Stock Exchange of India Limited at [www.nseindia.com](http://www.nseindia.com) respectively and the AGM Notice is also available on the website of NSDL (agency for providing the Remote e-Voting facility) i.e. [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
8. AGM has been convened through VC/OAVM in compliance with applicable provisions of the Companies Act, 2013 read with MCA Circular No.

14/2020 dated April 08, 2020 and MCA Circular No. 17/2020 dated April 13, 2020, MCA Circular No. 20/2020 dated May 05, 2020 and MCA Circular No. 2/2021 dated January 13, 2021.

9. Any person or non-individual shareholders, who acquires shares of the Company and becomes member of the Company after the notice is sent through e-mail and holding shares as of the cut-off date i.e. 19<sup>th</sup> day of September 2024, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on 022 - 4886 7000 and 022 - 2499 7000. In case of Individual Shareholders holding securities in demat mode 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. 19<sup>th</sup> day of September 2024 may follow steps mentioned in the Notice of the AGM under "Access to NSDL e-Voting system".

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

The remote e-voting period begins on 24<sup>th</sup> September, 2024 at 09:00 A.M. and ends on 27<sup>th</sup> September, 2024 at 05:00 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. 19<sup>th</sup> day of September 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 19<sup>th</sup> day of September 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
Individual Shareholders holding securities in demat mode with <b>NSDL</b> .	<ol style="list-style-type: none"> <li>Existing <b>IDeAS</b> user can visit the e-Services website of NSDL Viz. <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a> either on a Personal Computer or on a mobile. On the e-Services home page click on the <b>"Beneficial Owner"</b> icon under <b>"Login"</b> 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 <b>"Access to e-Voting"</b> under e-Voting services and you will be able to see e-Voting page. Click on company name or <b>e-Voting service provider i.e. NSDL</b> and you will be re-directed 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>If you are not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a>. Select <b>"Register Online for IDeAS Portal"</b> or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.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 <b>"Login"</b> 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 <b>e-Voting service provider i.e. NSDL</b> 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>Shareholders/Members can also download NSDL Mobile App "NSDL Speede" facility by scanning the QR code mentioned below for seamless voting experience. <b>NSDL Mobile App is available on</b></li> </ol> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>App Store</p> </div> <div style="text-align: center;">  <p>Google Play</p> </div> </div>
Individual Shareholders holding securities in demat mode with <b>CDSL</b>	<ol style="list-style-type: none"> <li>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 Myeasi Tab and then user your existing my easi username &amp; password.</li> <li>After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting. Additionally, there is 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>

Type of shareholders	Login Method
	<p>3. If the user is not registered for Easi/Easiest, option to register is available at CDSL website <a href="http://www.cdslindia.com">www.cdslindia.com</a> and 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 page by providing Demat Account Number and PAN No. from a 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, user will be able to see the e-Voting option where the evoting is in progress and also 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	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. 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 & 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 abovementioned 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 in login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at 022 - 4886 7000 and 022 - 2499 7000
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at toll free no. 1800 22 55 33

## B) Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode.

### How to Log-in to NSDL e-Voting website?

- Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> 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, your Password/OTP and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

- Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL)	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID Forexample if your Beneficiary ID is 12***** then your user ID is 12*****.

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 NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
  - c) How to retrieve your 'initial password'?
    - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the pdf file. The password to open the pdf file is your 8 digit client ID for NSDL account or last 8 digits of client ID for CDSL account. The pdf file contains your 'User ID' and your 'initial password'.
    - (ii) If your email ID 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) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address etc.
  - c) 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 on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

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## Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.

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### How to cast your vote electronically and join 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 company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "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.

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### General Guidelines for shareholders

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to [poonammundhra15@gmail.com](mailto:poonammundhra15@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). 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.

- 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?**” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.
- In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on.: 022 - 4886 7000 and 022 - 2499 7000 or send a request to Aman Goyal at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

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

- 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 [info@karnikaindustries.com](mailto:info@karnikaindustries.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 meeting for Individual shareholders holding securities in demat mode.**
- Alternatively shareholder/members may send a request to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) for procuring user id and password for e-voting by providing above mentioned documents.
- 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.

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

- The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
- 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.
- 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.
- 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:**

- Member 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 link of “**VC/OAVM**” placed under “**Join meeting**” menu against company name. You are requested to click on VC/OAVM link placed under Join Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.
- Members are encouraged to join the Meeting through Laptops for better experience.
- Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
- Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
- Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at [info@karnikaindustries.com](mailto:info@karnikaindustries.com). The same will be replied by the company suitably.



- Members who would like to express their views/ask questions as a speaker at the Meeting may pre-register themselves by sending a request from their registered e-mail address mentioning their names, DP ID and Client ID/folio number, PAN and mobile number at [info@karnikaindustries.com](mailto:info@karnikaindustries.com) between **23<sup>rd</sup> September, 2024** (1.00 p.m. IST) and **24<sup>th</sup> September, 2024** (5.00 p.m. IST). Only those Members who have pre-registered themselves as a speaker will 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

#### **Other Guidelines for Members**

- The Members, whose names appear in the Registrar of Members / Beneficial Owners as on cut-off-date i.e. 19<sup>th</sup> day of September 2024 are entitled to vote on the resolutions set forth in the Notice. Remote e-Voting shall be kept open from 09.00 a.m. on 24<sup>th</sup> day of September 2024 and shall end on 27<sup>th</sup> September, 2024 at 05.00 p.m.
- In case you wish to receive a hard copy of the same, please send your request through email to our Registrars - M/s Skyline Financial Services (P) Limited at their email ID, [admin@sklinerta.com](mailto:admin@sklinerta.com) by quoting your Folio No. / DP ID & Client ID No.
- Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and is holding shares as of the cut-off date i.e. 19<sup>th</sup> day of September 2024, may send a request for Login ID and password at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [admin@sklinerta.com](mailto:admin@sklinerta.com) quoting their Client ID, DP ID / Folio No.
- Your attention is also invited to the fact that the business to be transacted at the AGM shall be transacted through electronic means as the Company is providing the facility for e-voting. E-Voting particulars have already been sent to all the shareholders by National Securities Depository Limited (NSDL) through email. Any queries with regard to e-voting may please be addressed to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).

## Brief Profile of the Directors seeking Re-Appointment at the Annual General Meeting

[Pursuant to Regulation 36(3) of the SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015]

Particulars	Details
Name of Director	Kirti Mundhra
Designation	Director
DIN	09549207
Age	29
Date of first appointment	01/01/2023
Board A Brief Resume of the Director & Nature of her Expertise in Specific Functional Areas; Disclosure of Relationships Between Directors Inter-Se, Manager & KMP	Mrs. Kirti Mundhra has a strong foundation in accounting, finance, and business management seeking to leverage analytical skills and knowledge of financial principles. She is the wife of Mr. Mahesh Kumar Mundhra, Whole-Time Director (DIN-08577538)
Names of Bodies Corporates in which the person also holds the Directorship and the Membership / Chairmanship of Committees of the Board	Member of Audit Committee, Nomination and Remuneration Committee, Stakeholder Relationship Committee and Corporate Social Responsibility Committee of Karnika Industries Limited
Names of the listed entities from which Director has resigned in the past three years	NIL
Shareholding of Non-Executive Director in the Company, including shareholding as a Beneficial Owner	260

For Karnika Industries Limited

Sd/-

**Niranjan Mundhra**

Chairman & Managing Director

DIN: 05254448

Place: Howrah

Date: 05.09.2024

### Registered Office:

6 & 6/1, Gurgola ghat Road, Howrah – 711106

Contact: 033-2655-8101

Email: [info@karnikaindustries.com](mailto:info@karnikaindustries.com)

CIN: L17299WB2022PLC25303

Website: [www.karnikaindustries.com](http://www.karnikaindustries.com)

# BOARD'S REPORT

Dear Members,

We are delighted to present the 2<sup>nd</sup> Annual Report on the business and operations of our company, accompanied by the Audited Financial Statements for the Financial Year ended on 31<sup>st</sup> March 2024. This report holds special significance as it marks our first report following our successful Initial Public Offering (IPO) and subsequent listing on the Emerge Platform of the National Stock Exchange of India Limited. We extend a warm welcome to all our new shareholders and express our gratitude for your trust and support. We look forward to continuing our journey together, creating value and delivering growth for our shareholders.

## 1. Financial Summary or Highlights or results

(₹ In Lakhs except in EPS)

Particulars	F.Y. 2023-24	F.Y. 2022-23
Revenue from operation	12727.26	12459.24
Other Income	118.39	146.37
<b>Total Income</b>	<b>12845.65</b>	<b>12605.62</b>
Profit before interest, depreciation	1925.95	1664.41
Less: Interest	488.82	516.63
Less: Depreciation	77.79	39.03
Profit before tax	1359.34	1108.75
<b>Less: Tax Expenses</b>		
- Current Tax	357.54	293.56
- Deferred Tax	-8.68	-3.02
<b>Profit for the year</b>	<b>1010.49</b>	<b>818.21</b>
Earnings Per Shares (EPS)		
- Basic	8.15	8.99
- Diluted	8.15	8.99

## 2. State of Company's Affair or Company's Performance overview

In the current fiscal year, the Company saw a rise in revenue, totaling ₹12845.65 Lakhs, compared to ₹12605.61 Lakhs in the preceding year. Concurrently, expenditure decreased to ₹11486.31 Lakhs from ₹11496.87 Lakhs in the previous year.

The Company achieved a net profit of ₹1010.49 Lakhs in the current fiscal year, a substantial increase from ₹818.21 Lakhs in the previous year. This impressive growth translates to an Earning Per Share of ₹8.15.

## 3. Initial Public Offer of Equity Shares

The Directors are delighted to announce the successful completion of the Company's Initial Public Offering (IPO) of 32,99,200 Equity Shares, each with a face value of ₹10/- (Rupees Ten only), at a premium of ₹66/-. The response from investors was overwhelming. The Issue opened on 29<sup>th</sup> September 2023, and closed on 5<sup>th</sup> October 2023. The issue was subscribed 3.07 times.

We are pleased to inform you that the allotment for the IPO was completed on 10<sup>th</sup> October 2023, with the shares ranking pari-passu with the existing

shares. Following this, the Company's shares were listed on the NSE Emerge, the SME Platform of the National Stock Exchange of India Limited (NSE), on 12<sup>th</sup> October 2023.

The 2337.39 lakhs in IPO proceeds were used to cover the company's working capital needs. In addition, the company incurred 170.00 lakhs in offer expenses.

Further, there was no deviation/variation in the utilization of the gross proceeds raised through IPO.

## 4. Dividend

Your Company does not recommend dividend for the year under review because it has chosen to maintain growth in accordance with its long-term growth objectives by keeping profit and using it for current opportunities.

## 5. Share Capital or Capital Structure

The Capital structure of the Company as on 31.03.2024 as are follows:

The Authorized Equity Share Capital of the Company is ₹2500.00 Lakhs (Rupees Twenty-Five Crores)

divided into 2,50,00,000 (Two Crores Fifty Lakhs) Equity Shares of ₹10/- each.

The Issued, Subscribed and Paid-up Share Capital of the Company is ₹1239.95 Lakhs (Rupees Twelve Crores Thirty-Nine Lakhs Ninety-Five Thousand) divided into 1,23,99,500 (One Crore Twenty-Three Lakhs Ninety-Nine Thousand Five Hundred) Equity Shares of ₹10/- each.

## 6. Transfer to Reserves

During the year under review, the Company has not made transfers to any Reserves.

## 7. Web Address of Annual Return

Annual Return shall be made available at <https://www.karnikaindustries.com/> under Investor Relations tab "Annual Return" after the conclusion of the Annual General Meeting.

## 8. Board of Directors and Key Managerial Personnel

In accordance with the relevant provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Company has an appropriate mix of Executive Directors, Non-Executive Directors, and Independent Directors.

Two (2) independent directors make up the total of six (6) members of the board of directors.

The Managing Director and Promoter serves as the Board Chairman. The Board members are extremely skilled and have a wide range of experience in the pertinent field of the Company's business operations. They play important roles in the formulation of business policies and the decision-making process, and they advise the executive management on how to carry out their duties efficiently.

## 9. Boards Independence

According to Regulation 16(1)(b) of the SEBI Listing Regulations, when read in conjunction with Section 149(6) of the Act and the rules promulgated thereunder, Independent Directors are Non-Executive Directors. They have declared that they are not aware of any circumstance or event that may reasonably be expected to affect or impair their ability to carry out their obligations in line with Regulation 25(8) of the SEBI Listing Regulations. The Board believes the Independent Directors meet the requirements for independence as stated in Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations, and that they are independent of the management, based on the declarations received from them and after giving them due consideration.

Additionally, in compliance with Section 150 of the Act and Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014, the Independent Directors have confirmed that they have enrolled in the Indian Institute of Corporate Affairs' Independent Directors' Databank.

The corporation has sent official appointment letters to the Independent Directors. The terms and circumstances of the appointment of Independent Directors, along with their functions, responsibilities, and obligations, are disclosed on the Company's website at as required by Regulation 46 of the SEBI Listing Regulations.

The company's independent directors are as follows:

Ms. Kirti Taparua

Mr. Shashikant Soni

As per provisions of the Companies Act, 2013, Independent Directors shall not be liable to retire by rotation.

## 10. Retirement by Rotation

In Accordance to Section 152 of the Companies Act, 2013, at least two-third of the total number of Directors (excluding independent directors) shall be liable to retire by rotation.

The Independent Directors are not subject to retirement by rotation and serve for a fixed period of office that does not exceed five years from the date of appointment.

Accordingly, Kirti Mundhra (DIN- 09549207), Non-Executive Director, retires from the Board this year and being eligible, has offered herself for re-appointment.

The annexure to the notice calling the upcoming Annual General Meeting contains a brief resume and other information about Kirti Mundhra (DIN-09549207), who is recommended for re-appointment. This information is required to be disclosed under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## 11. Familiarisation Programme for Directors (including Independent Directors)

In accordance with the provisions of the Companies Act of 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations of 2015, the company has developed a program through which the Independent Directors becomes familiar with the company's business model, industry in which it operates, and other aspects of their roles, rights, and responsibilities.

The details of programmes for familiarisation for Independent Directors are available on the website of the Company [www.karnikaindustries.com](http://www.karnikaindustries.com)

## 12. During the year under review following changes occurred in Board of Directors and Key Managerial Personnel of the Company:

Mr. Parmeshwar Lal Sharma (DIN-09798016) resigned on 29<sup>th</sup> January, 2024 from the position of Independent Director and Mr. Shashikant Soni (DIN-09798016) was appointed on 30<sup>th</sup> March 2024 as an Additional Independent Director and subsequently, has been appointed as an Independent Director on 29<sup>th</sup> June 2024 at an Extra Ordinary General Meeting.

## 13. Directors and KMPs as on March 31, 2024, are as under:

Sr. No.	Name of Directors and KMPs	Designation
1	Niranjan Mundhra	Managing Director
2	Shiv Shankar Mundhra	Whole-Time Director
3	Mahesh Kumar Mundhra	Whole-Time Director
4	Kirti Mundhra	Non-Executive Women Director
5	Kirti Taparia	Independent Director
6	Shashikant Soni	Independent Director
7	Krishan Kumar Karnani	Chief Financial Officer
8	Muskan Mundhra	Company Secretary and Compliance Officer

## 14. Code of Conduct

The Board of Directors has adopted a Code of Conduct for Directors and Senior Management of the Company. An annual affirmation of compliance with the Code of Conduct is taken from all the Directors and Senior Management members of the Company to whom the Code applies. The Code of Conduct has also been posted at the website of the Company <https://www.karnikaindustries.com>. Managing Director's affirmation that the Code of Conduct has been complied with by the Board of Directors and Senior Management is produced elsewhere in the report.

## 15. Declaration from Independent Directors

All of the Independent Directors appointed during the year, in the Board's opinion, meet the requirements for independence as outlined in the Act and the SEBI Listing Regulations, are independent of the management, and have complied with the Code for Independent Directors as outlined in Schedule IV of the Companies Act, 2013, as well as having the integrity, expertise, knowledge, and experience necessary to be Independent Directors of the Company.

## 16. Board Evaluation

The Nomination and Remuneration Committee of the Board has formulated a Performance Evaluation Framework, under which the Committee has identified criteria upon which every Director, every Committee, and the Board as a whole shall be evaluated. During the year under review the evaluation of every Director, every Committee, and the Board has been carried out.

## 17. Insider Trading

In accordance with the SEBI (Prohibition of Insider Trading) Regulation, 2015, the Company has adopted a Code of Conduct for the Prevention of Insider Trading to govern securities trading by its directors and selected staff. The details of the insider trading policy have been disclosed on the Company's website at the following link: [www.karnikaindustries.com](http://www.karnikaindustries.com)

The Code requires a Trading Plan and pre-clearance for dealing in the Company's shares, and it prohibits the Directors and designated employees from purchasing or selling Company shares while in possession of unpublished price sensitive information about the Company or while the Trading Window is closed. However, no such cases occurred in the Company during 2023-24.

## 18. Board Meetings

Aside from other Board matters, the Board meets on a regular basis to deliberate and make decisions regarding the Company/Business policy and strategy.

All Directors are notified well in advance of the upcoming Board meeting.

The quorum and frequency of these meetings complied with Secretarial Standard 1 and the Companies Act, 2013 regulations.

### Recording of Minutes of proceedings of Board and Committee meetings

The Company Secretary & Compliance Officer ensures that the minutes of each Board and Committee meeting are properly recorded in accordance with the relevant provisions of the Act and the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

### Selection of agenda items for Board Meetings

The information, as required under Regulation 17(7) read with Schedule II, Part A of the SEBI Listing Regulations and applicable provisions of the Act, is made available to the Board as part of agenda.

The meetings of the Board are generally held at the Registered Office of the Company at 6 & 6/1, Gurgola Ghat Road, Bandhaghat, Howrah – 711106.

26 (Twenty-Six) Board Meetings were held during the year to consider and approve various matters including approvals required for the IPO process. The meetings were held on - 13.04.2023, 28.04.2023, 22.05.2023, 26.05.2023, 31.05.2023, 08.06.2023, 17.06.2023, 27.06.2023, 30.06.2023, 20.07.2023, 24.07.2023, 18.08.2023, 19.09.2023, 22.09.2023,

09.10.2023, 11.10.2023, 20.10.2023, 15.12.2023, 22.12.2023, 29.01.2024, 30.01.2024, 07.03.2024, 13.03.2024, 22.03.2024, 29.03.2024 and 30.03.2024. The gap between any 2 (two) Board meetings during the year did not exceed 120 (one hundred and twenty) days. The requisite quorum was present for all the meetings.

### Attendance of each Director at the Board meetings during the year and last Annual General Meeting and Number of shares held by the directors in the Company.

Name of the Director	No. of Board Meetings		Attendance at last AGM	No. of Shares held in the Company as on March 31, 2024
	Held	Attended		
Niranjan Mundhra	26	26	Yes	30,33,000
Shiv Shankar Mundhra	26	26	Yes	30,33,000
Mahesh Kumar Mundhra	26	26	Yes	30,33,000
Kirti Mundhra	26	26	Yes	260
Kirti Taparia	26	26	Yes	0
Parmeshwar Lal Sharma	26	20	Yes	0
Shashikant Soni	26	1	No	0

### Separate Meeting of Independent Directors

Pursuant to Schedule IV of the Act read with Regulation 25 of SEBI Listing Regulations, the Independent Directors met on 08.12.2023 without the presence of Non-Independent Directors and members of the management and have inter-alia assessed the quality, quantity and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

## 19. Management Discussion and Analysis

In terms of Regulation 34(2)(e) of SEBI Listing Regulations, a detailed report on Management Discussion and Analysis (MDA) Report is included in this Report as **Annexure-I**.

## 20. Business Responsibility and Sustainability Report

In accordance with provisions of Regulation 34(2)(f) of SEBI Listing Regulations the Company being SME listed, requirement of Business Responsibility and Sustainability Report is not applicable to the Company.

## 21. Directors' Responsibility Statement

Pursuant to Section 134 (5) of the Companies Act, 2013, it is hereby confirmed that in the preparation of the annual financial statements for the year ended March 31, 2024, the applicable accounting standards read with requirements set out under Schedule III of the Act have been followed and there are no material departures from the same.

- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent 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 of the company for the year under review;
- the directors have 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;
- the directors have prepared the annual accounts on a going concern basis.
- the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and are operating effectively; and
- the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## 22. Stakeholders Relationship Committee ("SRC")

The Stakeholders Relationship and Grievance Committee has been constituted under Section 178 of the Companies Act, 2013. The committee consists of four directors: two Independent Directors and One whole time Director and One Non-Executive Director.

The Stakeholders Relationship and Grievance Committee convened a meeting on 18.01.2024, to discuss share transfers, transmissions, demats, reported by the company's RTA.

**Composition of the SRC and attendance details of the members for the period as given below:**

Name of Members	Designation	Position	No. of Meetings held during the period	No. of Meetings attended
Mr. Parmeshwarlal Sharma *	Independent Director	Ex-Chairman	1	1
Mr. Shashikant Soni**	Independent Director	Chairman	1	0
Mrs. Kirti Taparia	Independent Director	Member	1	1
Mrs. Kirti Mundhra	Non-Executive Women Director	Member	1	1
Mr. Shiv Shankar Mundhra	Whole-Time Director	Member	1	1

\*Resigned on 29.01.2024

\*\* Appointed on 30.03.2024

The Company Secretary and Compliance Officer of the Company acts as the secretary to the SRC. No complaint was received from the Stakeholders throughout the year under review.

## 23. Auditors and Auditors Report

### a. Statutory Auditors

M/S AAAJ & Associates, Chartered Accountants (Firm Registration No. 0322455E) were appointed as Statutory Auditors of the Company for 5 (five) consecutive years, at the 1<sup>st</sup> Annual General Meeting held on September 28, 2023, for five years till the conclusion of the Annual General Meeting to be held for the Financial Year 2027-2028. Accordingly, they have conducted Statutory Audit for the F.Y. 2023-24.

The Statutory Auditors have confirmed that they are not disqualified from continuing as Auditors of the Company and shall continue to be Statutory Auditors for the F.Y. 2023-24.

As required under Regulation 33(d) of the SEBI (LODR) Regulation, 2015, the auditor has confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The Auditors' Report does not contain any qualification, reservation or disclaimer. The Notes to the financial statements referred in the Auditors' Report are self-explanatory and do not call for any further comments.

### b. Cost Auditors-

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable to the business activities carried out by the Company.

### c. Secretarial Auditors

The Board had appointed Mrs. Poonam Binani, Company Secretary, [ICSI Membership No. ACS-A33638 & Certificate of Practice No. 12552], to conduct Secretarial Audit of the Company. The Secretarial Audit Report for the financial year

ended March 31, 2024, is annexed and marked as **Annexure-IV** to this Report.

The Secretarial Audit Report does not contain any qualification, reservation disclaimer. The observation(s) referred in the Secretarial Audit Report are self-explanatory and do not call for any further comments.

### d. Internal Auditors

Pursuant to Section 138 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 (as amended), the Board of Directors, on the recommendations of the Audit Committee, of the Company, has appointed M/s Ajay Mundhra & Associates, Chartered Accountants, [ICAI Firm Registration No.- 329704E], as the Internal Auditors of the Company for the financial year 2023-24.

- e. The Internal Audit Findings and Report submitted by the said Internal Auditors, during the financial year, to the Audit Committee and Board of Directors of the Company, do not contain any adverse remarks and qualifications hence do not call for any further explanation by the Company.

## 24. Reporting of Fraud

During the year under review, the Statutory Auditors, and Secretarial Auditors have not reported any instances of fraud committed in the Company by its officers or employees under Section 143(12) of the Companies Act, 2013.

## 25. Particulars of Loans, Guarantees or Investments

During the year, the Company has not given any loan or provided any guarantee or security in favour of other parties and has also not made any investment of its fund with any other party under Section 186 of Companies Act, 2013.

## 26. Particulars of Contracts or Arrangements with Related Parties

During the year under review:

- a) all contracts / arrangements / transactions entered by the Company with related parties were in its ordinary course of business and on an arm's length basis;
- b) contracts / arrangements / transactions which were material, were entered into with related parties in accordance with the Policy of the Company on Materiality of Related Party Transactions and on dealing with Related Party Transactions. The Company had not entered into any contract / arrangement / transaction with related parties which is required to be reported in Form No. AOC-2 in terms of Section 134(3)(h) read with Section 188 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

The Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions as approved by the Board is available

on the Company's website and can be accessed at [www.karnikaindustries.com](http://www.karnikaindustries.com). There were no materially significant related party transactions which could have potential conflict with the interests of the Company at large. Members may refer to Note 32 of the Standalone Financial Statement which sets out related party disclosures pursuant to AS - 18.

## 27. Audit Committee

The Audit Committee of the Board of Directors reviews Financial Statements and Reporting before submission to the Board. The Audit Committee makes recommendations on the appointment, remuneration, performance, and oversight of Internal and Statutory Auditors. The internal and statutory auditors' reports are reviewed. Senior Management Personnel, including the Internal Auditor, are invited to Audit Committee meetings. During the fiscal year under review, the Audit Committee met four times to discuss a variety of issues. The meetings were held on 17.06.2023, 27.09.2023, 14.11.2023 and 19.01.2024.

**Composition of the Audit Committee and attendance details of the members for the period as given below:**

Name of Members	Designation	Position	No. of Meetings held during the period	No. of Meetings attended
Mr. Shashikant Soni**	Independent Director	Chairman	4	0
Mr. Parmeshwar Lal Sharma*	Independent Director	Ex-Chairman	4	4
Mrs. Kirti Taparia	Independent Director	Member	4	4
Mrs. Kirti Mundhra	Non-Executive Women Director	Member	4	4

\*Resigned on 29.01.2024

\*\* Appointed on 30.03.2024

The Company Secretary and Compliance Officer of the Company acts as the secretary to the Audit Committee.

During the fiscal year under review, the Company reviewed and recommended to the Board the Financial Statements and Auditors Report for filing with the NSE in the draft offer document for the IPO. The Audit Committee's recommendation was accepted by the board.

## 28. Nomination and Remuneration Committee ("NRC")

The Company's Nomination and Remuneration Committee was formed in accordance with Section 178 of the Companies Act, 2013. This Committee's responsibilities include identifying qualified Directors and Senior Management, developing criteria for determining qualifications and independence, recommending appointments to the Board, evaluating Director performance, and developing a Remuneration Policy for Directors, Key Managerial Personnel, and Senior Managers.

Currently, the Nomination and Remuneration Committee consists of 1 Non-Executive Director and 2 Independent Director.

### Selection of New Directors and Board Membership Criteria

The goal of the Nomination and Remuneration Committee ('NRC') is to create a diverse board of directors with experience and backgrounds in business leadership, strategy, operations, technology, finance and accounting, governance, and government/regulatory affairs. The NRC formulates and recommends to the Board the appropriate qualifications, positive attributes, characteristics, skills, and experience required for the Board as a whole and its individual members. The meeting was held on 15.02.2024.



Composition of the NRC and attendance details of the members for the period as given below:

Name of Members	Designation	Position	No. of Meetings held during the period	No. of Meetings attended
Mr. Parmeshwar Lal Sharma*	Independent Director	Ex-Chairman	1	0
Mr. Shashikant Soni**	Independent Director	Chairman	1	0
Mrs. Kirti Taparia	Independent Director	Member	1	1
Mrs. Kirti Mundhra	Non-Executive Women Director	Member	1	1

\* Resigned on 29.01.2024

\*\* Appointed on 30.03.2024

The Company Secretary and Compliance Officer of the Company acts as the secretary to the NRC.

During the year, the NRC reviewed and recommended to the Board a Policy on Nomination, Remuneration, and Evaluation (including a Policy on the Appointment and Removal of Directors/Key Managerial Personnel ("KMPs"), a Familiarisation Programme for Independent Directors, a Succession Plan for Directors/KMPs, Board Diversity, and Board Evaluation) and a Code of Conduct for Board Members/KMPs. Remuneration Policy is published on the Company's website at [www.karnikaindustries.com](http://www.karnikaindustries.com).

### 29. Share Transfer System/ Dematerialization of shares.

The Depositories, NSDL and CDSL, have both admitted the Company's Equity Shares into the Dematerialization system. On March 31, 2024, the 1,23,99,500 equity shares that were dematerialized through the depositories, Central Depositories Services (India) Limited and National Securities Depositories Limited, accounted for 100% of the company's total issued, subscribed, and paid-up share capital. Your company has been assigned the ISIN INE0MGA01012. Following is the status of the securities as of March 31, 2024:

	CDSL	NSDL	TOTAL
Shares in Demat	25,60,000	98,39,500	1,23,99,500
Physical Shares	Nil	Nil	Nil

According to the terms of the Companies Act of 2013 and its rules, the transfer of shares in physical form is not permitted.

### 30. Deposits

According to Section 73 of the Companies Act 2013 and the regulations enacted thereunder, your Company has not taken or renewed any deposits during the year under review.

### 31. Investor Education and Protection Fund (IEPF)

During the year under review, the provision of section 125(2) of the Companies Act, 2013 does not apply as the company was not required to transfer any amount to the Investor Education Protection Fund (IEPF) established by the Central Government of India.

### 32. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Pursuant to Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014, relevant details are given hereunder.

#### A. Conservation of Energy

The company has persisted in making deeper and more vigorous attempts to increase energy efficiency.

To keep all of the machinery and equipment in good working order, they undergo regular servicing, updates, and overhauls. As a consequence, less energy was used.

#### B. Technology Absorption

- The Company continues to adopt and use the latest technologies to improve the productivity and quality of its products.
- In case of imported technology (imported during the last three years reckoned from the beginning of the financial year): The Company has invested in Imported Machinery during the Financial Year to upgrade the technology to give value to its product The Machine became fully operational during the year.
- The expenditure incurred on Research and Development:

	Amount in Lakhs	
	F.Y. 2023-24	F.Y. 2022-23
Capital Expenditure	NIL	NIL
Revenue Expenditure	NIL	NIL

### C. Foreign Exchange Earnings and Outgo:

	Amount in Lakhs	
	F.Y. 2023-24	F.Y. 2022-23
Earnings	958.36	2,065.42
Outgo	169.32	4.14

### 33. Nomination and Remuneration Policy

The NRC's purpose is to oversee the nomination process, including succession planning for the Company's Senior Management Personnel and Board, and to assist the Board in identifying, screening, and reviewing individuals qualified to serve as Executive Directors, Non-Executive Directors, Independent Directors, Key Management Personnel, and Senior Management Personnel in accordance with the criteria established by the Board in its Policy. The NRC and the Board examines the Company's succession planning process on a regular basis and are confident that there is an acceptable procedure in place for the orderly succession of Board members, Key Management Personnel, and Senior Management Personnel.

### 34. Risk Management Policy

The Company prioritizes an effective, consistent, and sustainable risk management system as part of its work culture. There is a clear risk management approach in place, including risk mapping, trend analysis, exposure, potential impact, and mitigation. The process aims to reduce the impact of recognized risks and take proactive steps to mitigate them. The mechanism is based on the probability of occurrence and the potential impact when triggered. A comprehensive risk assessment is underway to identify, evaluate, monitor, and manage both business and non-business-related risks.

### 35. Corporate Social Responsibility

In compliance with Section 135 of the Companies Act, 2013 and the regulations outlined therein, a CSR Policy has been implemented to guarantee social responsibilities.

The CSR Policy is available for download at the company's website [www.karnikaindustries.com](http://www.karnikaindustries.com).

Due to the company's profitability and turnover, your company was mandated by section 135 of the Companies Act, 2013 and its implementing regulations to carry out CSR expenditure in 2023-2024. The Company has carried out a number of expenditures under the banner of "Corporate Social Responsibility which has been provided in **Annexure-II** that are compliant with both Schedule VII of the Companies Act of 2013 and the Company's CSR Policy.

### 36. Vigil Mechanism/ Whistle Blower Policy

The Company has established a Vigil Mechanism/ Whistle Blower Policy for Directors, Employees, Vendors, Customers, and Other Stakeholders of the Company to raise, and report concerns regarding any unethical conduct, irregularity, misconduct, actual or suspected fraud, or any other violation of the Policy within the Company. This is in accordance with the provisions of Section 177 of the Act and Regulation 22 of SEBI Listing Regulations. The vigil system offers sufficient protections against victimization of those who utilize it, as well as direct access to the Audit Committee chairperson in suitable or extraordinary circumstances. The Company's website [www.karnikaindustries.com](http://www.karnikaindustries.com) has the Whistle Blower Policy.

### 37. Details of Subsidiary, Joint Venture or an Associate Companies

During the year under review, no Company became or ceased to be subsidiaries, joint ventures or associates of the Company.

There are no subsidiaries, joint ventures or associates of the Company.

### 38. Internal Financial control & its adequacy

The Company's internal financial control systems are appropriate for its size and kind of business. These are intended to offer a reasonable level of assurance concerning the following: preserving assets from unauthorised use, carrying out transactions with the appropriate authorization, recording and supplying trustworthy financial and operational information, adhering to applicable accounting standards and pertinent statutes, and guaranteeing compliance with company policies. The Company has clearly defined authority delegation and restrictions for approving capital and revenue expenditures.

### 39. Details of Remuneration of Directors and KMPs and Particulars of Employees

The Disclosures with respect to the Remuneration of Directors and Employees as required under Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 along with, a statement containing particulars of Employees as required under Section 197 of Companies Act, 2013 read with Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith and marked as **Annexure – III** and form part of this report.

### 40. Changes in Nature of Business

The Company is engaged in the Business of Manufacturing and Trading in Children wear. During

the year under review, there were no changes in the nature of business of the Company.

#### **41. Material Changes and Commitments affecting financial position between the end of the Financial Year and date of the report.**

There were no material changes during the period affecting the Financial Position of the Company.

#### **42. Details of Significant and Material Orders Passed by the Regulators, Courts and Tribunals**

During the year under review there has been no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

#### **43. Disclosures under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013**

The Company has zero tolerance for workplace sexual harassment and has implemented a policy to prevent, prohibit, and redress workplace sexual harassment in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013 and its Rules. The Internal Complaints Committee (ICC) has been formed to investigate and resolve all sexual harassment accusations. The Company is committed to providing equal opportunity for all employees, regardless of race, caste, gender, religion, colour, nationality, disability, or other factors. This policy applies to all female associates (permanent, temporary, contractual, and trainees), visitors to the company's office, and service suppliers. We treat all employees with dignity and aim to prevent sexual harassment, whether physical, verbal, or psychological.

During fiscal year 2023-24, the company received no accusations of sexual harassment.

#### **44. Details of Proceedings under the Insolvency and Bankruptcy Code, 2016**

During the year, no application was made or proceeding pending under the Insolvency and Bankruptcy Code, 2016 against the Company.

#### **45. Difference between Valuation on One Time Settlement and while availing Loan from Banks and Financial Institution:**

During the year under review there was no case of one-time settlement with financial institution so the details of difference between amount of the valuation

done at the time of one-time settlement and the valuation done while taking loan from the Banks or Financial Institutions are not applicable to the company.

#### **46. Corporate Governance & Management Discussion and Analysis Report**

The company is committed to maintaining the highest levels of corporate governance and transparency. We make every effort to innovate and adhere to corporate governance principles and best practices in order to increase long-term shareholder value in a legal, ethical, and sustainable manner. We believe it to be an inherent responsibility to provide timely and accurate information about our operations and performance. We also strive to enhance shareholder value while respecting minority rights in all of our business choices.

Your company is listed on the Emerge Platform of the National Stock Exchange of India Limited (NSE) under Regulation 15 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. However, we are not required to comply with the Corporate Governance provisions outlined in Regulations 17-27, Clause (b) to (i) and (t) of sub-regulation (2) of Regulation 46, and Para C, D, and E of Schedule V.

#### **47. Education, Training and Development**

Training and development are crucial in today's fast-paced corporate world. The Management views training as a valuable opportunity to broaden employees' expertise. A planned training and development program ensures staff have consistent experience and background knowledge. Your organization promotes a culture of continuous learning for employees through training and development opportunities. The Karnika team prioritizes achieving targeted and tangible results for the business, treating it as a capital investment and driving results. Our training and development activities have shown significant improvements in productivity, efficiency, and effectiveness.

#### **48. Disclosure about Secretarial Standard**

The Directors have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards and that such systems are adequate and operating effectively.

#### **49. Business Responsibility & Sustainability Report (BRSR)**

The Business Responsibility & Sustainability Reporting as required by regulation 34(2) (f) of the SEBI (listing obligations and disclosure requirement)

regulations, 2015 is not applicable to the company for the financial year ending, March 31, 2024.

## 50. Other Disclosures

The Company does not have any scheme or provision of money for the purchase of its own shares by employees/ Directors or by trustees for the benefit of employees/ Directors.

The Company has not issued equity shares with differential rights as to dividend, voting or otherwise.

The Company has not issued any sweat equity shares/ESOP/ RSUs to its directors or employees; and

There was no revision of financial statements and the Board's report of the Company during the year under review.

## 51. Appreciation

Your directors wish to thank the Shareholders, Clients, Bankers and others associated with the Company for their continued support during the year. Your directors also wish to place on record their appreciation for the dedication and commitment of the Employees at all levels.

We think our leadership team has the necessary background and abilities to guide us into the next decade of expansion. We keep improving our abilities and bringing in the necessary resources, which enables the business to produce reliable outcomes in the years to come. The Board of Directors truly values the high calibre of professionalism, devotion, and hard work exhibited by staff members at every level.

**For and on behalf of Board of Directors of**

**Niranjana Mundhra**  
Managing Director  
DIN: 05254448

**Shiv Shankar Mundhra**  
Whole-Time director  
DIN: 02926873

Place: Howrah  
Date: 05.09.2024

Annexure-I

# MANAGEMENT DISCUSSION AND ANALYSIS

## Forward looking statement

Within the context of relevant securities laws and regulations, statements made in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company that describe the goals, expectations, or forecasts of the company may be considered forward-looking. Statements that look forward are predicated on a number of presumptions and anticipations of future developments.

The Company makes no guarantee as to the accuracy or realization of these forecasts and assumptions. Regarding forward-looking statements, the Company disclaims any obligation to publicly edit, modify, or revise them in light of any new information, developments, or occurrences. The findings stated in the statement may not reflect actual results in a meaningful way. Changes in tax legislation, government regulations, national economic trends, and other significant events could all have an impact on the Company's operations.

The financial statements are prepared in compliance with the Accounting Standards specified under Section 133 of the Companies Act, 2013, as applicable, using the accrual basis of accounting, historical cost convention, and generally accepted accounting principles in India (Indian GAAP). Karnika Industries Limited's management has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements, reflect in a true and fair manner, the state of affairs and profit for the year.

## Management and Discussion Analysis Report

Table of Content -	
1	Global overview
2	Trends in Garment Export
3	Trends in Kids Garment Export
4	India Industry Overview
5	Government Initiatives

## Global Readymade Garments Industry Overview

In 2023, the global readymade garments market was valued at approximately USD 1,110.98 billion and is projected to grow at a compound annual growth rate (CAGR) of 9.3%, reaching USD 2,468.62 billion by 2032. This robust growth is fueled by rising disposable incomes, increasing urbanization, and evolving global fashion trends.

### Regional Analysis

- Asia-Pacific: The Asia-Pacific region dominates the global garments market, driven by its large population, low production costs, and significant manufacturing capabilities. Countries like China, India, and Vietnam are expected to grow at a CAGR of 10% over the forecast period. The region benefits from rising disposable incomes, a burgeoning middle class, and advancements in textile technology. Notably, India is poised to contribute significantly to global textile market growth, with expectations of being one of the fastest-growing major economies, contributing 15% to global economic growth, second only to China.
- North America: North America is projected to experience rapid growth, with a CAGR of 7.9%. This growth is driven by high demand for premium and sportswear products, as well as the expansion of online retail platforms. The market is influenced by consumer preferences for high-quality, branded apparel and a growing engagement with online shopping.
- Europe: Europe remains a significant market for readymade garments, despite its reliance on imports from Asia. The region's market is driven by established supply chains, strong consumer demand for high-quality and sustainable fashion products, and a focus on premium apparel.

### Global Economic Context

The global economy faced significant challenges in 2022, including a widespread slowdown in economic activity, inflation at multi-decade highs, and disruptions caused by geopolitical tensions, such as Russia's invasion of Ukraine, and the lingering effects of the COVID-19 pandemic. These factors led to a sharp decline in global growth, from 6.1% in 2021 to 3.6% in 2022 and 2023.

However, optimism remains as global economic output is expected to recover, driven by efforts to stabilize inflation, improved consumer sentiment, and renewed investor

confidence. Advanced economies, including the United States, have seen notable improvements in employment and rising disposable incomes, which are further bolstering growth. Emerging markets and developing economies, including India, are projected to lead global economic growth, supported by substantial investments in infrastructure and manufacturing.

### Trends in Garments Export

The global garments export sector is evolving, with notable trends in online retail and sustainable fashion:

- **Online Retail:** The shift towards online retailing continues to gain momentum, with e-commerce platforms like Amazon and specialized clothing websites driving growth. Online sales channels are expected to have the highest growth rates, owing to the convenience and wide reach of e-commerce.
- **Sustainable Fashion:** The demand for eco-friendly and ethically produced garments is on the rise. Sustainable fashion, which emphasizes the use of biodegradable materials and environmentally conscious production processes, is expected to experience significant growth. This trend is fueled by increasing consumer awareness and the desire to reduce environmental impact.
- **Export Data:** Bangladesh remains a leading exporter, capturing around 6% of the global clothing market. India's export trade is also strong, supported by government initiatives that enhance textile production and provide a competitive edge to Indian manufacturers.

### Trends in Kids Garment Export

The global kidswear market, valued at USD 198.80 billion in 2023, is projected to reach USD 366.72 billion by 2032, growing at a CAGR of 7.12%. Key factors driving this growth include:

- **E-commerce Expansion:** The rise of online shopping has significantly impacted the kidswear market, offering greater accessibility and variety to consumers.
- **Sustainable Fashion:** There is a growing demand for sustainable kidswear, with parents increasingly prioritizing eco-friendly and ethically produced clothing for their children.
- **Customization and Premium Segment Growth:** Customization is becoming popular in kidswear, as parents seek unique and personalized options for their children. The premium and luxury segment is also expanding, driven by higher disposable incomes and the influence of social media and celebrity endorsements.

These trends highlight the dynamic and evolving nature of the global garment industry, with significant opportunities and challenges shaping its future trajectory.

### Overview of India's Garment Industry

The Indian garment industry is a cornerstone of the country's economy, significantly contributing to its GDP and exports. The textile and apparel sector accounts for 2.3% of India's GDP, 13% of industrial production, and 12% of total exports, making it a critical driver of economic growth. Globally, India ranks as the third-largest exporter of textiles and garments, underscoring its substantial influence on the international market.

### Growth and Market Dynamics

India's readymade garments industry is experiencing robust growth, driven by both strong domestic demand and thriving export activities. Key factors fueling this growth include the availability of abundant raw materials, a highly skilled workforce, and competitive labor costs. The sector is vital to India's economy, not only for its contribution to exports but also for its significant role in employment generation.

- **Market Size:** The Indian textile and apparel industry was valued at \$197.2 billion in 2023, with projections indicating it could reach USD 592.7 billion by 2032, growing at a compound annual growth rate (CAGR) of 12.6%.
- **Employment:** The industry is a major employment provider, directly employing over 45 million people and indirectly supporting another 60 million. This makes the sector a key player in supporting local communities and sustaining livelihoods across the country.

### Challenges

Despite its strengths, the Indian garment industry faces several challenges that could impact its growth trajectory:

- **Fluctuating Cotton Prices:** The industry is highly dependent on cotton, and fluctuating cotton prices—along with disparities between international and domestic prices—pose significant challenges. These price variations can lead to reduced profit margins and production slowdowns.
- **Sluggish Demand for Cotton Textiles:** A slowdown in demand for cotton textiles has further pressured the industry, compounding the difficulties faced due to price volatility.

### Opportunities

The Indian garment industry is also positioned to capitalize on several dynamic opportunities:

- **Domestic Market Potential:** With a large and youthful population, India presents a robust and growing domestic market for textiles and apparel. This demographic trend offers a resilient consumer base that could drive future industry expansion.
- **Global Export Growth:** In 2023, India's garment exports were valued at USD 14.5 billion. This sector has significant growth potential, supported by

government initiatives aimed at boosting exports and increasing global demand for Indian garments.

The Indian garment industry is a vital component of the national economy, with strong prospects for growth despite the challenges it faces. The sector's ability to leverage its strengths, such as a large workforce and a growing domestic market, while addressing its challenges, will be crucial in maintaining its competitive edge both domestically and internationally.

## Government Initiatives

**Advance Authorisation (AA) Scheme:** The Indian government has introduced several initiatives to boost industrial growth, including the Advance Authorisation (AA) scheme. This scheme allows for the duty-free import of inputs used in export products, thereby reducing production costs and promoting exports.

**Amended Technology Upgradation Fund Scheme (ATUFS):** This scheme offers financial assistance to the textile sector for technology upgrades, which improve production efficiency and product quality.

**Production-Linked Incentives (PLI):** Valued at \$1.4 billion, this scheme is designed to help textile and apparel manufacturing units achieve their capacity potential, thereby driving growth in the industry.

**Mega Textile Parks:** The government plans to establish seven mega textile parks across India, which are expected to generate employment and strengthen the MSME sector. These parks will offer advanced infrastructure and tax benefits to textile companies, further supporting industry growth.

## SWOT analysis of the garment industry

### Strengths

- **Diverse Product Range:** The garment industry offers a broad spectrum of products, including casual wear, formal wear, sportswear, and specialized clothing such as sustainable and eco-friendly garments. This diversity enables companies to cater to a wide array of consumer preferences and needs across various market segments.
- **Technological Advancements:** The integration of technologies like automation, AI, and 3D printing has significantly improved production efficiency, product quality, and customization capabilities. These innovations allow companies to quickly respond to market demands while reducing operational costs.
- **Global Demand:** Steady global demand, fueled by population growth, urbanization, and increasing disposable incomes—especially in emerging markets—provides a stable and expanding market for garment manufacturers.
- **Sustainability Initiatives:** The rising consumer demand for sustainable fashion has driven many

companies to adopt eco-friendly practices. This not only aligns with market trends but also establishes companies as responsible and innovative industry leaders.

### Weaknesses

- **High Competition:** The garment industry is marked by intense competition, with numerous local and international players competing for market share. This high level of competition can lead to price wars and squeezed profit margins, making it difficult for companies to maintain profitability.
- **Supply Chain Vulnerabilities:** The industry's reliance on global supply chains makes it vulnerable to risks such as geopolitical tensions, natural disasters, and pandemics. These disruptions can cause delays, increase costs, and complicate inventory management.
- **Environmental Impact:** Despite progress in sustainable practices, the garment industry remains a major contributor to environmental degradation. Issues like high water consumption, chemical usage, and waste generation continue to present long-term environmental challenges.

### Opportunities

- **Sustainable Fashion Trends:** The increasing consumer preference for sustainable and ethically produced garments offers a significant growth opportunity. Companies that invest in eco-friendly practices and materials can attract environmentally conscious consumers and gain a competitive edge.
- **E-commerce Growth:** The expansion of e-commerce and direct-to-consumer (D2C) models opens up vast opportunities for garment companies to reach a global audience. Investing in strong online platforms and enhancing the digital shopping experience can drive sales and broaden market reach.
- **Customization and Personalization:** Technological advancements have made it easier to offer customized and personalized garments. Providing bespoke products tailored to individual consumer preferences can boost customer satisfaction and loyalty.
- **Expansion into Emerging Markets:** Emerging markets in regions like Asia, Africa, and Latin America present significant growth potential due to rising disposable incomes and shifting lifestyles. Successfully entering these markets can lead to substantial business growth.

### Threats

- **Economic Volatility:** The garment industry is vulnerable to economic fluctuations, which can affect consumer spending and demand for apparel. Economic downturns, inflation, and currency fluctuations pose significant risks to profitability.

- **Intellectual Property Issues:** Counterfeiting and intellectual property theft result in considerable financial losses and damage to brand reputation. Protecting intellectual property remains a persistent challenge in the industry.
- **Environmental Regulations:** Increasingly strict environmental regulations require companies to implement costly compliance measures. Non-compliance can lead to fines, legal actions, and reputational harm.
- **Technological Displacement:** While automation and digital technologies offer numerous advantages, they also pose the threat of job displacement. Companies need to balance technological progress with workforce management to mitigate potential social and economic impacts.

## FINANCIAL OVERVIEW

The financial performance of the Company for the year ended March 31, 2024, is as follows:

Total revenue from operations at ₹12845.65 Lakhs in FY 2023-24, as against ₹12605.61 Lakhs in FY 2022-23, representing a marginal YoY increase of 1.02%.

EBITDA was at ₹1925.96 Lakhs in FY 2023-24 as against ₹1664.41 Lakhs in FY 2022-23, increase of 15.71% YoY.

Profit after Tax was ₹1010.49 Lakhs in FY 2023-24 compared to ₹818.21 Lakhs in FY 2022-23, YoY increase of 23.50%.

Basic EPS stood at ₹8.15 in FY 2023-24 as compared to ₹8.99 in FY 2022-23

## Details of Significant Changes in the Key Financial Ratios and Return on Net Worth

In accordance with Schedule V to the SEBI Listing Regulations, the following information pertains to any changes in the company's Return on Net Worth and any noteworthy changes in Key Financial Ratios (defined as changes of 25% or more from the immediately prior financial year), along with an explanation for such changes.

Particulars	FY 2023-24	FY 2022-23	(%) Variance	Explanation
Debtors Turnover (in times)	2.78	3.10	-10.30%	NA
Inventory Turnover (in times)	2.00	2.03	-1.41%	NA
Interest Coverage Ratio (number of times)	3.78	3.15	20.17%	NA
Current Ratio (number of times)	1.76	1.20	47.05%	Current Assets have increased as compared to previous year whereas Current Liabilities have decreased as compared to previous year
Debt Equity Ratio (number of times)	0.98	2.92	-66.37%	Company has raised Capital during the F Y 2023-24
Operating Profit Margin (%)	9.75	7.72	26.23%	Expenses have decreased in the F Y 2023-24
Net Profit Margin (%)	7.94	6.57	20.92%	NA
Return on Net worth (%)	17.57	23.14	-24.10%	NA

## SEGMENT WISE BUSINESS PERFORMANCE

The company manufactures and deals with readymade garments for kids/children. The Company does not have more than one reportable segment under AS 17, hence segment-wise reporting is not applicable.

## RISKS AND CONCERNS

The readymade cloth industry is particularly labour-intensive. The sector faces challenges with labour availability throughout the value chain. Furthermore, rigid employment rules and rising wages are a hurdle.

High fabric prices can lead to increased working capital requirements, and lower credit metrics, in addition to

profitability pressures. The Company faces many risks, including economic downturn, quality, workforce availability, competitiveness, and technology.

### Credit Risk

The Company has established a credit policy that includes credit limit requests and approval procedures. Prior to dealing with a new client, the company does its own research on the client's financial condition. Clients are followed up using a timely and thorough approach to ensure that payments are made on time. The Company has streamlined the process to create a focused and aggressive receivables management strategy that ensures prompt collections.



### **Interest Rate Risk**

The Company has prudently maintained its debt-equity ratio. It has used a combination of borrowing and internal cash accruals. The Company has effectively managed its working capital to lower overall interest costs.

### **Competition Risk**

This risk stems from an increasing number of players seeking a share of the market. As in most industries, opportunities attract competition. We encounter various levels of competition both from domestic and international companies. However, our Company has established strong differentiators in execution, quality, and delivery, which make us resilient to competitive pressures. Additionally, our ongoing investments in technology help us stay ahead of the competition. A strong and stable client base also helps protect us from this risk.

To mitigate this risk, we rely on the high quality of our infrastructure, a customer-centric approach. We emphasize competitive pricing, aggressive marketing strategies, and prudent management of financial and human resources, along with effective cost control. As a result, we do not expect this risk to significantly impact us.

### **INTERNAL CONTROL SYSTEMS AND ADEQUACY**

The Company has established robust and sufficient internal control systems to safeguard assets from unauthorized use or loss. These systems ensure that all transactions are properly authorized, accurately recorded, and correctly reported. Additionally, the Company has implemented measures to maximize operational

efficiency, optimize resource use, monitor activities, and comply with all relevant laws, including the Companies Act, 2013, Listing Agreement, SEBI regulations, labour laws, and tax laws.

These systems aim to improve financial management and investment policies and ensure effective information flow for monitoring purposes. The internal audit system supports the development and implementation of corporate policies for financial reporting, accounting, information security, and corporate governance. An independent and qualified Audit Committee of the Board of Directors also reviews the internal control system and assesses its impact on the Company's overall performance.

### **HUMAN RESOURCES**

A company's most valuable asset is always its people resources. The company believes that human resources are the driving factor behind its success and growth. This declaration recognizes the intrinsic value of the company's employees.

The company's ethos emphasizes the importance of human capital. This perspective sees employees as dynamic contributors who drive the company's success. Employees have an active role in driving the company's growth and achieving strategic goals.

The organization prioritizes attracting and recruiting top individuals to line with its concept. This approach prioritizes excellence, innovation, and adaptability in the workforce to meet the challenges and opportunities of the ever-changing business world. Recruiting top people enables the organization to confidently navigate a competitive environment.

## Annexure-II

# Annual Report on Corporate Social Responsibility (CSR) activities for F.Y. 2023-24

## 1. Brief outline on CSR policy of the Company

Karnika Industries Limited ('the Company') has implemented CSR measures to ensure long-term economic performance, environmental stewardship, and social responsibility. The Company works with society beyond business because it thinks that a good business must have a greater impact in creating a better future for the communities in its environment. The company strives to end malnutrition, improve healthcare facilities, support primary education, rehabilitate abandoned women and children, animal welfare and preserve Indian art and culture. The Company's focus has always been on contributing to the long-term growth of society and the environment, as well as making our world a better place for future generations.

## 2. Composition of CSR Committee

Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
Mr. Mahesh Kumar Mundhra	Whole-Time Director	2	2
Mr. Shashikant Soni**	Independent Director	2	0
Mr. Parmeshwarlal Sharma*	Independent director	2	2
Mrs. Kirti Taparua	Independent Director	2	2
Mrs. Kirti Mundhra	Director	2	2

\* Resigned on 29.01.2024

\*\* Appointed on 30.03.2024

The Company Secretary and Compliance Officer of the Company acts as the secretary to the CSR Committee.

During the year, the Committee reviewed and recommended to the Board the CSR Policy, CSR Activities, CSR Budget, and expenditures for Fiscal Year 2023-24. During the year, the Board adopted all the Committee's recommendations. Corporate Social Responsibility Policy is available on the website of the Company at [www.karnikaindustries.com](http://www.karnikaindustries.com)

## 3. Provide the web-link where Composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the company.

Composition of CSR Committee and CSR Policy are disclosed at [www.karnikaindustries.com](http://www.karnikaindustries.com)

Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable: **Not Applicable**

4. (a) Average net profit of the company as per sub-section (5) of section 135: **₹1,108.75 Lakhs**  
 (b) Two percent of average net profit of the company as per sub-section (5) of section 135: **₹22.175 Lakhs**  
 (c) Surplus arising out of the CSR projects or programs or activities of the previous financial years: **NIL**  
 (d) Amount required to be set off for the financial year, if any: **NIL**  
 (e) Total CSR obligation for the financial year [(b)+(c)-(d)]: **₹22.175 Lakhs**
5. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): **₹22.75 Lakhs**  
 (b) Amount spent on Administrative Overheads: **₹0.00**  
 (c) Amount spent on Impact Assessment, if applicable: **₹0.00**  
 (d) Total amount spent for the Financial Year [(a)+(b)+(c)]: **₹22.75 Lakhs**  
 (e) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year	Amount Unspent				
	Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135		
	Amount	Date of transfer	Name of the Fund	Amount	Date of Transfer
22.75 Lakhs		0.00		NA	

(f) Excess amount for set off, if any:

Sr. No.	Particulars	Amount (₹ In Lakhs)
(1)	(2)	(3)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	22.175
(ii)	Total amount spent for the Financial Year	22.750
(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	0.575
(iv)	Surplus arising out of the CSR projects or programs or activities of the previous Financial Years, if any	0.000
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	0.575

6. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)
Sl. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account sub-section (6) of section 135	Balance Amount in Unspent CSR Account under sub-section (6) of section 135	Amount Spent in the Financial Year (in Lakhs)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub-section (5) of section 135, if any		Amount remaining to be spent in succeeding financial years	Deficiency, if any
				Amount	Date of transfer			
1.	0	0	0	0	0	0	0	0

7. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year: No

If yes, enter the number of Capital assets created/ acquired: Not Applicable

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pin code of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered Address
Not Applicable							

8. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):  
Not Applicable

For and on behalf of Board of Directors of  
Karnika Industries Limited

Sd/-  
Mahesh Kumar Mundhra  
Chairman of CSR Committee  
DIN: 08577538

Sd/-  
Niranjan Mundhra  
Chairman and Managing Director  
DIN: 05254448

Date: 5<sup>th</sup> Day of September 2024  
Place: Howrah

## Annexure-III

## Statement of Disclosure of Remuneration under Section 197 of Companies Act, 2013 and Rule 5(i) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. The ratio of the remuneration of each director to the median remuneration of the employees of the company for FY 2023-24

Sr. No.	Name of Director & Designation	Ratio to the Median**
1	Mr. Niranjana Mundhra, Managing Director	63.03
2	Mr. Shiv Shankar Mundhra, Whole-Time Director	59.38
3	Mr. Mahesh Kumar Mundhra, Whole-Time Director	59.38
4	Mrs. Kirti Mundhra*, Non-Executive Director	-
5	Mrs. Kirti Taparia*, Independent Director	-
6	Mr. Shashi Kant Soni*, Independent Director (Appointed on 30.03.2024)	-
7	Mr. Parmeshwar Lal Sharma*, Independent Director (Resigned on 29.01.2024)	-

\*Sitting Fees is paid to the Independent Directors and Non-Executive Directors, therefore has not been counted for this purpose.

\*\* The median Remuneration of Employee of the Company for the F Y 2023-24 – ₹1.48 Lakhs

2. Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager in FY 2023-24 – Mr. Krishan Kumar Karnani, Chief Financial Officer has been paid remuneration from 01<sup>st</sup> April, 2023 and Ms. Muskan Mundhra, Company Secretary has been appointed from 27.06.2023, hence percentage of increase is not provided.
3. Percentage increase in the median remuneration of employees in FY 2023-24: 23.50%
4. The number of permanent employees on the rolls of company as on March 31, 2024: 155
5. Average percentile increase already made in the salaries of employees other than the managerial personnel in the F Y 2023-24 is 16.97% as compared to last financial year whereas there is no increase in the managerial remuneration in the F Y 2023-24 as compared to last financial year.
6. Board affirms that the remuneration is as per the remuneration policy of the company.

**For and on behalf of Board of Directors of  
Karnika Industries Limited**

Sd/-  
**Niranjana Mundhra**  
Managing Director  
DIN: 05254448

Sd/-  
**Shiv Shankar Mundhra**  
Whole-Time director  
DIN: 02926873

Date: 5<sup>th</sup> Day of September 2024  
Place: Howrah

# Corporate Governance Report

(Listing Obligations and Disclosure Requirements) Regulations, 2015, or Part C of Schedule V concerning compliance with corporate governance, in light of the Company's listing on the National Stock Exchange of India Limited's EMERGE Platform. Additionally, as per Regulation 27(1) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is exempt from complying with the requirements outlined in Part E of Schedule II, and as per Regulation 27(2) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is not required to submit Compliance Reports on Corporate Governance on a quarterly basis. Therefore, it is not necessary to disclose a Corporate Governance Report together with an Annual Report.

## General Body Meetings Location and time, where last three AGMs were held

Financial Year Ended	Date	Time	Venue	Special Resolutions Passed
31.03.2023	28.09.2023	11:00 A.M.	Registered Office-6 & 6/1, Gurgola Ghat Road, Howrah-711106	

No special resolutions were passed in last AGM through postal ballot or in FY 2023-24. Further, no special resolution is proposed to be passed through postal ballot.



**Poonam Binani**  
Company Secretary

19, Maharshi Debendra Road  
Kolkata - 700 007  
Mobile : +91 9007493201  
E-mail: poonamundhra@gmail.com

## 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,  
**KARNIKA INDUSTRIES LIMITED**  
(CIN: L17299WB2022PLC253035)  
6&6/1, Gurgola Ghat Road  
P.O. Salkia, Howrah,  
West Bengal-711106

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Karnika Industries Limited having CIN L17299WB2022PLC253035 and having registered office at 6&6/1, Gurgola Ghat Road, P.O. Salkia, Howrah, West Bengal- 711106 (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

Sr. No.	Name of Director	DIN	Date of appointment in Company
1	NIRANJAN MUNDHRA	05254448	13/04/2022
2	MAHESH KUMAR MUNDHRA	08577538	13/04/2022
3	SHIV SHANKAR MUNDHRA	02926873	13/04/2022
4	KIRTI MUNDHRA	09549207	01/01/2023
5	KIRTI TAP ARIA	10083439	24/03/2023
6	SHASHIKANT SONI	10570038	30/03/2024

Note : Mr. Parmeshwar Lai Sharma (DIN-09798016) resigned on 29<sup>th</sup> January, 2024 from the position of Independent Director. During his tenure as an Independent Director of the Company i.e., during the FY 2023-24, he was not debarred or disqualified from being appointed or continue as Directors of companies, by the Securities and Exchange Board of India (SEBI) and Ministry of Corporate Affairs (MCA).

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these based on my 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.

Place: Kolkata  
Date : 27<sup>th</sup> August, 2024

**Poonam Binani**  
Company Secretary  
Membership No. A33638  
C.P. No. 12552  
UDIN- A033638F001052414  
Peer Review no. 2345/2022



*Poonam Binani*  
Company Secretary

19, Maharshi Debendra Road  
Kolkata - 700 007  
Mobile : +91 9007493201  
E-mail: [poonamundhra@gmail.com](mailto:poonamundhra@gmail.com)

## Form No. MR-3

# SECRETARIAL AUDIT REPORT

### For the Financial Year Ended 31<sup>st</sup> March, 2024

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To  
The Members,  
**KARNIKA INDUSTRIES LIMITED**  
(CIN: L17299WB2022PLC253035)  
6&6/1, Gurgola Ghat Road P.O. Salkia, Howrah,  
West Bengal-711106

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Karnika Industries Limited** having **CIN L17299WB2022PLC253035** (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 dining the conduct of secretarial audit, I hereby report that in my opinion, the Company has, dining die audit period covering the financial year ended on 31<sup>st</sup> March 2024 ("audit period") 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 Karnika Industries Limited ("the Company") for the financial year ended on 31<sup>st</sup> March, 2024 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The Securities and Exchange Board of India Act, 1992 ('SEBI Act')
- (vi) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011- **Not Applicable to the Company during the Audit Period;**
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat

- Equity) Regulations, 2021- **Not applicable as there was no reportable event during the year under review;**
- e) The Securities and Exchange Board of India (Issue and Listing of Non- Convertible Securities) Regulations, 2021- **Not Applicable as the Company has not issued and listed debt securities during the Financial Year under review;**
- f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client - **Not Applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the Financial Year under review;**
- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021- **Not Applicable as the Company has not delisted/proposed to delist its equity shares from any Stock Exchanges during the Financial Year under review;**
- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - **Not applicable as the Company has not bought back / has proposed to buy-back any of its securities during the Financial Year under review.**
- i) The Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015;
- j) Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009;
- (vii) Other Applicable Acts:
- a. Employees' State Insurance Act, 1948, and rules made thereunder;
- b. The Employees' Provident Fund and Miscellaneous Provisions Act, 1952, and rules made thereunder;
- c. The Payment of Bonus Act, 1965 and The Payment of Bonus (Amendment) Act, 2015;
- d. The Payment of Gratuity Act, 1972, and rules made thereunder;
- e. The Payment of Wages Act, 1936 and The Payment of Wages (Amendment) Act, 2017;
- f. The Factories Act, 1948;
- g. Shop & Commercial Establishment Act of Applicable States;
- h. Child Labour (Prohibition and Regulation) Act, 1986;
- i. Sexual Harassment at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- j. The Competition Act, 2002, and rules made thereunder;
- k. Prevention of Money Laundering Act, 2002, and rules made thereunder;
- l. Consumer Protection Act, 1986, and rules made thereunder;
- m. The Trademark Act, 1999, and rules made thereunder;
- n. The Indian Stamp Act, 1899, and rules made thereunder;
- o. Guideline with respect to SEBI KYC Registration Agency Regulation, 2011;
- p. Credit Information Companies (Regulation) Act, 2005 and rules made thereunder;
- q. The Depositories Act, 1996 and regulation and buy-laws thereunder;
- r. The Income Tax Act, 1961;
- s. Central Goods and Service Tax Act, 2017
- t. West Bengal Goods and Service Tax Act, 2017
- u. Integrated Goods and Service Tax Act, 2017
- v. The West Bengal State Tax on Professions, Trades, Callings and Employments Act, 1979;
- w. Information Technology Act, 2000;
- x. The Micro, Small and Medium Enterprise Development Act, 2006; and
- y. The Reserve Bank of India Act, 1934.
- z. The Customs Act, 1962
- I have also examined compliance with the applicable clauses of the following:
- (i) Secretarial Standards issued by The Institute of Company Secretaries of India under the provision of Companies Act, 2013 in respect of board and general meetings.
- (ii) The Listing Agreements entered into by the Company with the NSE Emerge, the SME Platform of the National Stock Exchange of India Limited as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.
- During the period under review the Company has complied with the provisions of the Act, Regulations, Guidelines, Standards, etc. mentioned above.
- I further report that compliance of applicable financial laws including Direct and Indirect Tax laws by the Company has not been reviewed in this Audit since the



same has been subject to review by the Statutory Auditors and other designated professionals.

During the year the Company has conducted Board meetings, respective committee meetings and Independent Directors meeting. I have also examined compliance with the applicable clauses.

**I further report that:**

- A. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- B. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days 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.
- C. As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions at the Board

Meetings, as represented by the management, were taken unanimously and recorded in minutes.

- D. There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with all the applicable Laws, Rules, Regulations and Guidelines;
- E. The company has been regular in filing e-forms/ documents with the Regulatory Authorities under the Companies Act, 2013 and the rules made thereunder;
- F. During the review period, there were no specific instances / actions in the Company in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards etc. having major bearing on the Company's affairs, however;
  - (i) The Company has made an Initial Public Offering of 32,99,200 Equity Shares, each with a face value of ₹10/- (Rupees Ten only), at a premium of ₹66/-.
  - (ii) The Equity Shares of the Company have been listed on the NSE Emerge, the SME Platform of the National Stock Exchange of India Limited on the Stock Exchanges effective from October 12, 2023 pursuant to Initial Public Offer.

Place: Kolkata  
Date : 21<sup>st</sup> August, 2024

**Poonam Binani**  
Company Secretary  
Membership No. A33638  
C.P. No. 12552  
UDIN- A033638F001012550  
Peer Review no. 2345/2022

Note : This report is to be read along with or letter of even date which is annexed as Annexure A forms an integral part of this report.



*Poonam Binani*  
Company Secretary

19, Maharshi Debendra Road  
Kolkata - 700 007  
Mobile : +91 9007493201  
E-mail: poonamundhra@gmail.com

## ANNEXURE A”

To  
The Members,  
**KARNIKA INDUSTRIES LIMITED**  
(CIN: L17299WB2022PLC253035)  
6&6/1, Gurgola Ghat Road  
P.O. Salkia, Howrah,  
West Bengal-711106

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

1. Maintenance of secretarial record 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 the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Account of the Company.
4. Where ever required obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The List of Laws applicable to the Company stated in the Secretarial Audit Report is as Confirmed by the management of the Company. The Secretarial Audit Report is neither an assurance nor a confirmation that the list is exhaustive.
7. The Secretarial Audit report 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.

Place: Kolkata  
Date : 21<sup>st</sup> August, 2024

**Poonam Binani**  
Company Secretary  
Membership No. A33638  
C.P. No. 12552  
UDIN- A033638F001012550  
Peer Review no. 2345/2022



**FINANCIAL  
STATEMENT**

# INDEPENDENT AUDITOR'S REPORT

To the Members,  
**Karnika Industries Limited**

## Report on the Audit of the Financial Statements Opinion

### Opinion

We have audited the Financial Statements of **KARNIKA INDUSTRIES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2024, and the Statement of Profit and Loss and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Companies Act, 2013 ("The Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2024, and its profit and its Cash Flow for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs 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 Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

### Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming

our opinion thereon, and we do not provide a separate opinion on these matters. In the audit of the current period, we have not observed any key audit matters required to be reported separately.

## Information Other than the Financial Statements and Auditor's Report thereon

The Company's Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Company's annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 during the course of our audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibility of Management for Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are

reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, 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, the Management and Board of Directors are 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 the Management and the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of Financial Statements 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 Statements 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 financial statements, including the disclosures, and whether the financial statements 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2020 ("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 A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. A. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March 2024 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March 2024 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure – B". Our report expresses an unmodified opinion on the adequacy operating effectiveness of the company's internal financial controls over financial reporting.
- B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - (a) The Company does not have any pending litigations which would impact on its financial position.
  - (b) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - (c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the company.
  - (d) The Management has represented that, to the best of its knowledge:
    - i. 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 person(s) or entity(ies), 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 by or on behalf of the company (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of ultimate beneficiaries.
    - ii. no funds have been received by the company from any person(s) or entity(ies) including foreign entities ("Funding Parties") with the understanding whether in writing or otherwise, that such company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of the Ultimate beneficiaries.
    - 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 sub clause iv(a) and iv(b) contain any material misstatement.
  - (e) The reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 is applicable from 1 April 2023.
 

Based on our examination which included test checks, the Company has used accounting software for maintaining its books of account, which have a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the respective software.

Further, for the periods where audit trail (edit log) facility was enabled and operated

throughout the year for the respective accounting software, we did not come across any instance of the audit trail feature being tampered with.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from 01.04.2023, reporting under Rule 11(g) of Companies (Audit & Auditors) Rules, 2014 on preservation of Audit Trail as per the Statutory requirement for record retention is not applicable for the Financial Year ended 31<sup>st</sup> March, 2024.

- C. The company has not declared or paid any dividend during the year in contravention of the provisions of section 123 of the Companies Act, 2013.
- D. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

In our Opinion, and according to the information and explanations given to us the remuneration paid by the Company to its Directors during the current year 2024 has been paid /provided by the company to its directors is in accordance with the provisions of section 197 of the Act.

**For A A A J & Associates**  
**(Formerly known as Uttam Agarwal & Associates)**  
Chartered Accountants  
Firm Reg. No. 0322455E

**CA Deepak Agarwal**  
Partner  
Mem. No. 061132  
Date: 27<sup>th</sup> Day of May 2024  
UDIN: 24061132BKAUAZ5291

## Annexure “A” to the Independent Auditor’s Report

Referred to in Paragraph 1 under the heading “Report on other Legal Regulatory Requirement” of our report of even date to the financial statement of the company for the year ended March 31, 2024.

- (i) In respect of the Company’s Property, Plant and Equipment:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, plant, and equipment.
- The Company has maintained proper records showing full particulars of intangible assets.
- (b) According to the information and explanations given to us and on the basis of our examination of records of the Company, the Company has a regular programme of physical verification of its property, plant, and equipment by which all Property, plant and equipment are verified in a phased manner over a period of three years. In accordance with this programme, certain Property, plant, and equipment were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the title deeds of immovable properties (other than immovable 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.
- (d) According to the information and explanations given to us and on the basis of our examination of records of the Company, the Company has not revalued its property, plant, and equipment (including Right-of-use assets) or Intangible assets or both during the year.
- (e) According to the information and explanations given to us and on the basis of our examination of records of the Company there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made there under.
- (ii) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable, and procedures and coverage as followed by Management were appropriate. 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.
- During the year company has been sanctioned/ Renewed working capital limits in excess of five Crore rupees on the basis of security of current assets. As explained to us Company is regular in submission of quarterly statements to bank. As explained by the management and based on review of Stock statements submitted to banks, we are of the opinion that data provided in stock statement are as per best available quantities subject to physical verification. There is no material difference between stock statement submitted to bank and books of accounts, although difference can arise due to method of valuation, physical verification, return of goods, shortage, wastage, Debit and credit notes and reconciliation of debtors and creditors. There are no material differences which require specific reporting.
- (iii) 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 or stood guarantee or provided security nor has given any loans, or advances in the nature of loans, secured or unsecured to companies, firms, limited liability partnerships or any other parties during the year. Hence, clause (iii) of Paragraph 3 of the Order is not applicable to the Company.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company has not given any loans or stood guarantee or provided security as specified under Section 185 and 186 of the Companies Act, 2013. Hence, clause (iv) of Paragraph 3 of the Order is not applicable to the Company.
- (v) The Company has not accepted any deposits or amounts which are deemed to be deposits from the public. Accordingly, clause (v) of Paragraph 3 of the Order is not applicable to the Company.
- (vi) 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 Act for the products manufactured by it. Accordingly, clause (vi) of Paragraph 3 of the Order is not applicable to the Company.



(vii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, Income Tax, duty of customs, and other statutory dues applicable to it.

According to the information and explanations given to us and on the basis of our examination of the records of the Company, no undisputed amounts payable in respect of these statutory dues were outstanding, at the year end, for a period of more than six months from the date they become payable.

According to the information and explanations given to us, there are no statutory dues of Goods & Service Tax, Provident fund, Employees' State Insurance, Income-tax, Duty of Customs, or other statutory dues which have not been deposited by the Company on account of disputes.

(viii) 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) 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 defaulted on repayment of loans or other borrowings or in the payment of interest thereon to any lender.
- 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 been declared a willful defaulter by any bank or financial institution or government or government authority.
- c. 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 utilized the monies obtained by way of term loans during the year for the purposes for which they were obtained.
- d. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on a short-term basis have been utilized for long-term purposes by the Company.
- e. According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we

report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, joint venture or associates as defined under the Companies Act, 2013. Accordingly, clause (ix)(e) of Para 3 of the Order is not applicable

f. According to the information and explanations given to us and on the basis of our examination of the records of the Company, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint venture or associate companies as defined under the Companies Act, 2013. Accordingly, clause (ix)(f) of Para 3 of the Order is not applicable.

(x) a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, monies raised during the year by the Company by way of initial public offer was applied for the purpose for which they were raised.

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 made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause (x)(b) of Para 3 of the Order is not applicable.

(xi) a. Based on examination of the books and records of the Company and according to the information and explanations given to us, considering the principles of materiality outlined in Standards on Auditing, we report that no fraud by the Company or on the Company has been noticed or reported during the course of the audit.

b. According to the information and explanations given to us, no report under sub-section (12) of Section 143 of the Companies Act, 2013 has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.

c. According to information and explanation given to us by the Management, no whistle blower complaints were received by the company during the year.

(xii) According to information and explanation given to us, the Company is not a Nidhi Company. Accordingly, clause (xii) of para 3 of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with Sections

177 and 188 of the Companies Act, 2013, where applicable, and the details of the related party transactions have been disclosed in the financial statements as required by the applicable Accounting Standards.

- (xiv) a. Based on information and explanations provided to us and our audit procedures, the Company has an internal audit system commensurate with the size and nature of its Business in accordance with Section 138 of the Companies Act, 2013;
- b. We have considered the reports of the Internal Auditors issued for the period under audit.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected to its directors and hence, provisions of Section 192 of the Companies Act, 2013 are not applicable to the Company.
- (xvi) a. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(a) of the Order is not applicable;
- b. Based on examination of the books and records of the Company and according to the information and explanations given to us, the Company has not conducted any Non-Banking Financial or Housing Finance.
- c. The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause (xvi)(c) of Para 3 of the Order is not applicable.;
- d. According to the information and explanations provided to us during the course of audit, the Company does not have any CIC. Accordingly, the requirements of clause 3(xvi)(d) of Para 3 of the Order is not applicable;
- (xvii) The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year;
- (xviii) There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of Para 3 of the Order is not applicable.
- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, 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 that the 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) In our opinion and according to the information and explanations given to us, there is no unspent amount under sub-section 5 of Section 135 of the Companies Act, 2013, pursuant to any project. Accordingly, clauses (xx)(a) and (xx)(b) of Para 3 of the Order are not applicable.

**For A A A J & Associates**  
**(Formerly known as Uttam Agarwal & Associates)**  
 Chartered Accountants  
 Firm Reg. No. 0322455E

**CA Deepak Agarwal**  
 Partner  
 Mem. No. 061132  
 Date: 27<sup>th</sup> Day of May 2024  
 UDIN: 24061132BKUAZ5291

## Annexure “B” to the Independent Auditor’s Report

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls over financial reporting of Karnika Industries Limited (“the Company”) as of March 31, 2024, in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Managements and Board of Directors’ Responsibilities for Internal Financial Controls

The Company’s management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk

that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, 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 with reference to financial statements.

### Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control with reference to financial statements 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 with reference to financial statements includes those policies and procedures that

- a. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- c. 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 with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2024, based on the internal financial controls with reference to financial statements 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.

**For A A A J & Associates  
(Formerly known as Uttam Agarwal & Associates)**

Chartered Accountants  
Firm Reg. No. 0322455E

**CA Deepak Agarwal**

Partner  
Mem. No. 061132  
Date : 27<sup>th</sup> Day of May 2024  
UDIN : 24061132BKAUAZ5291

## Balance Sheet

as at 31<sup>st</sup> March, 2024

(₹ in Lakhs)

PARTICULARS	Note No.	As at 31.03.2024	As at 31.03.2023
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	3	1,239.95	910.03
(b) Reserves & Surplus	4	4,070.83	882.87
		<b>5,310.78</b>	<b>1,792.90</b>
<b>2 Non-Current Liabilities</b>			
(a) Long Term Borrowings	5	186.19	4.33
(b) Long Term Provision	6	18.32	11.92
		<b>204.50</b>	<b>16.25</b>
<b>3 Current Liabilities</b>			
(a) Short Term Borrowings	7	5,024.07	5,226.00
(b) Trade Payables	8		
(i) Total outstanding dues to micro, small & medium enterprise		59.39	-
(ii) Total outstanding dues to other than micro, small & medium enterprise		1,266.42	2,564.29
(c) Other Current Liabilities	9	86.99	181.90
(d) Short Term Provisions	10	33.94	2.97
		<b>6,470.81</b>	<b>7,975.17</b>
<b>TOTAL</b>		<b>11,986.10</b>	<b>9,784.32</b>
<b>II. ASSETS</b>			
<b>1 Non-current Assets</b>			
(a) Property, Plant & Equipment and Intangible Assets	11		
(i) Property, Plant and Equipment		506.44	150.68
(ii) Intangible Assets		1.39	2.53
(b) Deferred Tax Asset	12	11.70	3.02
(c) Long Term Loan & Advances	13	10.00	39.66
(d) Other Non Current Asset	14	41.22	20.67
		<b>570.75</b>	<b>216.55</b>
<b>2 Current Assets</b>			
(a) Inventories	15	4,757.58	4,853.67
(b) Trade Receivables	16	5,137.91	4,021.51
(c) Cash and Cash Equivalents	17	1,153.41	155.19
(d) Short-term loans and advances	18	58.69	78.05
(e) Other Current Asset	19	307.76	459.35
		<b>11,415.35</b>	<b>9,567.77</b>
<b>TOTAL</b>		<b>11,986.10</b>	<b>9,784.32</b>

Accompanying notes forming part of the financial statements (1-36)

**For A A A J & Associates**  
**(formerly known as Uttam Agarwal & Associates)**

Chartered Accountants  
Firm Registration No.322455E

**CA Deepak Agarwal**  
Partner  
Mem.No. 061132

Place: Kolkata  
Date : 27<sup>th</sup> Day of May 2024  
UDIN : 24061132BKAUAZ5291

**For and on behalf of the Board of Directors**
**Niranjan Mundhra**  
(Managing Director)  
DIN: 05254448

**Shiv Shankar Mundhra**  
(Whole-Time Director)  
DIN: 02926873

**Krishan Kumar Karnani**  
(Chief Financial Officer)

**Muskan Mundhra**  
(Company Secretary)

# Statement of Profit & Loss

for the Year Ended 31<sup>st</sup> March, 2024

(₹ in Lakhs)

PARTICULARS	Note No.	Year Ended 31.03.2024	Year Ended 31.03.2023
<b>I. Revenue From Operations</b>	20	12,727.26	12,459.24
<b>II. Other Income</b>	21	118.39	146.37
<b>III. Total Income</b>		<b>12,845.65</b>	<b>12,605.62</b>
<b>IV. Expenses</b>			
(a) Cost of Materials Consumed	22	4,287.21	5,974.71
(b) Purchase of Stock-in-Trade	23	2,010.61	1,646.43
(c) Changes in Inventories of finished goods, work-in-progress and Stock-in-Trade	24	179.71	-1,439.19
(d) Employee Benefit Expenses	25	664.39	610.70
(e) Finance Cost	26	488.82	516.63
(f) Depreciation and amortisation	11	77.79	39.03
(g) Other Expenses	27	3,777.77	4,148.55
<b>Total Expenses</b>		<b>11,486.31</b>	<b>11,496.87</b>
<b>V. Profit/Loss before exceptional items, extraordinary items &amp; Tax (III-IV)</b>		<b>1,359.34</b>	<b>1,108.75</b>
<b>VI. Exceptional &amp; extraordinary Items</b>		-	-
<b>VII. Profit/Loss from ordinary activities before Tax (V-VI)</b>		<b>1,359.34</b>	<b>1,108.75</b>
<b>VIII. Tax expense:</b>			
Current Tax		354.00	282.09
Tax paid for earlier year		3.54	11.47
Deferred Tax		-8.68	-3.02
<b>Total Tax Expenses</b>		<b>348.85</b>	<b>290.54</b>
<b>IX. Profit/(Loss) from continuing operation after Tax (VII-VIII)</b>		<b>1,010.49</b>	<b>818.21</b>
<b>X Earning Per Shares (In Rupees)</b>			
Basic		8.15	8.99
Diluted		8.15	8.99

Accompanying notes forming part of the financial statements (1-36)

**For A A A J & Associates**  
(formerly known as Uttam Agarwal & Associates)

Chartered Accountants  
Firm Registration No.322455E

**CA Deepak Agarwal**

Partner  
Mem.No. 061132

Place: Kolkata

Date : 27<sup>th</sup> Day of May 2024

UDIN : 24061132BKAUAZ5291

**For and on behalf of the Board of Directors**

**Niranjan Mundhra**  
(Managing Director)  
DIN: 05254448

**Shiv Shankar Mundhra**  
(Whole-Time Director)  
DIN: 02926873

**Krishan Kumar Karnani**  
(Chief Financial Officer)

**Muskan Mundhra**  
(Company Secretary)

## Cash Flow Statement for the year ended 31<sup>st</sup> March, 2024

(₹ in Lakhs)

Particulars	As at 31.03.2024		As at 31.03.2023	
<b>A Cash Flow from Operating Activities</b>				
Net Profit Before Tax		1,359.34		1,108.75
Adjustments for:				
Depreciation	77.79		39.03	
Interest & Finance Charges	488.82		516.63	
Provision for Gratuity	6.30		6.71	
Interest Received	5.26	578.18	0.06	562.43
<b>Operating Profit before Working Capital Changes</b>		<b>1,937.52</b>		<b>1,671.18</b>
Adjustments for:				
Decrease/(Increase) in Inventories	96.09		-4,853.67	
Decrease/(Increase) in Trade Receivables	-1,116.40		-4,021.51	
Decrease/(Increase) in Short Term Loans and Advances	19.36		-78.05	
Decrease/(Increase) in Other current assets	151.59		-459.35	
Decrease/(Increase) in Other non-current assets	-20.55		-20.67	
Increase/(Decrease) in Trade Payables	-1,238.49		2,564.29	
Increase/(Decrease) in Short Term Provisions	31.06		6.89	
Increase/(Decrease) in Other Current Liabilities	-94.90	-2,172.24	177.80	-6,684.26
<b>Cash generated from Operations</b>		<b>-234.72</b>		<b>-5,013.08</b>
Income Tax paid		357.54		293.56
<b>Net Cash flow from Operating activities</b>		<b>-592.26</b>		<b>-5,306.64</b>
<b>B Cash Flow from Investing Activities</b>				
Sales/(Purchases) of Fixed Assets	-432.41		-192.24	
Interest Received	-5.26		-0.06	
<b>Net Cash used in Investing activities</b>		<b>-437.67</b>		<b>-192.30</b>
<b>C Cash Flow from Financing Activities</b>				
Proceeding from Issue of Shares Including Right Shares	-		980.09	
Proceeding from Issue of Shares through IPO Allotment	2,507.39		-	
Proceed/(Repayment) in Short Term Borrowings	-201.94		5,226.00	
Repayment of Long Term Loans and Advances	29.66		-39.66	
Proceed/(Repayment) of Long Term Borrowings	181.86		4.33	
Interest paid	-488.82		-516.63	
<b>Net Cash used in Financing Activities</b>		<b>2,028.16</b>		<b>5,654.13</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>		<b>998.22</b>		<b>155.19</b>
<b>Cash and Cash equivalents as on beginning of the year</b>		155.19		-
<b>Cash and Cash equivalents as at end of the year</b>		<b>1,153.41</b>		<b>155.19</b>

For A A A J & Associates  
(formerly known as Uttam Agarwal & Associates)

Chartered Accountants  
Firm Registration No.322455E

**CA Deepak Agarwal**

Partner  
Mem.No. 061132

Place: Kolkata

Date : 27<sup>th</sup> Day of May 2024

UDIN : 24061132BKAUAZ5291

For and on behalf of the Board of Directors

**Niranjan Mundhra**  
(Managing Director)  
DIN: 05254448

**Shiv Shankar Mundhra**  
(Whole-Time Director)  
DIN: 02926873

**Krishan Kumar Karnani**  
(Chief Financial Officer)

**Muskan Mundhra**  
(Company Secretary)

# Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

## 1. COMPANY INFORMATION

The Company is primarily engaged in the business of Manufacturing and Trading of all kinds of readymade garments of Babies, Boys and Girls and all kinds of dress materials in connection thereof with its main products being Tops, Dresses, Denims, Leggings, Skirts and Ponchos under the Brand and Trade Name – “Karnika”

Karnika Industries Limited the Company) is a public company domiciled in India and was incorporated on 13<sup>th</sup> April 2022 under the provisions of Companies Act, 2013. The Company's Registered and Corporate office is located at 1<sup>st</sup> Floor, 6 & 6/1, Gurgola Ghat Road, P. O. Salkia, Howrah – 711106 (West Bengal) India

## 2. BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of Preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles in India ('Indian GAAP'). The Company has prepared the Financial Statements to comply in all material respects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the Act), read with Companies (Accounting Standards) Rules, 2021 as amended and other relevant provisions of the Act. The presentation of the Financial Statements is based on format of Division-I (Non-Ind AS) to the Schedule III to the Companies Act, 2013.

In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgation requires a different treatment.

The financial statements have been prepared on accrual basis and under the historical cost convention, unless otherwise stated.

The accounting policies adopted in preparation of Financial Statements are consistent with those of previous years.

The reporting currency of the Company is the Indian Rupee (₹).

### b. Significant Accounting Policies

Current and Non-Current classification

All assets and liabilities are classified into current and non-current generally based on the criteria of realisation/ settlement within a twelve month period from the balance sheet date.

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.



## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### c. Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expense for the period presented. Future results could differ due to changes in these estimates and the difference between the actual result and the estimates are recognised in the period in which the results are known / materialised.

### d. Property, Plant and Equipment

Property, Plant and Equipment are stated at cost of acquisition, less accumulated depreciation and impairment losses, if any. Cost comprises of all expenses including freight, incidental expenses and other non-refundable taxes or levies related to acquisition and installation incurred to bring the assets to its present location and condition. Borrowing costs directly attributable to the acquisition /construction are included in the cost of fixed assets. Adjustments arising from exchange rate variations attributable to the fixed assets are capitalized. GST Input Claim are deducted from the cost of respective assets. Any subsidy receivables from government are deducted from cost of capital asset at the time of capitalization of the asset.

Subsequent expenditures related to an item of tangible asset are added to its book value only if they increase the future economic benefits from the existing asset beyond its previously assessed standard of performance.

### e. Depreciation / Amortisation

All fixed assets, are depreciated on WDV Method. Depreciation is provided based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013. Depreciation on additions to / deletions from fixed assets made during the period is provided on pro-rata basis from / up to the date of such addition / deletion as the case may be.

In respect of an assets for which impairment loss is recognized, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

Intangible assets are amortized on WDV basis over their estimated useful lives of 5 years. A rebuttable presumption that the useful life of an intangible asset will not exceed five years from the date when the asset is available for use is considered by the management. The amortization period and the amortization method are reviewed at each reporting date. If the expected useful life of the asset is significantly different from previous estimates, the amortisation method is changed accordingly.

### f. Leases

#### Finance lease:

Assets acquired under finance leases are recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the assets and the present value of minimum lease payments. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### g. Impairment

As at each Balance Sheet date, the carrying amount of assets are assessed for any indication of impairment, so as to determine the provision for impairment loss, if any, required or the reversal, if any, required of impairment loss recognized in previous periods

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

Reversal of impairment loss is recognised as income in the statement of profit and loss.

### h. Investments

Long-term investments and current maturities of long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments, except for current maturities of long- term

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

investments, comprising investments in mutual funds, government securities and bonds are stated at the lower of cost and fair value.

### i. Intangible Assets

Intangible assets are stated at original cost net of tax & duty credits availed, if any, less accumulated amortization and cumulative impairment. Intangible assets are recognized when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are amortized over their useful life.

### j. Borrowing Costs

Borrowing costs relating to the acquisition / construction of qualifying assets are capitalized when all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use.

All other costs related to borrowings are recognised as expense in the period in which they are incurred.

### k. Prior Period Expenses and Exceptional Items

All identifiable items of Income and Expenditure pertaining to prior period are accounted as "Prior Period Items". "Exceptional items" are accounted depending on the nature of transaction.

### l. Extraordinary Items

'Extraordinary items' as per AS 5 "Net Profit or Loss for the period, Prior period items and changes in Accounting Policies" are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. They are disclosed in the Statement of Profit and Loss as a part of net profit or loss for the period. The nature and the amount of each extraordinary item are separately disclosed in the Statement of Profit and Loss in a manner that its impact on current profit or loss can be perceived."

### m. Events Occurring after Balance Sheet dates

No significant events which could affect the financial position as on 31.03.2024 to a material extent have been reported by the Assesse, after the balance sheet date till the signing of report.

### n. Revenue Recognition

Sales revenue is recognized when property in the goods with all significant risk and rewards as well as the effective control of goods usually associated with ownership are transferred to the buyer. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection. Revenue from sale of goods or services are recognized on delivery of the products or services, when all significant contractual obligations have been satisfied, the property in the goods is transferred for price, significant risk and rewards of ownership are transferred to the customers and no effective ownership is retained.

In the financial statement, revenue from operation does not include Indirect taxes like Goods & Service Tax.

#### A. Sale of Goods

Sales are recognized, net of returns and trade discounts, on transfer of significant risk and rewards of ownership to the buyer, which generally coincide with the delivery of goods to the customers. The Company collects Goods and Service Tax (GST) and / or Tax Collected at source on behalf of the government and, therefore, these do not form a part of economic benefits flowing to the Company. Hence, they are excluded from revenue.

#### B. Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### C. Service Income

Income from service rendered is recognised based on the terms of the agreements as and when services are rendered and are net of Goods and Service Tax (GST)/ Service tax.

### D. Dividend Income

Dividend income from investments, if any, is accounted on the receipt basis.

### E. Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

## o. Taxation

Tax expense comprises current and deferred tax. Tax on income for the current period is determined on the basis of taxable income and tax computed in accordance with the provisions of the Income tax is determined in accordance with the provisions of the Income Tax Act, 1961 and based on expected outcome of assessment/appeals. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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 tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

## p. Foreign Currency Transactions

### A. Initial Recognition

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

### B. Conversion

Year-end foreign currency monetary items are reported using the year end exchange rate.

### C. Exchange Differences

Exchange differences arising on the settlement or reporting of monetary items, at rates different from those at which they were initially recorded during the period or reported in previous financial statements and / or on conversion of monetary items, are recognised as income or expense in the year in which they arise.

## q. Trade Receivables, Loans and Advances

Trade receivables and Loans and advances are stated after making adequate provisions for doubtful balances.

## r. Inventories

As per AS-2, The inventories are physically verified at regular intervals by the management. Raw materials and packing materials are valued at the lower of cost and net realizable value.

Finished goods, Stock-in-Trade and Work-in-Progress are valued at lower of cost and net realizable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads net of recoverable taxes.

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

Consumable stores and spares are valued at the lower of cost and net realizable value, as estimated by the management. Obsolete, defective, unserviceable and slow/non-moving stocks are duly provided for.

### s. Provisions, Contingent liabilities and Contingent assets

Provisions involving substantial degree of estimation in measurement, are recognized when the present obligation of or past events gives rise to a probable outflow embodying economic benefits on settlement and the amount of obligation can be reliably estimated.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. There are no contingent liability to be reported for the year.

Contingent Assets are neither recognised nor disclosed in the Financial Statements.

Provisions and Contingent Liabilities are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

### t. Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of twelve months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, comprise cash at bank, Cash in hand, Cheque in hand and other permissible instruments as per AS 3.

### u. Retirement and other Employee Benefits

#### Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, performance incentives, etc., are recognised as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which the employee renders the related service.

#### Post-Employment Benefits:

##### Defined Contribution Plans

The Company has defined contribution plans for post-employment benefits such as Provident Fund & Employee's State Insurance and Employee's Pension Scheme, 1995. The Company contributes to a government administered Provident Fund, state plan namely Employee's Pension Scheme, 1995, Employee's State Insurance Scheme on behalf of its employees and has no further obligation beyond making its contribution. The Company's contributions to the above funds are recognised in the statement of profit and loss for the year.

##### Defined Benefit Plans

The Company has defined benefit plan namely gratuity for all its employees. Liability for defined benefit plan is provided based on valuations, as at the balance sheet date, carried out by an independent actuary. The actuarial valuation method used by the independent actuary for measuring the liability is the projected unit credit method. Actuarial losses and gains are recognised in the statement of profit and loss for the year. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit or loss as past service costs.

The Company's liabilities on account of gratuity and leave encashment are determined at the end of each financial year on the basis of actuarial Valuation as per requirements of Accounting Standard 15 on "Employee Benefits".

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### v. Cash Flow Statements

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

### w. Earning Per Shares

In determining the Earnings Per share, the company considers the net profit after tax including any post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

The number of shares used in computing Diluted earnings per share comprises the weighted average number of shares considered for computing Basic Earnings per share and also the weighted number of equity shares that would have been issued on conversion of all potentially dilutive shares.

### x. Segment Reporting

Based on the principles for determination of segments given in Accounting Standard 17 "Segment Reporting" as per Accounting Standard notified by the (Accounting Standards) Rules, 2021 under the Companies Act, 2013, as amended, the company is mainly engaged in one segment i.e. Manufacturing and Trading of all kinds of Readymade Garments of Babies, Boys, Gents and Ladies and all kinds of dress materials in connection thereof, which do not materially differ in respect of risk perception and the return realized/to be realized.

Even the geographical environment in which the company operates does not materially differ considering the political and economic environment, the type of customers, assets employed and the risk and return associated in respect of each of the geographical area.

The disclosure requirements pursuant to AS17 -Segment Reporting are not applicable to the company during the year under review.

# Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

## Note - 3 Share Capital

	(Amount in ₹ in Lakh)	
	As at 31.03.2024	As at 31.03.2023
<b>A. Authorised Capital</b>		
2,50,00,000 - Equity Shares of ₹10/- Each with voting rights	2,500.00	2,500.00
<b>B. Issued, Subscribed &amp; Paid Up Capital</b>		
1,23,99,500 - Equity Shares of ₹10/- Each with voting rights	1,239.95	910.03
	<b>1,239.95</b>	<b>910.03</b>

### C. Statement of Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period:

Particulars	Current Year		Previous Year	
	No. of Shares	in Lakh	No. of Shares	in Lakh
Outstanding at the beginning of the year	91,00,300	910.03	91,00,300	910.03
Add: Issued During the year	32,99,200	329.92	-	-
Less: Bought Back During the year	-	-	-	-
Outstanding at the year end	1,23,99,500	1,239.95	91,00,300	910.03

### D. Rights, Preferences, Restrictions attached to Equity Shares:

The company has only one class of shares referred to as equity shares having a par value of ₹10/- per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any, proposed by Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all the preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

### E. Details of shares held by each shareholder holding more than 5% shares:

Particulars	Current Year		Previous Year	
	No. of Shares	% of holding	No. of Shares	% of holding
<b>Equity Shares @10/- Each</b>				
Niranjan Mundhra	30,33,000	24.46%	30,33,000	33.32%
Mahesh Kumar Mundhra	30,33,000	24.46%	30,33,000	33.32%
Shiv Shankar Mundhra	30,33,000	24.46%	30,33,000	33.32%

### F. Details of shares held by promoters:

S. No.	Promoter Name	Shares held by promoters				% of Changes during the year
		As at 31.03.2024		As at 31.03.2023		
		No. of shares	% of total shares	No. of shares	% of total shares	
1	Niranjan Mundhra	30,33,000	24.46%	30,33,000	33.32%	-8.86%
2	Mahesh Kumar Mundhra	30,33,000	24.46%	30,33,000	33.32%	-8.86%
3	Shiv Shankar Mundhra	30,33,000	24.46%	30,33,000	33.32%	-8.86%
4	Jagdish Prasad Mundhra	260	0.00%	260	0.00%	-00.00%
5	Saroj Mundhra	260	0.00%	260	0.00%	-00.00%
6	Priyanka Mundhra	260	0.00%	260	0.00%	-00.00%
7	Kirti Mundhra	260	0.00%	260	0.00%	-00.00%
8	Poonam Mundhra	260	0.00%	260	0.00%	-0.001%

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### Note - 4 Reserves & Surplus

	(Amount in ₹ in Lakh)	
	As at 31.03.2024	As at 31.03.2023
<b>(a) Securities Premium</b>		
As per last Balance Sheet	70.06	-
Addition : Issue of Share(IPO) With premium	2,177.47	-
Addition : Issue of Right Share With premium	-	525.08
Deduction : Utilised For issue of Bonus Share	-	455.02
<b>Closing balance</b>	<b>2,247.53</b>	<b>70.06</b>
<b>Surplus/Deficit in the statement of Profit &amp; Loss</b>		
As per last Balance Sheet	812.81	-
Add/(Less): Opening Adjustment For Gratuity Liabilities	-	-5.40
Add/(Less): Profit/ (Loss) during the year	1,010.49	818.21
	<b>1,823.30</b>	<b>812.81</b>
	<b>4,070.83</b>	<b>882.87</b>

### Note - 5 Long Term Borrowings

	As at 31.03.2024	As at 31.03.2023
<b>Term Loans (Secured, Considered Goods)</b>		
From Small Industries Development Bank of India (Refer Note to accounts no. 31)	181.48	-
Less: Current Maturities of Long Term Borrowing in next 12 months	44.44	-
	<b>137.04</b>	<b>-</b>
From HDFC Bank (Refer Note to accounts no. 31)	57.68	8.30
Less: Current Maturities of Long Term Borrowing in next 12 months	8.53	3.98
	<b>49.15</b>	<b>4.33</b>
	<b>186.19</b>	<b>4.33</b>

### Note - 6 Long Term Provisions

	As at 31.03.2024	As at 31.03.2023
Provision for Gratuity (Refer Note no. 33)	18.32	11.92
	<b>18.32</b>	<b>11.92</b>

### Note - 7 Short Term Borrowings

	As at 31.03.2024	As at 31.03.2023
<b>Loans repayable on demand:</b>		
<b>Cash Credit with Banks (Secured Considered Goods)</b>		
Axis Bank	-	1,794.70
HDFC Bank (Refer Note no 30.1)	3,172.50	1,518.77
Citi Bank (Refer Note no 30.2)	1,798.60	-
Kotak Mahindra Bank	0.00	496.81
Loan From Body Corporates (Unsecured, Considered Good)	-	1,411.75
<b>Current Maturities of Long Term Borrowings</b>		
From Small Industries Development Bank of India (Refer Note to accounts no 31)	44.44	-
From HDFC Bank (Refer Note to accounts no 31)	8.53	3.98
	<b>5,024.07</b>	<b>5,226.00</b>

# Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

## Note - 8 Trade Payables

	As at 31.03.2024	As at 31.03.2023
For Goods and Services	1,325.81	2,564.29

### Trade payables due for payment - ageing schedule

As at 31.03.2024

Particulars	Outstanding for following periods from due date of payment				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	59.39	-	-	-	59.39
(ii) Others	1,260.16	6.26	-	-	1,266.42
(iii) Disputed Dues - MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-
	<b>1,319.54</b>	<b>6.26</b>	<b>-</b>	<b>-</b>	<b>1,325.81</b>

As at 31.03.2023

Particulars	Outstanding for following periods from due date of payment				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	-	-	-
(ii) Others	2,564.29	-	-	-	2,564.29
(iii) Disputed Dues - MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-
	<b>2,564.29</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,564.29</b>

## Note - 9 Other Current Liabilities

	As at 31.03.2024	As at 31.03.2023
Outstanding Liabilities for Expenses	58.40	80.96
Advance From Debtors	18.01	0.98
<b>Statutory Dues</b>		
GST Payable	0.97	63.71
TDS Payable	7.19	35.06
TCS Payable	0.17	0.02
ESI Payable	0.40	0.12
EPF Payable	1.75	0.94
Professional Tax (Employee)	0.10	0.11
	<b>86.99</b>	<b>181.90</b>

## Note - 10 Short-Term Provision

	As at 31.03.2024	As at 31.03.2023
Provision for Taxation	29.03	2.79
(After adjustment of ₹315 Lakhs of Advance Tax, 7.70 Lakhs of TDS & 2.23 Lakhs of TCS as on 31.03.24. Adjustment of ₹ 280 Lakhs of Advance Tax as on 31.03.23)		
Provision For Bonus Expenses	4.82	-
Provision For Gratuity Expenses (Refer Note no 33)	0.09	0.18
	<b>33.94</b>	<b>2.97</b>



## Notes to financial Statement For the Year Ended 31<sup>st</sup> March, 2024

### Note - 11 Notes forming Part of the Financial Statements Property, Plant & Equipment (At Cost less Depreciation)

Description	Gross Block			Depreciation			Net Block		
	As at 1-Apr-2023	Additions	Deduction/ Adjustment	As at 31-Mar-2024	Upto 31-Mar-2023	For the Year ended 31.03.24	Deductions	As at 31-Mar-2024	As at 31-Mar-2023
<b>Property, Plant &amp; Equipment</b>									
Computer & Data Processing Unit	13.42	3.06	-	16.49	5.53	6.64	-	4.32	7.89
Office Equipments	24.46	2.11	-	26.57	8.03	8.10	-	10.44	16.43
Plant & Machineries	96.46	243.11	-	339.57	11.15	29.77	-	298.64	85.30
Building	0.63	89.01	-	89.64	0.03	0.03	-	89.59	0.60
Electrical Installation & Equipment	9.59	12.19	-	21.78	2.20	2.92	-	16.65	7.39
Furniture & Fittings	29.89	19.10	-	48.99	6.14	9.83	-	33.02	23.75
Motor Vehicles	13.33	63.83	-	77.16	4.02	19.36	-	53.78	9.32
	<b>187.79</b>	<b>432.41</b>	-	<b>620.20</b>	<b>37.11</b>	<b>76.65</b>	-	<b>506.44</b>	<b>150.68</b>
<b>Intangible Assets</b>									
Software	4.45	-	-	4.45	1.93	1.14	-	1.39	2.53
	<b>4.45</b>	-	-	<b>4.45</b>	<b>1.93</b>	<b>1.14</b>	-	<b>1.39</b>	<b>2.53</b>
<b>Total</b>	<b>192.24</b>	<b>432.41</b>	-	<b>624.65</b>	<b>39.03</b>	<b>77.79</b>	-	<b>507.83</b>	<b>153.21</b>
Previous Year	97.48	94.76	-	192.24	-	39.03	-	153.21	-

\* Note: Depreciation on addition to building of ₹ 89.01 Lakhs has not been charged as it has been not put to use till 31<sup>st</sup> March 2024.

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### Note - 12 Deferred tax (liability) / asset

	As at 31.03.2024	As at 31.03.2023
Tax effect of items constituting deferred tax assets		
On difference due to Provision for Gratuity	18.41	-
On difference between book balance and tax balance of Fixed assets	28.08	11.98
	<b>46.48</b>	<b>11.98</b>
Tax effect of items constituting deferred tax assets	11.70	3.02
<b>Net deferred tax (liability) / asset</b>	<b>11.70</b>	<b>3.02</b>

### Note - 13 Long Term Loan & Advances

	As at 31.03.2024	As at 31.03.2023
<b>Capital Advance</b>		
West Bengal Hosiery Park Infrastructure Ltd (Unsecured, considered good)	10.00	10.00
Advance to Suppliers for Machinerics (Unsecured, considered good)	-	29.66
	<b>10.00</b>	<b>39.66</b>

### Note - 14 Other Non Current Assets

	As at 31.03.2024	As at 31.03.2023
<b>Security Deposits</b>		
With CDSL	0.18	0.18
With NSDL	0.18	0.18
With NSE Ltd.	25.07	-
With CESC Ltd.	6.09	0.61
Against Rent	9.70	19.70
	<b>41.22</b>	<b>20.67</b>

### Note - 15 Inventories

	As at 31.03.2024	As at 31.03.2023
<b>(As valued by management)</b>		
Raw materials	1,441.82	1,358.20
Work-in-progress	2,027.20	2,042.02
Finished goods	1,271.33	1,453.44
Stock-in-trade	17.23	-
	<b>4,757.58</b>	<b>4,853.67</b>

### Note - 16 Trade Receivables

	As at 31.03.2024	As at 31.03.2023
Secured considered good	-	-
Unsecured Considered Good	5,137.91	4,021.51
Doubtful	-	-
	<b>5,137.91</b>	<b>4,021.51</b>
Less : Provision for bad and doubtful debts	-	-
	<b>5,137.91</b>	<b>4,021.51</b>

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### Note - 16 Trade Receivables (Contd.)

#### Ageing schedule as at 31.03.2024

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade Receivables - considered good	4,598.39	59.54	479.98	-	-	5,137.91
(ii) Undisputed Trade Receivables - considered doubtful	-	-	-	-	-	-
(iii) Disputed Trade Receivables - considered good	-	-	-	-	-	-
(iv) Disputed Trade Receivables - considered doubtful	-	-	-	-	-	-
	<b>4,598.39</b>	<b>59.54</b>	<b>479.98</b>	<b>-</b>	<b>-</b>	<b>5,137.91</b>

#### Ageing schedule as at 31.03.2023

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade Receivables - considered good	4,021.51	-	-	-	-	4,021.51
(ii) Undisputed Trade Receivables - considered doubtful	-	-	-	-	-	-
(iii) Disputed Trade Receivables - considered good	-	-	-	-	-	-
(iv) Disputed Trade Receivables - considered doubtful	-	-	-	-	-	-
	<b>4,021.51</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,021.51</b>

### Note - 17 Cash and Cash Equivalents

	As at 31.03.2024	As at 31.03.2023
Balances with banks	546.49	147.84
Cheque in Hand	26.23	-
Fixed Deposit with banks (with maturity less than 12 months)	526.52	0.26
Fixed Deposit with banks (with maturity more than 12months)	53.23	-
Cash on hand	0.95	7.09
	<b>1,153.41</b>	<b>155.19</b>

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### Note - 18 Short-term loans and advances

	As at 31.03.2024	As at 31.03.2023
<b>Balances with government authorities</b>		
(Unsecured, considered good)		
TDS Receivable	-	6.14
TCS Receivable	-	0.21
Prepaid Expenses	4.63	0.44
<b>Other Advances</b>		
Advance to Suppliers	31.27	68.11
Advance Agst. Expenses	20.55	-
Advance Agst. Salary	2.22	2.64
Advance Agst. Rent	-	0.51
	<b>58.69</b>	<b>78.05</b>

### Note - 19 Other Current Assets

	As at 31.03.2024	As at 31.03.2023
Export GST Receivables	34.93	69.37
GST Input Credit Receivables	232.30	299.75
Duty Drawback Receivables	3.89	4.48
ROSCTL Claim Receivable	36.50	85.75
Interest Receivable on CESC Deposits	0.15	-
	<b>307.76</b>	<b>459.35</b>

### Note - 20 Revenue From Operations

	Year Ended 31.03.2024	Year Ended 31.03.2023
<b>Domestic</b>		
Traded Goods	2,257.72	1,552.99
Manufactured Goods	9,461.21	8,840.83
Scrap Sales	33.17	-
<b>Export</b>		
Manufactured Goods	975.16	2,065.42
	<b>12,727.26</b>	<b>12,459.24</b>

### Note - 21 Other Income

	Year Ended 31.03.2024	Year Ended 31.03.2023
Interest Income	5.48	0.06
Foreign Currency Gain & Loss	23.61	17.60
Duty Drawback	21.36	42.97
ROSCTL Export	37.58	85.75
Discount Received	15.79	-
Miscellaneous Income	14.56	-
	<b>118.39</b>	<b>146.37</b>

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### Note - 22 Cost of Materials Consumed

	Year Ended 31.03.2024	Year Ended 31.03.2023
Opening Stock	1,358.20	613.76
Add: Purchases during the year	4,370.84	6,719.14
	<b>5,729.04</b>	<b>7,332.91</b>
Less: Closing Stock	1,441.82	1,358.20
	<b>4,287.21</b>	<b>5,974.71</b>
	<b>4,287.21</b>	<b>5,974.71</b>

### Note - 23 Purchase of Stock-in-Trade

	Year Ended 31.03.2024	Year Ended 31.03.2023
Trading Goods	2,010.61	1,646.43
	<b>2,010.61</b>	<b>1,646.43</b>

### Note - 24 (Increase) / Decrease in Inventories

	Year Ended 31.03.2024	Year Ended 31.03.2023
<b>Inventories at end of the year</b>		
Work-in-progress	2,027.20	2,042.02
Finished Goods	1,271.33	1,453.44
Stock-in-Trade	17.23	-
	<b>3,315.75</b>	<b>3,495.47</b>
<b>Inventories at beginning of the year</b>		
Work-in-progress	2,042.02	1,576.43
Finished Goods	1,453.44	479.63
Stock-in-Trade	-	0.21
	<b>3,495.47</b>	<b>2,056.27</b>
	<b>179.71</b>	<b>-1,439.19</b>

### Note - 25 Employee Benefit Expenses

	Year Ended 31.03.2024	Year Ended 31.03.2023
Salaries and wages	317.00	281.43
Director Remuneration	269.42	278.40
Director Sitting Fees Exp.	6.70	-
EPF Employer Contribution	14.74	8.49
ESIC Employer Contribution	5.36	3.74
Bonus Paid	14.92	5.97
Gratuity Expenses	6.30	6.71
Staff Welfare Expenses	29.94	25.96
	<b>664.39</b>	<b>610.70</b>

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### Note - 26 Finance Cost

	Year Ended 31.03.2024	Year Ended 31.03.2023
Interest on Bank OD/Cash Credit	376.23	199.58
Interest on Car Loan	4.24	0.79
Interest on Unsecured loan	94.79	303.54
Other Borrowing Costs	9.35	11.63
Bank Charges	4.21	1.09
	<b>488.82</b>	<b>516.63</b>

### Note - 27 Other Expenses

	Year Ended 31.03.2024	Year Ended 31.03.2023
<b>Direct Expenses</b>		
Carriage Inward	22.69	19.41
Chemical Expenses	-	35.27
Power & Fuel Charges	49.50	25.67
Rent Expenses	248.03	208.57
Designing Charges	50.27	85.50
Job Work Charges	2,181.85	2,845.91
Labour Charges	-	147.29
Packaging Expense	573.57	293.58
Export Expenses	4.32	0.19
Sample Expenses	8.03	7.06
<b>Indirect Expenses</b>		
Payment to Auditors	3.20	2.00
Advertisement Exp.	38.48	-
Freight Forwarding & Handling Expenses	36.16	40.89
CSR Expenses	22.75	-
Carriage Outward	12.65	19.88
Commission & Brokerage	36.02	39.82
Travelling & Conveyance Expenses	19.67	27.23
Discount Expenses	78.30	71.32
General Expenses	2.33	6.82
Rates & Taxes	1.26	1.37
Insurance Expense	3.61	5.24
Telephone & Internet Expenses	0.81	0.43
Interest on GST, TDS & Tax	1.02	0.03
Loading & Unloading Expenses	35.80	28.67
Membership & Subscription Expenses	1.39	2.13
Postage & Telegram Expenses	8.87	9.56

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### Note - 27 Other Expenses (Contd.)

	Year Ended 31.03.2024	Year Ended 31.03.2023
Printing & Stationery Expenses	4.60	9.38
Legal & Professional Fees	17.31	45.95
IPO Listing Expenses	173.85	-
Computer & Software Exp.	1.17	-
Repair & Maintenance Expenses	12.42	54.90
Vehicle Running Expenses	6.13	0.22
Roc Filing Fees	0.42	20.39
Sales Promotion Expenses	94.74	62.88
Security Expenses	23.93	20.55
Sundry Balance Written Off	-	2.64
Prov. For Doubtful Debts	-	6.34
Fines & Penalties of GST & TDS	2.62	1.45
	<b>3,777.77</b>	<b>4,148.55</b>

#### Note :

	Year Ended 31.03.2024	Year Ended 31.03.2023
<b>Payment to Auditors:</b>		
Statutory Audit Fees	1.50	1.50
Internal Audit Fees	1.20	-
Tax Audit Fees	0.50	0.50
	<b>3.20</b>	<b>2.00</b>

#### Note :

<b>Earning Per Shares (In Rupees)</b>	Year Ended 31.03.2024	Year Ended 31.03.2023
Profit After Tax	1,010.49	818.21
Less: Preference Tax & Dividend	-	-
Profit Available to equity shareholders (A)	1,010.49	818.21
Weighted Avg. No. of shares used for calculating Basic EPS (B)	1,23,99,500	91,00,300
<b>Basic EPS X=A/B (in Rupees)</b>	<b>8.15</b>	<b>8.99</b>

28. These Financial Statement are presented in Indian Rupees "INR" or "₹" and all values are stated as in Lakhs, unless indicated otherwise.

29. The balances of Debtors, Creditors, Loans & Advances and Liabilities have been taken as per books, are subject to reconciliation / confirmation and consequential adjustments, if any.

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

- 30.** The Cash Credit Facilities of the Company as reflected under Note no. 7 from Banks carry Interest ranging between as per sanction letter, computed on daily basis on the actual amount utilized and repayable on demand.

Amount (₹ In Lakhs)

S. no.	Bank Name	Loan Amount Outstanding as on 31.03.2024	Brief Description
1.	HDFC Bank Ltd	3146.27	CC limit of 3400.00 Lakhs having interest Rate 6.95% and secured by the way of hypothecation of the company's Debtors, Stock of Raw Materials, Work in Progress and Finished Goods. Collateral Security 6 and 6/1, Gurgola ghat Road, Mouza- Malipanchghora - 49, JJ No. - 1 L R. Khatian no. 45 L.r. Dag no. 43, Ward No. 1, Salkia, Howrah, West Bengal 711106 and Premises No. 2, Ward No. 001, PS Malipanchghora, Hazarimall Shah Road, Salkia, Howrah, West Bengal 711106.
2.	Citi Bank	1798.60	CC limit of 2000.00 Lakhs having Interest Rate of 1 month T Bill plus applicable spread secured Pari-passu charge on current assets of the Company, Personal Guarantee of Managing and Whole Time Directors and Exclusive Charge on Land & Building located at 66/2/P, Salkia School Road, Howrah – 711106.

- 31.** SIDBI Machine loan stood at ₹200.00 Lakhs payable in 54 equal monthly instalments (after a moratorium of 6 months). The Machine Loan is secured by way of hypothecation of the Cutting Machine financed along with its tools, spares and accessories and amount due within 12 months amounting to ₹44.44 Lakhs is shown under Short Term Borrowings in Note No. 7.

Car Loan with HDFC Bank at ₹18.21 Lakhs payable in 60 equal monthly instalments. Car Loan is secured against the hypothecation of car financed and amount due within 12 months ₹3.25 Lakhs is shown under Short-Term Borrowing in Note no. 7.

Car Loan with HDFC Bank at ₹45.40 Lakhs payable in 84 equal monthly instalments. Car Loan is secured against the hypothecation of car financed and amount due within 12 months ₹5.28 Lakhs is shown under Short-Term Borrowing in Note no. 7.

- 32.** Related Parties disclosure to the extent identified by the management as per Accounting Standard 18 are given hereunder:

**i. Name of the Related Parties :-**

**a) Key Management Personal**

- (1) Mr. Niranjana Mundhra - Managing Director
- (2) Mr. Shiv Shankar Mundhra - Whole Time Director
- (3) Mr. Mahesh Kumar Mundhra - Whole Time Director
- (4) Mr. Krishan Kumar Karnani – Chief Financial Officer
- (5) Ms. Muskan Mundhra – Company Secretary

**b) Enterprises in which key management personnel has significant influence**

- (1) Q Bazaar India LLP
- (2) Shree Garments- (Prop. Jagdish Prasad Mundhra)
- (3) Shree International- ( Prop: Jagdish Prasad Mundhra HUF)
- (4) Sri Ganesh Enterprise (Prop Deepak Karnani)
- (5) Niranjana Mundhra HUF
- (6) Kirti Mundhra



## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### Note 32. (Contd.)

#### KARNIKA INDUSTRIES LIMITED

##### ii) Particulars of Transactions with Related party during the year 2023-24.

###### A: Transaction with key Management Personnel

Amount (₹ In Lakhs)

Name	Remuneration	Loan Repayment / Advance Taken	Loan accepted / Advance Refunded	Rent Paid / Professional Fees	Balance as on 31.03.2024
Mr. Niranjana Mundhra	93.42	NIL	NIL	56.62	NIL
	(92.80)	(312.41)	(312.41)	(38.46)	(6.98)
Niranjana Mundhra (HUF)	NIL	NIL	NIL	5.61	NIL
	NIL	NIL	NIL	(21.71)	(0.12)
Mr. Shiv Shankar Mundhra	88.00	5.06	5.06	62.24	NIL
	(92.80)	(550.46)	(550.46)	(70.99)	(22.86)
Mr. Mahesh Kumar Mundhra	88.00	7.65	7.65	62.24	NIL
	(92.80)	(497.01)	(497.01)	(70.99)	(20.78)
Mr. Krishan Kumar Karnani	33.00	NIL	NIL	NIL	NIL
	NIL	NIL	NIL	(19.00)	(8.10)
Ms. Muskan Mundhra	2.25	NIL	NIL	NIL	0.24
	NIL	NIL	NIL	NIL	NIL
Ms. Kirti Mundhra	2.60	NIL	NIL	NIL	3.24
	1.00	NIL	NIL	NIL	0.90

###### B: Transaction with Enterprises in which management Personnel has significant influence

Amount (₹ In Lakhs)

Name	Sales	Loan Repayment	Loan Accepted	Purchases/ Expenses	Balance as on 31.03.2024
Q Bazaar India LLP	49.78	NIL	NIL	NIL	0.01
	(179.68)	(46.95)	NIL	(181.66)	(0.03)
Shree Garments	2330.41	NIL	NIL	0.13	1131.71
	(1802.20)	NIL	NIL	(0.37)	NIL
Shree International	586.02	NIL	NIL	NIL	212.64
	(46.66)	NIL	NIL	NIL	(0.62)
Shree Ganesh Enterprise	53.46	NIL	NIL	294.02	72.47
	(90.49)	NIL	NIL	(500.69)	(258.40)

### 33. Defined Benefit Plans- General Description

#### Gratuity Expenses:

The company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provide for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of services. Vesting occurs upon completion of five years of service. The company accounts for the liability for gratuity benefit payable in future based on an actuarial valuation the company exposed to interest risk, liquidity risk, salary escalation risk, demographic risk and regulatory risk.

The Most Recent actuarial valuation of the plan assets and the present value of the defined value defined benefit obligation were carried out as at 31.03.2024 by Divya Dadlani, fellow of the Institute of Actuaries of India, partner of Willis Towers Watson Employee Benefits Actuaries LLP

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### 33. Defined Benefit Plans- General Description (Contd.)

**TABLE 1**

**Karnika Industries Limited Gratuity Scheme**

Actuarial Calculations under AS15 (revised, 2005) Disclosure of employer expense

Local currency - INR in Thousand

	Components of Employer Expense	One year period ended 31 March 2024	One year period ended 31 March 2023
1	Current Service cost (including risk premiums for fully insured benefits)	1,459.87	421.93
2	Interest Cost	88.36	39.39
3	Expected Return on Plan Assets	0.00	0.00
4	Curtailment Cost / (Credit)	0.00	0.00
5	Settlement Cost / (Credit)	0.00	0.00
6	Plan Introduction Cost	0.00	0.00
7	Actuarial Losses / (Gains)	(917.89)	209.49
8	Total employer expense recognized in P&L	630.34	670.81
	Assumptions		
	Discount Rate	7.30%	7.30%

**TABLE 2**

**Karnika Industries Limited**

**Gratuity Scheme**

Actuarial Calculations under AS15 (revised, 2005)

Net Asset / Liability recognized in the Balance Sheet

Local currency - INR in Thousand

		One year period ended 31 March 2024	One year period ended 31 March 2023
<b>A</b>	<b>Net Asset/(Liability) Recognised in Balance Sheet – 31 March 2024</b>		
1	Present value of Defined Benefit Obligation	1,840.77	1,210.43
2	Fair Value of Plan Assets	0.00	0.00
3	Funded status [Surplus/(Deficit)]	(1,840.77)	(1,210.43)
4	Unrecognized Past Service Costs	0.00	0.00
5	Net Asset / (Liability) recognized in the Balance Sheet	<b>(1,840.77)</b>	<b>(1,210.43)</b>
<b>B</b>	<b>Reconciliation of Net Asset / Liability recognized in Balance Sheet</b>		
1	Net Asset / (Liability) at beginning of period	(1,210.43)	(539.62)
2	Employer (Expense)/Credit	(630.34)	(670.81)
3	Employer Contributions	0.00	0.00
4	Acquisitions / Business Combinations	0.00	0.00
5	Net Asset / (Liability) at end of period	<b>(1,840.77)</b>	<b>(1,210.43)</b>
<b>C</b>	<b>Current / Non Current Liability</b>		
1	Current Liability	(9.26)	(18.12)
2	Non Current Asset/ (Liability)	(1,831.51)	(1,192.31)
3	Net Asset/ (Liability)	<b>(1,840.77)</b>	<b>(1,210.43)</b>

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### 34. Contingent Liabilities and Commitments to the extent not provided for

(₹ In Lakhs)

Particulars	For the year ended 31 March, 2024	For the year ended 31 <sup>st</sup> March 2023
	₹	₹
Claims against the company not acknowledged as debt	NIL	NIL
Guarantees	NIL	NIL
Other money for which the company is contingently liable	NIL	NIL
Estimated amount of contracts remaining to be executed on capital account and not provided for:	NIL	130.42 Lakhs
Uncalled liability on shares and other investments partly paid	NIL	NIL
Other commitments (specify nature)	NIL	NIL
<b>Total</b>	<b>NIL</b>	<b>130.42</b>

### 35. Details of Foreign Outgoing and Earnings :

#### a. Details of Foreign Outgoings

(₹ In Lakhs)

Particulars	For the year ended 31 March, 2024	For the year ended 31 <sup>st</sup> March 2023
<b>Value of imports calculated on C.I.F basis by the company during the financial year in respect of –</b>		
I. Raw materials;	NIL	NIL
II. Components and spare parts;	NIL	NIL
III. Capital goods;	159.87	NIL

(₹ In Lakhs)

Particulars	For the year ended 31 March, 2024	For the year ended 31 <sup>st</sup> March 2023
	₹	₹
<b>Expenditure in foreign currency during the financial year on account of Foreign Currency:</b>		
a. Royalty	NIL	NIL
b. Technical Know how	NIL	NIL
c. Professional and Consultation Fees	NIL	NIL
d. Interest	NIL	NIL
e. Other matters :	NIL	NIL
Travelling Expenses	9.45	4.14

#### b. Details of Foreign Earnings

(₹ In Lakhs)

Particulars	For the year ended 31 March, 2024	For the year ended 31 <sup>st</sup> March 2023
<b>Earnings in foreign exchange</b>		
Export of goods calculated on F.O.B. basis;	958.36	2065.42
Royalty, know-how, professional and consultation fees;	NIL	NIL
Interest and dividend;	NIL	NIL
Other income, indicating the nature thereof	NIL	NIL

## Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

### 36. Additional Regulatory Informations :

- i. The Company do not have any transactions with struck off companies under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.
- ii. Title Deeds of all Immovable Properties as mentioned in Financial Statements are held in the name of the Company.
- iii. The Company has not revalued its Property, Plant and Equipment during the financial year.
- iv. The Company has not granted Loans or Advances to promoters, directors, KMPs (as defined under Companies Act, 2013,) either severally or jointly with any other person.
- v. The company does not have Capital-Work-in Progress as at the balance sheet date.
- vi. The company does not have any Intangible assets under development as at the balance sheet date.
- vii. The Company does not have any benami property, where any proceeding has been initiated or pending against the Company for holding any benami property.
- viii. The Company has taken borrowings from banks or financial institutions on the basis of security of current assets. Monthly Statements have been filed with banks are generally in agreement with the books of accounts. As explained by the management, data provided in stock statement are as per best available quantities subject to physical verification. There is no material difference between stock statement submitted to bank and books of accounts, although difference can arise due to method of valuation, physical verification, return of goods, shortage, wastage, Debit and credit notes and reconciliation of debtors and creditors. There are no material differences which require specific reporting.
- ix. The Company is not declared wilful defaulter by and bank or financials institution or lender during the year
- x. The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.

However, as per the information and explanation provided by the management, CITI Bank N.A. will file the creation of Charge on receiving Multiple Banking arrangement approval for pari-passu charge on the Security as offered to the Other Banker.

- xi. The provisions of the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017 is not applicable to the company as the Company does not have any investments in the shares of other Companies.
- xii. No Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013 during the year.
- xiii. A. The Company has not advanced or loaned or invested any funds (either from borrowed funds or share premium or any other sources or kind of funds) to or in any other person(s) or entity(ies), 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 by or on behalf of the company (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of ultimate beneficiaries.
  - B. The Company has not received any fund from any person(s) or entity(ies) including foreign entities ("Funding Parties") with the understanding whether in writing or otherwise, that such company shall directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Parties (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of the Ultimate beneficiaries.
- xiv. Undisclosed income- There is no income surrendered or disclosed as income during the current or previous year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.
- xv. The Company has neither traded nor invested in Crypto currency or Virtual Currency during the year.
- xvi. The Company has complied with the provisions of section 135 of the company's Act 2013 and the details of CSR activities are given in the annual report of the company.
- xvii. Ratio Analysis of the Company are enclosed in the separate sheet attached to the notes of accounts.

# Notes to financial Statement for the Year Ended 31<sup>st</sup> March, 2024

## Note-36 (xvii) Ratio Analysis :

Particulars	Numerator	Denominator	As at 31 <sup>st</sup> March, 2024		As at 31 <sup>st</sup> March, 2023		Change	Remarks
			Ratio	Ratio	Ratio	Ratio		
a) Current Ratio	Current Assets	Current Liabilities	1.76	1.20	47.05%	Current Assets have increased as compared to previous year whereas Current Liabilities have decreased as compared to previous year		
b) Debt-Equity Ratio	Debt	Equity	0.98	2.92	-66.37%	Fresh Capital has been raised through IPO in the F.Y. 2023-24		
c) Debt Service Coverage Ratio	Earning before Tax, Int and Non Cash Items	Debt Service	3.80	3.23	17.38%	NA		
d) Return on Equity Ratio	Net Profit after tax	Average Shareholder's equity	0.28	0.46	-37.66%	Fresh Capital has been raised through IPO in the F.Y. 2023-24		
e) Inventory Turnover Ratio	Cost of goods sold	Average Inventory	2.00	2.03	-1.41%	NA		
f) Trade receivable Turnover Ratio	Net Credit Sales	Average Accounts receivables	2.78	3.10	-10.30%	NA		
g) Trade payable Turnover Ratio	Net Credit purchases	Average Accounts payables	4.74	4.60	3.04%	NA		
h) Net Capital Turnover Ratio	Turnover	Average Working Capital	3.89	7.82	-50.23%	Current Assets have increased as compared to previous year whereas Current Liabilities have decreased as compared to previous year. Further, in the previous year we have not considered Average Working Capital as the Company was incorporated in the previous year		
i) Net Profit Ratio	Net Profit after Tax	Revenue from Operations	0.08	0.07	20.90%	NA		
j) Return on Capital Employed Ratio	EBIT	Capital Employed	0.18	0.23	-24.10%	NA		
k) Return on Investment	EBIT	Investment	NA	NA	NA	NA		

### Note:

In relation to the previous Financial Year, we have not done the Average of the required denominators as previous Financial Year was the first year of the Company.

### Signatures for Notes of Accounts No 1 to 36

For and on behalf of the Board of Directors  
Karnika Industries Limited

**For A A J & Associates**  
(formerly known as Uttam Agarwal & Associates)  
Chartered Accountants  
Firm Registration No.322455E

**CA Deepak Agarwal**  
Partner  
Membership No. 061132

Place : Kolkata  
Date : 27<sup>th</sup> Day of May 2024  
UDIN : 24061132BKAUJZ5291

**Niranjana Mundhra**  
DIN :5254448  
Managing Director

**Shiv Shankar Mundhra**  
DIN :2926873  
Whole Time Director

**Krishan Kumar Karnani**  
Chief Financial Officer

**Muskan Mundhra**  
Company Secretary





**Karnika**<sup>®</sup>  
**INDUSTRIES LIMITED**

**Regd. Office**

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