

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001	National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block, Bandra- Kurla Complex Bandra (E), Mumbai – 400051
Fax No.: 022-22721919	Fax No.: 022-26598120
Ref.: Kwality Limited (KWALITYLTD/ INE775B01025)	Ref.: Kwality Limited (KWALITYLTD/ INE775B01025)

Subject: Outcome of the Meeting chaired by Resolution Professional (“RP”)

Dear Sir/Madam,

This is in continuation to our earlier intimations dated May 21, 2019, May 28, 2019 and May 30, 2019.

We, hereby, inform that pursuant to Regulation 30 read with Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the rescheduled Meeting, fixed for Thursday May 30, 2019, was held and scheduled agenda was considered and issues were deliberated. However the scheduled agenda business could not concluded till late 10.50 PM and the meeting was adjourned for May 31, 2019 to conclude the residual business agenda.

The unconcluded meeting dated May 30, 2019 was recommenced on Friday May 31, 2019 concluded at 05:00 PM chaired by the Resolution Professional of Kwality Limited, as appointed vide order dated 11.12.2018, passed by Hon’ble National Company Law Tribunal, New Delhi Bench under the provisions of Insolvency and Bankruptcy Code, 2016, as communicated to your good self, vide letter dated December 19, 2018 along with the KMPs of Kwality Limited to discuss and approve the following matters:

1. The Standalone and Consolidated Audited Financial Results for the quarter and year ended as on 31st March, 2019.
2. The Statement of Assets and Liabilities for the quarter and year ended as on 31st March, 2019.
3. The Auditor’s Report given by the Statutory Auditors for the quarter and year ended as on 31st March, 2019.
4. The Statement on Impact of Audit Qualifications for the Financial Year ended as on 31st March, 2019.

Kindly take the above information on your record in compliance to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking You, Limited
 For Kwality Limited




 Pradeep K. Srivastava
 (Company Secretary & Compliance Officer)

Issued with Approval of Mr. Shailendra Ajmera (Resolution Professional)
 (Kwality Limited is under Corporate Insolvency Resolution Process of the Insolvency and Bankruptcy Code 2016. Its affairs, business and assets are being managed by the Resolution Professional, Mr. Shailendra Ajmera, appointed by the National Company Law Tribunal by order dated 11th December 2018 and continued as Resolution Professional by the Committee of Creditors in its meeting held on 11th January, 2019 under the provisions of the Code.)



Kwality Limited
(A company under Corporate
Insolvency Resolution Process as per
Insolvency & Bankruptcy Code, 2016 vide
NCLT order dated 11 December, 2018)

Kwality Limited

CIN : L74899DL1992PLC255519

Regd. Office : KDIL House, F-82, Shivaji Place, Rajouri Garden, New Delhi-110027

Statement of Audited Standalone Financial Results for the Quarter & Year ended 31 March 2019

(INR in Lakhs)

Sr.No	Particulars	Quarter Ended			Year Ended	
		31 March 2019	31 December 2018	31 March 2018	31 March 2019	31 March 2018
		Audited*	Unaudited	Audited	Audited	Audited
1	Income from Operations					
	(a) Revenue from operations	11,365.19	36,197.75	1,70,895.71	2,08,923.25	6,72,487.64
	(b) Other income	1.14	54.32	893.38	457.75	1,300.95
	Total Income	11,366.33	36,252.07	1,71,789.09	2,09,381.00	6,73,788.59
2	Expenses					
	(a) Cost of materials consumed	8,653.57	26,469.32	1,34,191.98	1,59,421.85	5,19,066.04
	(b) Purchases of stock-in-trade	-	-	16,487.58	3,975.61	66,224.95
	(c) Change in inventories of finished goods, stock in trade and work -in-progress	525.15	4,100.38	(974.45)	17,241.18	11,878.86
	(d) Employee benefits expense	380.60	695.46	1,812.66	4,153.62	5,794.13
	(e) Finance costs	618.27	6,183.45	7,606.03	18,822.66	23,318.30
	(f) Depreciation and amortisation expense	3,408.71	3,418.48	3,289.84	13,010.34	12,555.96
	(g) Excise duty expense	-	-	-	-	2.31
	(h) Other expenses	46,881.57	1,45,422.63	5,701.82	2,87,600.69	20,536.61
	Total Expenses	60,467.87	1,86,289.72	1,68,115.46	5,04,225.95	6,59,377.16
3	Profit Before Tax (1-2)	(49,101.54)	(1,50,037.65)	3,673.63	(2,94,844.95)	14,411.43
4	Tax expense:					
	(a) Current tax	5.99	-	2,217.91	5.99	6,372.62
	(b) Deferred tax	647.82	-	1,326.56	(92.99)	927.71
	Total Tax Expenses	653.81	-	3,544.47	(87.00)	7,300.33
5	Net Profit for the Period after Tax (3-4)	(49,755.35)	(1,50,037.65)	129.16	(2,94,757.95)	7,111.10
6	Other Comprehensive Income					
	(a) Items that will not be reclassified to profit and loss	33.08	(1.50)	(32.85)	28.57	(34.81)
	(b) Income tax relating to items that will not be reclassified to profit and loss	(1.05)	-	11.37	-	12.05
	Total Other Comprehensive Income	32.03	(1.50)	(21.48)	28.57	(22.76)
7	Total comprehensive income (5+6)	(49,723.32)	(1,50,039.15)	107.68	(2,94,729.38)	7,088.34
8	Earning per share of INR 1 each					
	(a) Basic (INR)	(20.62)	(62.16)	0.05	(122.13)	2.97
	(b) Diluted (INR)	(20.62)	(62.16)	0.04	(122.13)	2.96
9	Paid-up equity share capital (face value of INR 1 per equity share)	2,413.54	2,413.54	2,413.54	2,413.54	2,413.54
10	Other equity	-	-	-	(1,84,070.61)	1,09,211.24

* The figures for the quarter ended 31 March 2019 are the balancing figures between audited figures of year ended 31 March 2019 and unaudited figures of nine months period ended 31 December 2018.




Kwality Limited

Audited Standalone Statement of Assets and Liabilities

(INR in Lakhs)

Particulars	31 March 2019	31 March 2018
ASSETS		
Non-Current Assets		
Property, plant and equipment	31,158.43	45,869.38
Capital work-in-progress	662.16	5,627.64
Investment property	-	-
Other intangible assets	95.95	131.04
Financial assets		
Investments	16.66	1,918.41
Loans	166.56	79.29
Other financial assets	60.93	139.77
Other non-current assets	4,915.63	13,878.87
Total Non-Current Assets	37,076.32	67,644.40
Current Assets		
Inventories	1,226.53	21,013.23
Financial Assets		
Trade receivables	5,823.16	1,70,081.33
Cash and cash equivalents	186.90	6,234.48
Other bank balances	159.61	1,853.20
Loans	13.34	48.36
Other financial assets	-	670.97
Other current assets	576.64	51,843.48
Total Current Assets	7,986.18	2,51,745.05
Total Assets	45,062.50	3,19,389.45
EQUITY AND LIABILITIES		
Equity		
Equity share capital	2,413.54	2,413.54
Other equity	(1,84,070.61)	1,09,211.24
Total Equity	(1,81,657.07)	1,11,624.78
Liabilities		
Non-Current Liabilities		
Financial liabilities		
Borrowings	-	46,549.98
Other financial liabilities	-	350.72
Other non-current liabilities	431.29	482.02
Provisions	223.32	413.91
Deferred tax liabilities (net)	-	92.99
Total Non-Current liabilities	654.61	47,889.62
Current Liabilities		
Financial liabilities		
Borrowings	1,82,946.79	1,04,897.40
Trade payables	7,059.51	13,029.24
Other financial liabilities	16,033.96	23,045.26
Other current liabilities	1,157.85	875.07
Provisions	52.17	98.99
Current tax liabilities (net)	18,814.68	17,929.09
Total Current Liabilities	2,26,064.96	1,59,875.05
Total-Equity and Liabilities	45,062.50	3,19,389.45



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Shard Bhandari



Notes to the Standalone Financial Results:

1. The Corporate Insolvency Resolution Process ("CIRP") was initiated, on a petition filed by KKR India Financial Services Private Limited against Kwaliti Limited ("the Company"), which was admitted vide an order dated 11 December 2018 ("Insolvency Commencement Date") of the National Company Law Tribunal ("NCLT"), Delhi Bench, under the provisions of the Insolvency and Bankruptcy Code, 2016 ("the Code"). Shailendra Ajmera IP Registration No. IBBI/IPA-001/IP-P00304/2017-18/10568 was appointed as Interim Resolution Professional ("IRP") to manage affairs of the Company in accordance with the provisions of the Code and thereafter confirmed to continue as the Resolution Professional ("RP") by the committee of creditors ("CoC") of the Company in the meeting held on 11 January 2019 under the provisions of the Code. Pursuant to the NCLT order for commencement of the CIRP and in line with the Provisions of the Code, the power of the Board of Directors stand suspended and same is being exercised by IRP/ RP.

As the powers of the Board of Directors have been suspended, the above audited financial results for the quarter and year ended 31 March 2019 have not been considered and recommended by the Audit Committee and, consequently by the Board of Directors.

Since substantial period w.r.t these financial results for the year ended 31 March 2019 pertains prior to Insolvency Commencement Date, the same has been signed by Mr. Sanjay Dhingra, Managing Director of the suspended board and Mr. Sharad Bhandari, Chief Financial Officer of the Company, confirming truthfulness, fairness, accuracy and completeness of the financial results for the quarter and year ended 31 March 2019. Basis this confirmation by the Managing Director and Chief Financial Officer of the Company, these audited financial results have been approved by the RP on 31 May 2019 for filing with the stock exchanges. The RP has approved these financial results solely for discharging the powers of the Board of Directors of the Company (suspended during CIRP) which has been conferred upon him in terms of provisions of Section 17 of the Code.

Post the commencement of CIRP, the Company is continuing to operate as a going concern in terms of the Code. Prospective resolution applicants, who have submitted the Expression of Interest, are in the process of carrying out their own evaluation for submission of the resolution plan by the due date as decided by the CoC. An application has been filed with the Hon'ble NCLT, Delhi Bench for extension of the CIRP period by 90 days (from 180 days to 270 days from the insolvency commencement date).

2. The carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 31 March 2019 amounting to INR 31,820.59 lakhs and INR 95.95 lakhs respectively. As explained in note 1 above, the Company is under CIRP and the RP is required to invite submission of resolution plans from prospective resolution applicants, which shall be put up for necessary approvals before the CoC and the NCLT. The CIRP is not yet concluded and hence, the final outcome is yet to be ascertained. The Company has not taken into consideration any impact on the value of the tangible and intangible assets, if any, in preparation of financial results as required by Ind-AS 10 on "Events after the reporting period". Further, the Company has also not made full assessment of impairment as required by Ind-AS 36 on Impairment of Assets, if any, as at 31 March 2019 in the value of tangible and intangible assets.

3. In accordance with the requirements of the IND AS-108 "Operating Segments", the Company's business consists of one reportable business segment i.e., "Manufacturing and Processing of Milk and Milk Products", hence separate disclosures pertaining to attributable revenue, profits, assets, liabilities and capital employed are not required.

4. Creditors Claim:

a. As a part of the CIRP, creditors of the Company were called to submit their claims to the Interim Resolution Professional/ Resolution Professional. The Claims received summary position of the same is reproduced below:

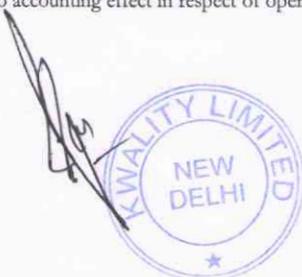
Sr. No.	Particulars	Claims Received*	Claims Admitted*
		(INR in lakhs)	(INR in lakhs)
1	Financial creditors		
	- Claim for Kwaliti Limited [#]	1,85,170.96	1,84,844.25
	- Claim for Corporate guarantees given by the Company for credit facility availed by the wholly owned subsidiary i.e. Kwaliti Dairy Products FZE (yet to be recognized in the books of account)	12,200.71	12,200.71
	Total Financial Creditors	1,97,371.67	1,97,044.96
2	Operational creditors (including Employees & workers)	16,743.20	12,976.55
3	Other claims	14,118.26	14,085.47

* Amount claimed till the insolvency commencement date and amount admitted on the basis of verification and collation of available information from the records of Kwaliti Limited and may be updated / revised as per additional information received.

[#] Includes INR 117.92 lakhs in relation to un-invoked bank guarantees admitted as contingent claim without any voting rights

The RP is in the process of verifying and accepting the claims submitted by the creditors as per the Code. Consequential impact of claims being higher than the book balances, if any, has not been considered and will be appropriately dealt with basis the resolution plan, if any, approved by the NCLT going forward.

b. The Company has not provided any liability towards interest, penal interest charges and any foreign currency fluctuation on claims by financial creditors for the period w.e.f. the Insolvency Commencement Date, since as part of the CIRP, the claims for interest, penal interest charges and foreign currency fluctuation can impact their claims in Form C only till the date of commencement of CIRP in the Corporate Debtor. The aggregate claims submitted by the Financial Creditors exceeded the amount as appearing in the books of accounts. Further, in respect of operational / other creditors the process of submitting claims is on-going and is under reconciliations with amount as appearing in the books of accounts. Pending reconciliations and final outcome of the CIRP, no provision in the books of accounts has been made for excess claims submitted in respect of financial creditors and no accounting effect in respect of operational/other creditors has been given.



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5. The tax payable (including interest) amounting to INR 18,814.68 lakhs under the Income Tax Act of 1961 for the assessment years 2016-17, 2017-18 and 2018-19, which has not been paid by the Company. The Company in the prior years invested in development of new manufacturing facility for production of 'Value Added Products' at Plant Softa (Palwal). In view of the said expansion and to part fund the working capital requirements, there have been delays in payment of income-tax dues. The Company has received orders from the income tax authorities under Section 279(1) read with Section 276C (2) for the assessment years 2016-17 and 2017-18 for prosecution due to non - payment of such taxes. Interest upto the insolvency commencement date has been provided in the books of accounts of the Company. At this stage no penalty has been imposed by income tax department, therefore it is not possible to predict the outcome in future. Further assessment proceedings under Section 132 under the Income Tax Act of 1961 have been initiated, the Company currently is not in a position to ascertain the consequential impact, if any. It may be noted that the income tax department has already filed a claim (i.e. Form B) under the Insolvency and Bankruptcy Code, 2016 aggregating INR 10,488.44 lakhs, which includes claim towards tax payable for the assessment years 2016-17 and 2017-18.

Further, the Company has not paid the income tax for the assessment year 2018-19 amounting to INR 7,187.81 lakhs. Consequently, the Company was unable to file the electronic return to the Income Tax Department. The Company have submitted to the income tax department the manual return in hard copy, which was duly acknowledged.

There is an outstanding TDS of INR 493.49 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 March 2019. Interest payable on the outstanding TDS is estimated at INR 48.85 lakhs (includes INR 42.58 lakhs with respect to dues outstanding as on insolvency commencement date), which has not been recognised in the books of account. It may be noted that the Income Tax Authorities have filed a claim of INR 452.60 lakhs (includes interest of INR 42.12 lakhs) as on insolvency commencement date, which will be dealt basis the resolution plan, if any, approved by the NCLT going forward.

6. "Other Expenses" as stated in the income statement for the quarter and year ended 31 March 2019, include adjustment on these accounts, as enumerated below:

Particulars	Quarter Ended	Year Ended
	31-Mar-19	31-Mar-19
	INR in lakhs	
Provision for doubtful debtors	32,447.03	1,59,719.70
Bad Debts Written Off	-	10,251.16
Provision for doubtful advances	5,918.25	20,281.86
Scheme / Discount		76,084.61
Diminution in value of Investments	-	1,902.75
Write-off of Property, Plant and Equipment	6,655.01	6,655.01
Discard of Packing Material	212.87	212.87
Total	45,233.16	2,75,107.96

7. The Company has issued Non-Convertible Debentures (NCDs) to KKR Capital Markets India Private Limited, KKR India Debt Fund I, KKR India Debt Opportunity Fund III and BOI AXA Credit Risk Fund ("Debenture Holders") aggregating INR 10,000.00 lakhs during June 2016. Per Section 71 of the Companies Act, 2013 is required to create Debenture Redemption Reserve and invest or deposit amounts as per the Rule 18 of Companies (Share Capital and Debentures) Rules, 2014. The Company has not complied with the requirements of Debenture Redemption Reserve due to stressed financial condition. Subsequently on commencement of CIRP, the Debenture Holders have filed their claims in Form C and the same will be dealt with as per the provisions for the Code.

8. Trade payables include foreign currency balances outstanding amounting to INR 268.70 lakhs for more than one year from the date of goods receipt note. Similarly, trade receivables include foreign currency balances amounting to INR 13,829.48 lakhs which is pending for collection for more than one year from the date of invoices. Therefore, the Company has made provision for INR 13,829.48 lakhs, which is included under provision for doubtful debtors as per Note 6 above.

9. Effective from 1 April 2018, the Company has adopted IND AS 115 using cumulative effect method and the comparative information is not restated. The adoption of the standard did not have any material impact on the result of the Company.

10. The figures for the previous periods have been regrouped/ rearranged wherever necessary.

Place: Delhi
Date: 31 May 2019

For Kwality Limited
(a company under corporate insolvency resolution process vide NCLT order)

Sanjay Dhingra
(Managing Director)

Sharad Bhandari
Sharad Bhandari
(Chief Financial Officer)

Shailendra Arora
Shailendra Arora
(Resolution Professional)
IP Registration No. IBBI/IPA-001
/IP-P00304/2017-18/10568





Auditors' Report on Standalone Quarterly Financial Results and Year to Date Results of Kwality Limited pursuant to Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To

**The Resolution Professional of
Kwality Limited**

(A company under Corporate Insolvency Resolution Process ('CIRP') as per NCLT order)

1. We have audited the accompanying Statement of Standalone Financial Results of Kwality Limited (the "Company") for the quarter and year ended March 31, 2019 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Circular No. CIR/CFD/FAC/62/2016 dated 5th July, 2016.

The Hon'ble National Company Law Tribunal (NCLT), Delhi Bench, by an order dated 11 December 2018 admitted the Corporate Insolvency Resolution Process (CIRP) application filed against Kwality Limited ("the company"), and appointed Mr. Shailendra Ajmera as the Interim Resolution Professional ("IRP") in terms of the Insolvency and Bankruptcy Code, 2016 ("the Code") to manage the affairs of the Company as per the provisions of the Code. Further, the Committee of Creditors constituted during the CIRP of the Company in its meeting dated 11 January 2019, confirmed the IRP as the Resolution Professional ("RP") for the Company. In view of pendency of the CIRP the management of affairs of the Company and power of Board of Directors are now vested with RP. These Standalone Financial Statements have been prepared by the management of the Company and Certified by Mr. Sanjay Dhingra who is the Managing Director of the suspended board, Mr. Sharad Bhandari, Chief Financial Officer, and approved by Resolution Professional.

The statement as it related to quarter ended March 31, 2019, has been compiled from the related interim condensed standalone financial statements prepared in accordance with Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34") and as it relates to the year ended March 31, 2019, has been compiled from the related annual standalone financial statements prepared under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express an opinion on the Statement based on our audit of such interim condensed standalone financial statements and annual standalone financial statements.

2. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our qualified opinion.



**3. BASIS FOR QUALIFIED OPINION**

- a. The Company has incurred a Net loss of INR 294,757.95 lakhs resulting into net accumulated losses of INR 184,070.61 lakhs and erosion of its Net worth as at March 31, 2019. The company has obligations towards lenders, creditors and other agencies where reconciliation/ verification is in process pursuant to ongoing Corporate Insolvency Resolution Process (CIRP). These conditions may indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these matters is at present not ascertainable. Accordingly, we are unable to comment on the consequential impact, if any, on the accompanying standalone financial statements.
- b. We draw attention to note 4 to the statement, in respect of various claims, submitted by the financial creditors, operational creditors, workmen or employee and authorized representative of workmen and employees of the Company to Resolution Professional, that are currently not fully admitted/ accepted by the Resolution Professional. No provision of such excess claims has been made in the books of accounts and no accounting effect is given in respect of such claims. Therefore, we are unable to comment on the consequential impact, if any, on the accompanying statement. Further company had given Corporate guarantee in favor of its subsidiary "Kwality Dairy Products FZE" against which banks have submitted the claims to RP amounting to INR 12,200.71 lakhs. RP has admitted these claims but company has not made any provision in its books of accounts in respect of the same.
- c. We draw attention to note 6 to the statement, the Company has provided for Doubtful debts to the tune of INR 1,59,719.70 lakhs (including export receivables amounting INR 13,829.48 lakhs – Note 8) during the year ended 31 March, 2019 towards non-recovery of long pending over dues. The remaining trade receivables amounting to INR 2,567.15 lakhs outstanding for more than 120 days is also having an unascertainable financial impact.

4. EMPHASIS OF MATTER

- a. We draw attention to Note 7 of the statement, the Company has issued Non-Convertible Debentures (NCDs) to KKR Capital Markets India Private Limited, KKR India Debt Fund I, KKR India Debt Opportunity Fund III and BOI AXA Credit Risk Fund ('Debenture Holders') aggregating INR 10,000.00 lakhs during June 2016. Per Section 71 of the Companies Act, 2013 is required to create Debenture Redemption Reserve and invest or deposit amounts as per the Rule 18 of Companies (Share Capital and Debentures) Rules, 2014. The Company has not complied with the requirements of Debenture Redemption Reserve due to stressed financial condition. Subsequently on commencement of CIRP, the Debenture Holders have filed their claims in Form C and the same will be dealt with as per the provisions for the Code.
- b. We draw attention to note 6 of the statement, the Company has made provisions/written off having total impact of INR 2,75,107.96 lakhs (Bad debts Written off amounting to INR 10,251.16 Lakhs, Provision for Doubtful Trade Receivables amounting to INR 1,59,719.70 lakhs, Provision in respect of diminution for entire value of investment amounting to INR 1,902.75 lakhs appearing in Financial Statements due to discontinuation of business operations of its subsidiary "Kwality Dairy Products FZE", Written off Property, Plant & Equipment amounting to INR 6,655.01 lakhs, Discarded packing material amounting to INR 212.87 lakhs, and Written off advances made on account of purchase of AMCUs amounting to INR 20,281.86 lakhs to be adjusted against future purchase of milk as there will be no supply in future). In addition to above, the company has incurred INR 76,084.61 lakhs towards Scheme/ Discount during the year ended 31st March 2019.





- c. We draw attention to note 2 to the standalone financial statements, the carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 31 March 2019 amounting to INR 31,820.61 lakhs and INR 95.95 lakhs respectively. The CIRP is not yet concluded and hence, the final outcome is yet to be ascertained. The Company has not taken into consideration any impact on the value of the tangible and intangible assets, if any, in preparation of financial results as required by Ind-AS 10 on "Events after the reporting period". Further, the Company has also not made full assessment of impairment as required by Ind-AS 36 on Impairment of Assets, if any, as at 31 March 2019 in the value of tangible and intangible assets.
- d. We draw attention to note 5 to the statement, the tax payable (including interest) amounting to INR 18,814.68 lakhs under the Income Tax Act of 1961 for the assessment years 2016-17, 2017-18 and 2018-19, which has not been paid by the Company. The Company in the prior years invested in development of new manufacturing facility for production of 'Value Added Products' at Plant Softa (Palwal). In view of the said expansion and to part fund the working capital requirements, there have been delays in payment of income-tax dues. The Company has received orders from the income tax authorities under Section 279(1) read with Section 276C (2) for the assessment years 2016-17 and 2017-18 for prosecution due to non - payment of such taxes. Interest upto the insolvency commencement date has been provided in the books of accounts of the Company. At this stage no penalty has been imposed by income tax department, therefore it is not possible to predict the outcome in future. Further assessment proceedings under Section 132 under the Income Tax Act of 1961 have been initiated, the Company currently is not in a position to ascertain the consequential impact, if any. It may be noted that the income tax department has already filed a claim (i.e. Form B) under the Insolvency and Bankruptcy Code, 2016 aggregating INR 10,488.44 lakhs, which includes claim towards tax payable for the assessment years 2016-17 and 2017-18.
- Further, the Company has not paid the income tax for the assessment year 2018-19 amounting to INR 7,187.81 lakhs. Consequently, the Company was unable to file the electronic return to the Income Tax Department. The Company have submitted to the income tax department the manual return in hard copy, which was duly acknowledged.
- There is an outstanding TDS of INR 493.49 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 March 2019. Interest payable on the outstanding TDS is estimated at INR 48.85 lakhs (includes INR 42.58 lakhs with respect to dues outstanding as on insolvency commencement date), which has not been recognised in the books of account. It may be noted that the Income Tax Authorities have filed a claim of INR 452.60 lakhs (includes interest of INR 42.12 lakhs) as on insolvency commencement date, which will be dealt basis the resolution plan, if any, approved by the NCLT going forward.
- e. The Company has not recognized interest payable on loans and borrowings after December 11, 2018, the same is not quantified by the company so we're unable to comment on the financial impact of the same on loss for the year.
- f. Our opinion is not qualified in respect of these matters



B. Rattan & Associates

Chartered Accountants
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Website: www.brattan.co.in



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Near Preet Vihar Metro Station
Gate No. 1, New Delhi-110 092
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5. Except for the matters stated in paragraph 3 above, in our opinion and to the best of our information and according to the explanations given to us these Statement:
- is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
 - give a true and fair view of the net loss and other financial information for the year ended March 31, 2019.
6. The financial results of the company for the year ending March 31, 2018 were audited by MSKA & Associates, Chartered Accountants who expressed unmodified opinion dated May 28, 2018.

For B. RATTAN & ASSOCIATES
Chartered Accountants
(FRN: 011798N)



Ashish Kumar
Partner

Membership Number: 182021

Place: New Delhi
Date: May 31, 2019

KWALITY LIMITED

(a company under corporate insolvency resolution process vide NCLT order)

ANNEXURE-I

**Statement on Impact of Audit Qualifications (for audit report with modified opinion)
submitted along-with Annual Audited Financial Results**

(Standalone)

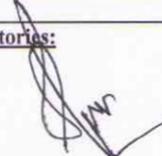
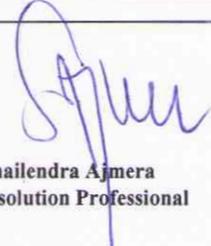
(All amount in INR lakhs, unless otherwise stated)

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2019 [See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]				
I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income	2,09,381.00	2,09,381.00
	2.	Total Expenditure	5,04,225.95	5,16,426.66
	3.	Net Profit/(Loss)	(2,94,757.95)	(3,06,958.66)
	4.	Earnings Per Share	(122.13)	(127.18)
	5.	Total Assets	45,062.50	45,062.50
	6.	Total Liabilities	2,26,719.57	2,38,920.28
	7.	Net Worth	(1,81,657.07)	(1,93,857.78)
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	1. Audit Qualification (each audit qualification separately):			
	a. Details of Audit Qualification			
	The Company has incurred a Net loss of INR 294,757.95 lakhs resulting into net accumulated losses of INR 184,070.61 lakhs and erosion of its Net worth as at March 31, 2019. The company has obligations towards lenders, creditors and other agencies where reconciliation/ verification is in process pursuant to ongoing Corporate Insolvency Resolution Process (CIRP). These conditions may indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these matters is at present not ascertainable. Accordingly, we are unable to comment on the consequential impact, if any, on the accompanying standalone financial statements.			
	b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion			
	c. Frequency of qualification: Appeared first time			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: NA			
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:			
	(i) Management's estimation on the impact of audit qualification: NA			
	(ii) If management is unable to estimate the impact, reasons for the same:			
	Kwality Limited ('the Company') is under Corporate Insolvency Resolution Process ('CIRP') and is continuing to operate as a going concern in terms of the Insolvency and Bankruptcy Code ('the Code'). Under the Code, the Prospective resolution applicants are required to submit the resolution plan by the due date. Until the resolution plan is submitted and is approved by the COC/ NCLT, it is not possible to ascertain the impact.			
	(iii) Auditors' Comments on (i) or (ii) above:			
	Refer "Basis for Qualified Opinion" in audit report the same is self explanatory.			
	2. Audit Qualification (each audit qualification separately):			
	a. Details of Audit Qualification			
	Note 4 to the statement, in respect of various claims, submitted by the financial creditors, operational creditors, workmen or employee and authorized representative of workmen and employees of the Company to Resolution Professional, that are currently not fully admitted/ accepted by the Resolution Professional. No provision of such excess claims has been made in the books of accounts and no accounting effect is given in respect of such claims. Therefore, we are unable to comment on the consequential impact, if any, on the accompanying statement. Further company had given Corporate guarantee in favour of its subsidiary "Kwality Dairy Products FZE" against which banks have submitted the claims to RP amounting to INR 12,200.71 lakhs. RP has admitted these claims but company has not made any provision in its books of accounts in respect of the same.			
	b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion			
	c. Frequency of qualification: Appeared first time			



Shankar Bhandari

[Signature]

	<p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: The company had given Corporate guarantee in favour of its subsidiary "Kwality Dairy Products FZE" against which banks have submitted the claims amounting to INR 12,200.71 lakhs and the claim has been admitted whereas the company (Kwality Limited) has not made any provision in its books of accounts in respect of the same. (To the extent ascertainable)</p>
	<p>e. For Audit Qualification(s) where the impact is not quantified by the auditor:</p>
	<p>(i) Management's estimation on the impact of audit qualification: NA</p>
	<p>(ii) If management is unable to estimate the impact, reasons for the same: Since the Company is under CIRP and the process of receipt and acceptance of the claims submitted by the creditors as per the Code is ongoing, it is difficult to readily ascertain the impact. However, the consequential impact will be determined once the CIRP process is complete and the same will be dealt as per the resolution plan, if any, approved by the NCLT going forward.</p>
	<p>(iii) Auditors' Comments on (i) or (ii) above:</p>
	<p>Refer "Basis for Qualified Opinion" in audit report read with the notes to the standalone financial results, the same is self explanatory.</p>
	<p>3. Audit Qualification (each audit qualification separately):</p>
	<p>a. Details of Audit Qualification</p>
	<p>Note 6 to the statement, the Company has provided for Doubtful debts to the tune of INR 1,59,719.70 lakhs (including export receivables amounting INR 13,829.48 lakhs – Note 8) during the year ended 31 March, 2019 towards non-recovery of long pending over dues. The remaining trade receivables amounting to INR 2,567.15 lakhs outstanding for more than 120 days is also having an unascertainable financial impact.</p>
	<p>b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion</p>
	<p>c. Frequency of qualification: Appeared first time</p>
	<p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: The Company has already made provision for doubtful debts of INR 159,719.70 lakhs. Further, management is reasonably certain of recovery from outstanding trade receivables.</p>
	<p>e. For Audit Qualification(s) where the impact is not quantified by the auditor:</p>
	<p>(i) Management's estimation on the impact of audit qualification: NA</p>
	<p>(ii) If management is unable to estimate the impact, reasons for the same: NA</p>
	<p>(iii) Auditors' Comments on (i) or (ii) above: NA</p>
III.	<p>Signatories:</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  Sanjay Dhingra Managing Director Place: New Delhi Date: May 31, 2019 </div> <div style="text-align: center;">  Sharad Bhandari Chief Financial Officer </div> <div style="text-align: center;">  Shailendra Ajmera Resolution Professional </div> </div> <div style="text-align: center; margin-top: 10px;">  </div>
	<p>Auditors:</p> <p>Refer our Independent Auditors' Report dated 31 May 2019 on Standalone Financial Results of the Company</p> <p>For B. Rattan & Associates Chartered Accountants (Registration Number: 011798N)</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  Ashish Kumar Partner Membership Number: 182021 Place: New Delhi Date: May 31, 2019 </div> <div style="text-align: center;">  </div> </div>



Kwality Limited
(A company under Corporate
Insolvency Resolution Process as per
Insolvency & Bankruptcy Code, 2016 vide
NCLT order dated 11 December, 2018)

Kwality Limited
CIN : L74899DL1992PLC255519

Regd. Office : KDIL House, F-82, Shivaji Place, Rajouri Garden, New Delhi-110027

Statement of Audited Consolidated Financial Results for the Year ended 31 March 2019

(INR in Lakhs)

S.No	Particulars	Year Ended	
		31 March 2019	31 March 2018
		Audited	Audited
1	Income from Operations		
	(a) Revenue from operations	2,12,987.54	7,31,936.48
	(b) Other income	481.41	1,324.89
	Total Income	2,13,468.95	7,33,261.37
2	Expenses		
	(a) Cost of materials consumed	1,59,421.85	5,19,066.04
	(b) Purchases of stock-in-trade	5,194.66	1,20,621.14
	(c) Change in inventories of finished goods, stock in trade	19,861.06	13,309.33
	(d) Employee benefits expense	4,189.82	5,909.54
	(e) Finance costs	19,808.30	24,491.30
	(f) Depreciation and amortisation expense	13,035.79	12,632.33
	(g) Excise duty expense	-	2.31
	(h) Other expenses	3,13,659.38	20,694.47
	Total Expenses	5,35,170.86	7,16,726.46
3	Profit Before Tax (1-2)	(3,21,701.91)	16,534.91
4	Tax expense:		
	(a) Current tax	5.99	6,372.61
	(b) Deferred tax	(92.99)	927.71
	Total Tax Expenses	(87.00)	7,300.32
5	Net Profit for the Period after Tax (3-4)	(3,21,614.91)	9,234.59
6	Other Comprehensive Income		
	(a) Items that will not be reclassified to profit and loss	28.57	(34.81)
	(b) Income tax relating to items that will not be reclassified to profit and loss	-	12.05
	(c) Items that will be reclassified to profit and loss	925.31	33.93
	Total Other Comprehensive Income	953.88	11.17
7	Total comprehensive income (5+6)	(3,20,661.03)	9,245.76
8	Earning per share of INR 1 each		
	(a) Basic (INR)	(133.25)	3.86
	(b) Diluted (INR)	(133.25)	3.85
9	Paid-up equity share capital (face value of INR 1 per equity share)	2,413.54	2,413.54
10	Other equity	(1,95,967.61)	1,23,245.89

Audited Consolidated Statement of Assets and Liabilities

(INR in Lakhs)

Particulars	31 March 2019	31 March 2018
ASSETS		
Non-Current Assets		
Property, plant and equipment	31,158.43	45,976.25
Capital work-in-progress	662.16	5,627.64
Investment property	-	579.85
Other intangible assets	95.95	131.04
Financial assets		
Investments	16.66	15.66
Loans	166.56	79.29
Other financial assets	60.93	158.63
Other non-current assets	4,915.63	13,878.87
Total Non-Current Assets	37,076.32	66,447.23
Current Assets		
Inventories	1,226.53	23,633.11
Financial Assets		
Trade receivables	5,823.16	1,89,768.24
Cash and cash equivalents	187.33	6,484.11
Other bank balances	159.61	3,064.04
Loans	25.82	48.36
Other financial assets	-	676.29
Other current assets	576.88	57,999.05
Asset held for sale	400.91	-
Total Current Assets	8,400.24	2,81,673.20
Total Assets	45,476.56	3,48,120.43
EQUITY AND LIABILITIES		
Equity		
Equity share capital	2,413.54	2,413.54
Other equity	(1,95,967.61)	1,23,245.89
Total Equity	(1,93,554.07)	1,25,659.43
Liabilities		
Non-Current Liabilities		
Financial liabilities		
Borrowings	-	46,811.29
Other financial liabilities	-	350.72
Other non-current liabilities	431.29	482.02
Provisions	223.32	413.91
Deferred tax liabilities (net)	-	92.99
Total Non-Current liabilities	654.61	48,150.93
Current Liabilities		
Financial liabilities		
Borrowings	1,95,256.20	1,16,939.84
Trade payables	7,061.16	15,309.76
Other financial liabilities	16,033.96	23,157.32
Other current liabilities	1,157.85	875.07
Provisions	52.17	98.99
Current tax liabilities (net)	18,814.68	17,929.09
Total Current Liabilities	2,38,376.02	1,74,310.07
Total Equity and Liabilities	45,476.56	3,48,120.43



Shradha Bhandari



Notes to the Consolidated Financial Results:

1. The Corporate Insolvency Resolution Process ("CIRP") was initiated, on a petition filed by KKR India Financial Services Private Limited against Kwaliti Limited ("the Company"), which was admitted vide an order dated 11 December 2018 ("Insolvency Commencement Date") of the National Company Law Tribunal ("NCLT"), Delhi Bench, under the provisions of the Insolvency and Bankruptcy Code, 2016 ("the Code"). Shailendra Ajmera IP Registration No. IBBI/IPA-001/IP-P00304/2017-18/10568 was appointed as Interim Resolution Professional ("IRP") to manage affairs of the Company in accordance with the provisions of the Code and thereafter confirmed to continue as the Resolution Professional ("RP") by the committee of creditors ("CoC") of the Company in the meeting held on 11 January 2019 under the provisions of the Code. Pursuant to the NCLT order for commencement of the CIRP and in line with the Provisions of the Code, the power of the Board of Directors stand suspended and same is being exercised by IRP/ RP.

As the powers of the Board of Directors have been suspended, the above audited consolidated financial results for the year ended 31 March 2019 have not been considered and recommended by the Audit Committee and, consequently by the Board of Directors.

Since substantial period w.r.t these consolidated financial results for the year ended 31 March 2019 pertains prior to Insolvency Commencement Date, the same has been signed by Mr. Sanjay Dhingra, Managing Director of the suspended board and Mr. Sharad Bhandari, Chief Financial Officer of the Company, confirming truthfulness, fairness, accuracy and completeness of the consolidated financial results for the year ended 31 March 2019. Basis this confirmation by the Managing Director and Chief Financial Officer of the Company, these audited consolidated financial results have been approved by the RP on 31 May 2019 for filing with the stock exchanges. The RP has approved these consolidated financial results solely for discharging the powers of the Board of Directors of the Company (suspended during CIRP) which has been conferred upon him in terms of provisions of Section 17 of the Code.

Post the commencement of CIRP, the Company is continuing to operate as a going concern in terms of the Code. Prospective resolution applicants, who have submitted the Expression of Interest, are in the process of carrying out their own evaluation for submission of the resolution plan by the due date as decided by the CoC. An application has been filled with the Hon'ble NCLT, Delhi Bench for extension of the CIRP period by 90 days (from 180 days to 270 days from the insolvency commencement date).

2. The carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 31 March 2019 amounting to INR 31,820.59 lakhs and INR 95.95 lakhs respectively. As explained in note no. 1 above, the Company is under CIRP and the RP is required to invite submission of resolution plans from prospective resolution applicants, which shall be put up for necessary approvals before the CoC and the NCLT. The CIRP is not yet concluded and hence, the final outcome is yet to be ascertained. The Company has not taken into consideration any impact on the value of the tangible and intangible assets, if any, in preparation of financial results as required by Ind-AS 10 on "Events after the reporting period". Further, the Company has also not made full assessment of impairment as required by Ind-AS 36 on Impairment of Assets, if any, as at 31 March 2019 in the value of tangible and intangible assets.
3. In accordance with the requirements of the IND AS-108 "Operating Segments", the Company's business consists of one reportable business segment i.e., "Manufacturing and Processing of Milk and Milk Products", hence separate disclosures pertaining to attributable revenue, profits, assets, liabilities and capital employed are not required.



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Sharad Bhandari
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4. **Creditors Claim w.r.t Kwality Limited on standalone basis**

4a. As a part of the CIRP, creditors of the Company were called to submit their claims to the Interim Resolution Professional/ Resolution Professional. The Claims received summary position of the same is reproduced below:

Sr. No.	Particulars	Claims Received*	Claims Admitted*
		(INR in lakhs)	(INR in lakhs)
1	Financial creditors		
	- Claim for Kwality Limited [#]	1,85,170.96	1,84,844.25
	- Claim for Corporate guarantees given by the Company for credit facility availed by the wholly owned subsidiary i.e. Kwality Dairy Products FZE (yet to be recognized in the books of account)	12,200.71	12,200.71
	Total Financial Creditors	1,97,371.67	1,97,044.96
2	Operational creditors (including Employees & workers)	16,743.20	12,976.55
3	Other claims	14,118.26	14,085.47

* Amount claimed till the insolvency commencement date and amount admitted on the basis of verification and collation of available information from the records of Kwality Limited and may be updated / revised as per additional information received.

[#] Includes INR 117.92 lakhs in relation to un-invoked bank guarantees admitted as contingent claim without any voting rights

The RP is in the process of verifying and accepting the claims submitted by the creditors as per the Code. Consequential impact of claims being higher than the book balances, if any, has not been considered and will be appropriately dealt with basis the resolution plan, if any, approved by the NCLT going forward.

4b. The Company has not provided any liability towards interest, penal interest charges and any foreign currency fluctuation on claims by financial creditors for the period w.e.f. the Insolvency Commencement Date, since as part of the CIRP, the claims for interest, penal interest charges and foreign currency fluctuation can impact their claims in Form C only till the date of commencement of CIRP in the Corporate Debtor. The aggregate claims submitted by the Financial Creditors exceeded the amount as appearing in the books of accounts. Further, in respect of operational / other creditors the process of submitting claims is on-going and is under reconciliations with amount as appearing in the books of accounts. Pending reconciliations and final outcome of the CIRP, no provision in the books of accounts has been made for excess claims submitted in respect of financial creditors and no accounting effect in respect of operational/other creditors has been given.

5. The tax payable (including interest) amounting to INR 18,814.68 lakhs under the Income Tax Act of 1961 for the assessment years 2016-17, 2017-18 and 2018-19, which has not been paid by the Company. The Company in the prior years invested in development of new manufacturing facility for production of 'Value Added Products' at Plant Softa (Palwal). In view of the said expansion and to part fund the working capital requirements, there have been delays in payment of income-tax dues. The Company has received orders from the income tax authorities under Section 279(1) read with Section 276C (2) for the assessment years 2016-17 and 2017-18 for prosecution due to non - payment of such taxes. Interest upto the insolvency commencement date has been provided in the books of accounts of the Company. At this stage no penalty has been imposed by income tax department, therefore it is not possible to predict the outcome in future. Further assessment proceedings under Section 132 under the Income Tax Act of 1961 have been initiated, the Company currently is not in a position to ascertain the consequential impact, if any. It may be noted that the income tax department has already filed a claim (i.e. Form B) under the Insolvency and Bankruptcy Code, 2016 aggregating INR 10,488.44 lakhs, which includes claim towards tax payable for the assessment years 2016-17 and 2017-18.

Further, the Company has not paid the income tax for the assessment year 2018-19 amounting to INR 7,187.81 lakhs. Consequently, the Company was unable to file the electronic return to the Income Tax Department. The Company have submitted to the income tax department the manual return in hard copy, which was duly acknowledged.

There is an outstanding TDS of INR 493.49 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 March 2019. Interest payable on the outstanding TDS is estimated at INR 48.85 lakhs (includes INR 42.58 lakhs with respect to dues outstanding as on insolvency commencement date), which has not been recognised in the books of account. It may be noted that the Income Tax Authorities have filed a claim of INR 452.60 lakhs (includes interest of INR 42.12 lakhs) as on insolvency commencement date, which will be dealt basis the resolution plan, if any, approved by the NCLT going forward.



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Shahul Bhandari

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6. "Other Expenses" as stated in the income statement for the year ended 31 March 2019, include adjustment on these accounts, as enumerated below:

Particulars	Holding Company	Subsidiary Company	Total
INR in lakhs			
Provision for doubtful debtors	1,59,719.70	18,565.57	1,78,285.27
Bad Debts Written Off	10,251.16	-	10,251.16
Provision for doubtful advances	20,281.86	9,117.09	29,398.95
Scheme / Discount	76,084.61	-	76,084.61
Write-off of Property, Plant and Equipment	6,655.01	4.71	6,659.72
Impairment of Fixed Assets	-	203.13	203.13
Discard of Packing Material	212.87	-	212.87
Total	2,73,205.21	27,890.50	3,01,095.71

7. The Company has issued Non-Convertible Debentures (NCDs) to KKR Capital Markets India Private Limited, KKR India Debt Fund I, KKR India Debt Opportunity Fund III and BOI AXA Credit Risk Fund ("Debenture Holders") aggregating INR 10,000.00 lakhs during June 2016. Per Section 71 of the Companies Act, 2013 is required to create Debenture Redemption Reserve and invest or deposit amounts as per the Rule 18 of Companies (Share Capital and Debentures) Rules, 2014. The Company has not complied with the requirements of Debenture Redemption Reserve due to stressed financial condition. Subsequently on commencement of CIRP, the Debenture Holders have filed their claims in Form C and the same will be dealt with as per the provisions for the Code.
8. Trade payables include foreign currency balances outstanding amounting to INR 268.70 lakhs for more than one year from the date of goods receipt note. Similarly, trade receivables include foreign currency balances amounting to INR 13,829.48 lakhs which is pending for collection for more than one year from the date of invoices. Therefore, the Company has made provision for INR 13,829.48 lakhs, which is included under provision for doubtful debtors as per Note 6 above.
9. Effective from 1 April 2018, the Company has adopted IND AS 115 using cumulative effect method and the comparative information is not restated. The adoption of the standard did not have any material impact on the result of the Company.
10. Due to recession in global dairy market and general trade scenario especially in Gulf & GCC countries, the demand and profit margin in dairy products reduced. Further, the introduction of VAT in Dubai from January 1, 2018, further impacted the business. Due to slowdown in business in Dubai, there were very slow recovery from customer/ debtors in past. Recovery of dues from customers/ debtors further reduced/ stopped as the Company was not in position to supply the required material due to non-availability of working capital. The same leads to severe liquidity crunch and Company had decided to discontinue the business operations of wholly owned subsidiary (Kwality Dairy Products FZE). As at March 31, 2019, the net-worth of the subsidiary has been completely eroded. Accordingly, the financial statements have been prepared assuming the subsidiary will not continue as a going concern. Current Assets and liabilities are stated at the values at which they are realizable and payable. Investment property(s) is valued on the basis of realizable value (Assets held for sale).
11. The figures for the previous periods have been regrouped/ rearranged wherever necessary.

For Kwality Limited
(a company under corporate insolvency resolution process vide NCLT order)

Place: Delhi
Date: 31 May 2019

Sanjay Dhingra
(Managing Director)



Sharad Bhandari
(Chief Financial Officer)

Shailendra Ajmera
(Resolution Professional)
IP Registration No. IBBI/IPA-001
/IP-P00304/2017-18/10568





Auditors' Report on Consolidated Quarterly Financial Results and Year to Date Results of Kwality Limited pursuant to Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To

**The Resolution Professional of
Kwality Limited**

(A company under Corporate Insolvency Resolution Process ('CIRP') by NCLT order)

1. We have audited the accompanying Statement containing the Annual Audited Consolidated Financial Results of Kwality Limited (hereinafter referred to as "the Company") and its subsidiary ("Kwality Dairy Products FZE") (the Holding Company and its' subsidiary together referred to as "the Group") for the year ended March 31, 2019 together with the notes thereon (hereinafter referred to as the "the Statement") attached herewith, which we have signed under reference to this report, being submitted by the Company pursuant to the requirement of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Circular No. CIR/ CFD/ FAC/ 62/ 2016 dated 5th July, 2016.

The Hon'ble National Company Law Tribunal (NCLT), Delhi Bench, by an order dated 11 December 2018 admitted the Corporate Insolvency Resolution Process (CIRP) application filed against Kwality Limited ("the Company"), and appointed Mr. Shailendra Ajmera as the Interim Resolution Professional ("IRP") in terms of the Insolvency and Bankruptcy Code, 2016 ("the Code") to manage the affairs of the Company as per the provisions of the Code. Further, the Committee of Creditors constituted during the CIRP of the Company in its meeting dated 11 January 2019, confirmed the IRP as the Resolution Professional ("RP") for the Company. In view of pendency of the CIRP the management of affairs of the Company and power of Board of Directors are now vested with RP. These Consolidated Financial Statements have been prepared by the management of the Company and Certified by Mr. Sanjay Dhingra who is the Managing Director of the suspended Board, Mr. Sharad Bhandari, Chief Financial Officer, and approved by Resolution Professional.

The consolidated year to date financial results have been prepared from consolidated financial statements, which are responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial results based on our audit of such consolidated financial statements, which have been prepared as specified under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India.

2. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our qualified opinion.





3. BASIS FOR QUALIFIED OPINION

- a. The Company has incurred a Net loss of INR 321,614.91 lakhs resulting into net accumulated losses of INR 195,967.61 lakhs and erosion of its Net worth as at March 31, 2019. The company has obligations towards lenders, creditors and other agencies where reconciliation/ verification is in process pursuant to ongoing Corporate Insolvency Resolution Process (CIRP). These conditions may indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these matters is at present not ascertainable. Accordingly, we are unable to comment on the consequential impact, if any, on the accompanying consolidated financial statements.
- b. Note 4 to the statement, in respect of various claims, submitted by the financial creditors, operational creditors, workmen or employee and authorized representative of workmen and employees of the Company to Resolution Professional of Company, that are currently not fully admitted/ accepted by the Resolution Professional of Company. No provision of such excess claims has been made in the books of accounts and no accounting effect is given in respect of such claims. Therefore, we are unable to comment on the consequential impact, if any, on the accompanying statement. Further the Company had given Corporate guarantee in favor of its subsidiary "Kwality Dairy Products FZE" against which banks have submitted the claims to RP amounting to INR 12,200.71 lakhs. RP has admitted these claims but Holding Company has not made any provision in its books of accounts in respect of the same.
- c. Note 6 to the statement, the Company has provided for Doubtful debts to the tune of INR 1,59,719.70 lakhs (including export receivables amounting INR 13,829.48 lakhs – Note 8) during the year ended 31 March, 2019 towards non-recovery of long pending over dues. The remaining trade receivables amounting to INR 2,567.15 lakhs outstanding for more than 120 days is also having an unascertainable financial impact.

4. EMPHASIS OF MATTER

- a. We draw attention to Note 7 of the statement, the Holding Company has issued Non-Convertible Debentures (NCDs) to KKR Capital Markets India Private Limited, KKR India Debt Fund I, KKR India Debt Opportunity Fund III and BOI AXA Credit Risk Fund ('Debenture Holders') aggregating INR 10,000.00 lakhs during June 2016. Per Section 71 of the Companies Act, 2013 is required to create Debenture Redemption Reserve and invest or deposit amounts as per the Rule 18 of Companies (Share Capital and Debentures) Rules, 2014. The Holding Company has not complied with the requirements of Debenture Redemption Reserve due to stressed financial condition. Subsequently on commencement of CIRP, the Debenture Holders have filed their claims in Form C and the same will be dealt with as per the provisions for the Code.
- b. We draw attention to Note 6 of the statement, the Company has made provisions/written off having total impact of INR 3,01,095.71 lakhs (Bad debts Written off amounting to INR 10,251.16 Lakhs, Provision for Doubtful Trade Receivables amounting to INR 1,78,285.27 lakhs, Written off Property, Plant & Equipment amounting to INR 6,659.72 lakhs, Impairment of Fixed Assets amounting to INR 203.13 lakhs, Discarded packing material amounting to INR 212.87 lakhs, and Provision for doubtful advances amounting to INR 29,398.95 lakhs, out of which INR 20,281.86 made on account of advances for purchase of AMCUs to be adjusted against future purchase of milk as there will be no supply in future, and INR 9,117.09 lakhs for Provision for other doubtful advances of subsidiary). In addition to above, the Holding Company has incurred INR 76,084.61 lakhs towards Scheme / Discount during the year ended 31 March 2019.



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- c. We draw attention to the Note 2 to the consolidated financial statements, the carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 31 March 2019 amounting to INR 31,820.61 lakhs and INR 95.95 lakhs respectively. The CIRP is not yet concluded and hence, the final outcome is yet to be ascertained. The Company has not taken into consideration any impact on the value of the tangible and intangible assets, if any, in preparation of financial results as required by Ind-AS 10 on "Events after the reporting period". Further, the Company has also not made full assessment of impairment as required by Ind-AS 36 on Impairment of Assets, if any, as at 31 March 2019 in the value of tangible and intangible assets.
- d. We draw attention to note 5 to the statement, the tax payable (including interest) amounting to INR 18,814.68 lakhs under the Income Tax Act of 1961 for the assessment years 2016-17, 2017-18 and 2018-19, which has not been paid by the Company. The Company in the prior years invested in development of new manufacturing facility for production of 'Value Added Products' at Plant Softa (Palwal). In view of the said expansion and to part fund the working capital requirements, there have been delays in payment of income-tax dues. The Company has received orders from the income tax authorities under Section 279(1) read with Section 276C (2) for the assessment years 2016-17 and 2017-18 for prosecution due to non - payment of such taxes. Interest upto the insolvency commencement date has been provided in the books of accounts of the Company. At this stage no penalty has been imposed by income tax department, therefore it is not possible to predict the outcome in future. Further assessment proceedings under Section 132 under the Income Tax Act of 1961 have been initiated, the Company currently is not in a position to ascertain the consequential impact, if any. It may be noted that the income tax department has already filed a claim (i.e. Form B) under the Insolvency and Bankruptcy Code, 2016 aggregating INR 10,488.44 lakhs, which includes claim towards tax payable for the assessment years 2016-17 and 2017-18.

Further, the Company has not paid the income tax for the assessment year 2018-19 amounting to INR 7,187.81 lakhs. Consequently, the Company was unable to file the electronic return to the Income Tax Department. The Company have submitted to the income tax department the manual return in hard copy, which was duly acknowledged.

There is an outstanding TDS of INR 493.49 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 March 2019. Interest payable on the outstanding TDS is estimated at INR 48.85 lakhs (includes INR 42.58 lakhs with respect to dues outstanding as on insolvency commencement date), which has not been recognised in the books of account. It may be noted that the Income Tax Authorities have filed a claim of INR 452.60 lakhs (includes interest of INR 42.12 lakhs) as on insolvency commencement date, which will be dealt basis the resolution plan, if any, approved by the NCLT going forward.





- e. We draw the attention Notes 10 of the statement, Kwality Dairy Products FZE, the Subsidiary of the Company in the year 2018-19 has decided to discontinue the business operations and, the financial statements of the same have been prepared on the basis of assumption that the subsidiary company will not continue as going concern.

As the financial statements have been prepared assuming the subsidiary Company will not continue as a going concern, all assets & liabilities are measured at their net realizable values. Buildings held for long-term rental yields and/or capital appreciation and which are not occupied by the subsidiary company are classified as investment property under non-current assets. Investment property(s) is valued on the basis of realizable value (Assets held for sale). As the recoverable/ realizable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable/realizable amount. An impairment loss is recognised as an expense. Also, the depreciation on investment properties is being charged upto November 30, 2018.

The subsidiary has incurred losses, its liabilities exceeded total assets and its net worth has been fully eroded. In view of the continuing default in payment of dues, certain lenders have sent notices/letters recalling their loans given and called upon the Subsidiary Company to pay entire dues and other liabilities, receipt of invocation notices of corporate guarantees given by the Parent Company (M/s Kwality Limited), while also invoking the personal guarantee of Guarantors. Certain lenders have also issued legal notices and/or filed petition/ cases for recovery of loans before various authorities. The Holding Company, M/s Kwality Limited is under corporate insolvency resolution process ("CIRP") under the Insolvency and Bankruptcy Code, 2016 vide an order of the Delhi Bench of the National Company Law Tribunal ("NCLT") dated 11th December, 2018. Upon default in payment of dues, Bank of Baroda, Dubai & IDBI Bank, Dubai had invoked the corporate guarantee given by the Holding Company (M/s Kwality Limited) and filed their claim of AED 62252483.12 (INR 122,00,70,641) with respect to dues of M/s Kwality Dairy Products FZE upto December 10, 2018 with the Resolution Professional of Holding Company.

- f. Our opinion is not qualified in respect of these matters

5. **Other Matters**

We did not audit the financial statements of 1 (one) subsidiary included in the consolidated year to date financial results, whose financial statements reflect total Assets of INR 414.04 lakhs as at 31st March 2019, as well as Total Revenue of INR 4,087.95 lakhs as at 31st March 2019. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us, and our opinion on the year to date results, to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

Our opinion is not qualified in respect of this matters.



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6. Except for the matters stated in paragraph 3 above, in our opinion and to the best of our information and according to the explanations given to us these Statement:
- is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
 - give a true and fair view of the net loss and other financial information for the year ended March 31, 2019.
7. The financial results of the company for the year ending March 31, 2018 were audited by MSKA & Associates, Chartered Accountants who expressed unmodified opinion dated May 28, 2018.

For B. RATTAN & ASSOCIATES
Chartered Accountants
(FRN: 011798N)



Ashish Kumar
Partner

Membership Number: 182021

Place: New Delhi
Date: May 31, 2019

KWALITY LIMITED

(a company under corporate insolvency resolution process vide NCLT order)

ANNEXURE-I

**Statement on Impact of Audit Qualifications (for audit report with modified opinion)
submitted along-with Annual Audited Financial Results**

(Consolidated)

(All amount in INR lakhs, unless otherwise stated)

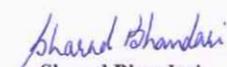
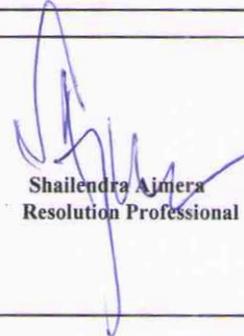
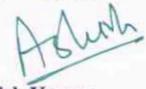
Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2019
[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income	2,13,468.95	2,13,468.95
	2.	Total Expenditure	5,35,170.86	5,35,170.86
	3.	Net Profit/(Loss)	(3,21,614.91)	(3,21,614.91)
	4.	Earnings Per Share	(133.25)	(133.25)
	5.	Total Assets	45,476.56	45,476.56
	6.	Total Liabilities	2,39,030.63	2,39,030.63
	7.	Net Worth	(1,93,554.07)	(1,93,554.07)
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	1. Audit Qualification (each audit qualification separately):			
	a. Details of Audit Qualification			
	a. The Company has incurred a Net loss of INR 321,614.91 lakhs resulting into net accumulated losses of INR 195,967.61 lakhs and erosion of its Net worth as at March 31, 2019. The company has obligations towards lenders, creditors and other agencies where reconciliation/ verification is in process pursuant to ongoing Corporate Insolvency Resolution Process (CIRP). These conditions may indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these matters is at present not ascertainable. Accordingly, we are unable to comment on the consequential impact, if any, on the accompanying consolidated financial statements.			
	b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion			
	c. Frequency of qualification: Appeared first time			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: NA			
	e. For Audit Qualification(s) where the impact is not quantified by the auditor:			
	(i) Management's estimation on the impact of audit qualification: NA			
	(ii) If management is unable to estimate the impact, reasons for the same:			
	Kwality Limited ('the Company') is under Corporate Insolvency Resolution Process ('CIRP') and is continuing to operate as a going concern in terms of the Insolvency and Bankruptcy Code ('the Code'). Under the Code, the Prospective resolution applicants are required to submit the resolution plan by the due date. Until the resolution plan is submitted and is approved by the COC/ NCLT, it is not possible to ascertain the impact.			
	(iii) Auditors' Comments on (i) or (ii) above:			
	Refer "Basis for Qualified Opinion" in audit report the same is self explanatory.			
	2. Audit Qualification (each audit qualification separately):			
	a. Details of Audit Qualification			
	b. Note 4 to the statement, in respect of various claims, submitted by the financial creditors, operational creditors, workmen or employee and authorized representative of workmen and employees of the Company to Resolution Professional of Company, that are currently not fully admitted/ accepted by the Resolution Professional of Company. No provision of such excess claims has been made in the books of accounts and no accounting effect is given in respect of such claims. Therefore, we are unable to comment on the consequential impact, if any, on the accompanying statement. Further the Company had given Corporate guarantee in favor of its subsidiary "Kwality Dairy Products FZE" against which banks have submitted the claims to RP amounting to INR 12,200.71 lakhs. RP has admitted these claims but Holding Company has not made any provision in its books of accounts in respect of the same.			
	b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion			
	c. Frequency of qualification: Appeared first time			



Shard Bhandari



	<p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: The company had given Corporate guarantee in favor of its subsidiary "Kwality Dairy Products FZE" against which banks have submitted the claims amounting to INR 12,200.71 lakhs and the claim has been admitted whereas the company (Kwality Limited) has not made any provision in books of accounts of holding company in respect of the same. (Impact to the extent quantifiable)</p>
	<p>e. For Audit Qualification(s) where the impact is not quantified by the auditor:</p>
	<p>(i) Management's estimation on the impact of audit qualification: NA</p>
	<p>(ii) If management is unable to estimate the impact, reasons for the same: Since the Company is under CIRP and the process of receipt and acceptance of the claims submitted by the creditors as per the Code is ongoing, it is difficult to readily ascertain the impact. However, the consequential impact will be determined once the CIRP process is complete and the same will be dealt as per the resolution plan, if any, approved by the NCLT going forward.</p>
	<p>(iii) Auditors' Comments on (i) or (ii) above: Refer "Basis for Qualified Opinion" in audit report read with the notes to the consolidated financial results, the same is self explanatory.</p>
	<p>3. Audit Qualification (each audit qualification separately):</p>
	<p>a. Details of Audit Qualification</p>
	<p>Note 6 to the statement, the Company has provided for Doubtful debts to the tune of INR 1,59,719.70 lakhs (including export receivables amounting INR 13,829.48 lakhs – Note 8) during the year ended 31 March, 2019 towards non-recovery of long pending over dues. The remaining trade receivables amounting to INR 2,567.15 lakhs outstanding for more than 120 days is also having an unascertainable financial impact.</p>
	<p>b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion</p>
	<p>c. Frequency of qualification: Appeared first time</p>
	<p>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: The Company has already made provision for doubtful debts of INR 159,719.70 lakhs. Further, management is reasonably certain of recovery from outstanding trade receivables.</p>
	<p>e. For Audit Qualification(s) where the impact is not quantified by the auditor:</p>
	<p>(i) Management's estimation on the impact of audit qualification: NA</p>
	<p>(ii) If management is unable to estimate the impact, reasons for the same: NA</p>
	<p>(iii) Auditors' Comments on (i) or (ii) above: NA</p>
III.	<p>Signatories:</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  Sanjay Dhillon Managing Director Place: New Delhi Date: May 31, 2019 </div> <div style="text-align: center;">  Sharad Bhandari Chief Financial Officer </div> <div style="text-align: center;">  Shailendra Ajmera Resolution Professional </div> </div> <div style="text-align: center; margin-top: 10px;">  </div>
	<p>Auditors:</p> <p>Refer our Independent Auditors' Report dated 31 May 2019 on Consolidated Financial Results of the Company</p> <p>For B. Rattan & Associates Chartered Accountants (Registration Number: 011798N)</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  Ashish Kumar Partner Membership Number: 182021 </div> <div style="text-align: center;">  </div> </div> <p>Place: New Delhi Date: May 31, 2019</p>