



Date: July 29, 2020

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

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

Dear Sir/Madam,

We, hereby, inform that pursuant to Regulation 30 read with Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Meeting held today i.e. July 29, 2020 concluded at 04:35 PM chaired by Resolution Professional along with the KMP of Kwality Limited to discuss and approve the following matters:

1. The Standalone and Consolidated Audited Financial Results for the quarter and financial year ended as on 31<sup>st</sup> March, 2020.
2. The Statement of Assets and Liabilities for the quarter and year ended as on 31<sup>st</sup> March, 2020.
3. The Auditor Report given by the Statutory Auditors for the quarter and financial year ended as on 31<sup>st</sup> March, 2020.
4. The Statement on Impact of Audit Qualifications for the Financial Year ended as on 31<sup>st</sup> March, 2020.

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

Thanking You,  
For Kwality Limited

  
Company Secretary & Compliance Officer



**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 11<sup>th</sup> December 2018 and continued as Resolution Professional by the Committee of Creditors in its meeting held on 11<sup>th</sup> January, 2019 under the provisions of the Code.)

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 and Year ended 31 Mar 2020

(INR in Lakhs)

Sr.No	Particulars	Quarter Ended			Year Ended	
		31 Mar 2020	31 Dec 2019	31 Mar 2019	31 Mar 2020	31 Mar 2019
		Audited*	Unaudited	Audited	Audited	Audited
1	<b>Income from Operations</b>					
	(a) Revenue from operations	3,426.81	3,619.32	11,365.19	15,056.81	2,08,923.25
	(b) Other income	52.21	3.25	1.14	66.58	457.75
	<b>Total Income</b>	<b>3,479.02</b>	<b>3,622.57</b>	<b>11,366.33</b>	<b>15,123.39</b>	<b>2,09,381.00</b>
2	<b>Expenses</b>					
	(a) Cost of materials consumed	2,775.06	3,051.05	8,653.57	11,194.15	1,59,421.85
	(b) Purchases of stock-in-trade	(2.90)	-	-	-	3,975.61
	(c) Change in inventories of finished goods and work-in-progress	(153.57)	29.52	525.15	479.35	17,241.18
	(d) Employee benefits expense	234.46	259.09	380.60	1,248.35	4,153.62
	(e) Finance costs	-	-	618.27	-	18,822.66
	(f) Depreciation and amortisation expense	849.54	853.60	3,408.71	3,475.08	13,010.34
	(g) Other expenses	776.08	3,774.15	46,881.57	11,600.86	2,87,600.69
	<b>Total Expenses</b>	<b>4,478.67</b>	<b>7,967.41</b>	<b>60,467.87</b>	<b>27,997.79</b>	<b>5,04,225.95</b>
3	<b>Profit/(Loss) Before Tax (1-2)</b>	<b>(999.65)</b>	<b>(4,344.84)</b>	<b>(49,101.54)</b>	<b>(12,874.40)</b>	<b>(2,94,844.95)</b>
4	<b>Tax expense:</b>					
	(a) Current tax	-	-	5.99	-	5.99
	(b) Deferred tax	-	-	647.82	-	(92.99)
	<b>Total Tax Expenses</b>	<b>-</b>	<b>-</b>	<b>653.81</b>	<b>-</b>	<b>(87.00)</b>
5	<b>Net Profit/(Loss) for the Period after Tax (3-4)</b>	<b>(999.65)</b>	<b>(4,344.84)</b>	<b>(49,755.35)</b>	<b>(12,874.40)</b>	<b>(2,94,757.95)</b>
6	<b>Other Comprehensive Income/(Loss)</b>					
	(a) Items that will not be reclassified to profit and loss	(17.90)	24.66	33.08	56.10	28.57
	(b) Income tax relating to items that will not be reclassified to profit and loss	-	-	(1.05)	-	-
	<b>Total Other Comprehensive Income/(Loss)</b>	<b>(17.90)</b>	<b>24.66</b>	<b>32.03</b>	<b>56.10</b>	<b>28.57</b>
7	<b>Total comprehensive Income/(Loss) (5+6)</b>	<b>(1,017.55)</b>	<b>(4,320.18)</b>	<b>(49,723.32)</b>	<b>(12,818.30)</b>	<b>(2,94,729.38)</b>
8	<b>Earning per share of INR 1 each</b>					
	(a) Basic (INR)	(0.41)	(1.80)	(20.62)	(5.33)	(122.13)
	(b) Diluted (INR)	(0.41)	(1.80)	(20.62)	(5.33)	(122.13)
9	<b>Paid-up equity share capital (face value of INR 1 per equity share)</b>	<b>2,413.54</b>	<b>2,413.54</b>	<b>2,413.54</b>	<b>2,413.54</b>	<b>2,413.54</b>
10	<b>Other equity</b>				<b>(1,96,888.91)</b>	<b>(1,84,070.61)</b>

\* The figure for the quarter ended 31 March 2020 are the balancing figures between audited figures of the year ended 31 March 2020 and unaudited figures of the nine months period ended 31 December 2019



Shailendra Ajmera  
IP Registration no.  
IBBI/IFA-004/IP-P00304/2017-18  
Resolution Professional  
Kwality Limited  
e info@kwality.com  
w www.kwality.com

**Kwality Limited**
**Audited Standalone Statement of Assets and Liabilities**
**(INR in Lakhs)**

Particulars	31 March 2020	31 March 2019
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	27,552.03	31,158.43
Capital work-in-progress	662.16	662.16
Other intangible assets	62.91	95.95
Financial assets		
Investments	17.46	16.66
Loans	160.05	166.56
Other financial assets	63.11	60.93
Deferred tax assets (net)	-	-
Other non-current assets	-	4,915.63
<b>Total Non-Current Assets</b>	<b>28,517.72</b>	<b>37,076.32</b>
<b>Current Assets</b>		
Inventories	509.09	1,226.53
Financial Assets		
Trade receivables	1,516.24	5,823.16
Cash and cash equivalents	302.06	186.90
Other bank balances	170.05	159.61
Loans	6.55	13.34
Other current assets	234.12	576.64
<b>Total Current Assets</b>	<b>2,738.11</b>	<b>7,986.18</b>
<b>Total Assets</b>	<b>31,255.83</b>	<b>45,062.50</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity share capital	2,413.54	2,413.54
Other equity	(1,96,888.91)	(1,84,070.61)
<b>Total Equity</b>	<b>(1,94,475.37)</b>	<b>(1,81,657.07)</b>
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Other non-current liabilities	-	431.29
Provisions	138.08	223.32
<b>Total Non-Current liabilities</b>	<b>138.08</b>	<b>654.61</b>
<b>Current Liabilities</b>		
Financial liabilities		
Borrowings	1,82,943.34	1,82,946.79
Trade payables	6,514.70	7,059.51
Other financial liabilities	15,584.32	16,033.96
Other current liabilities	1,711.41	1,157.85
Provisions	40.02	52.17
Current tax liabilities (net)	18,799.33	18,814.68
<b>Total Current Liabilities</b>	<b>2,25,593.12</b>	<b>2,26,064.96</b>
<b>Total Equity and Liabilities</b>	<b>31,255.83</b>	<b>45,062.50</b>



*Shahed Bhambhani*

Shailendra Ajmera  
IP Registration no.  
IBSNIPAN001/IP-P0030  
Resolution Professional  
Kwality Limited

## Audited Standalone Cash Flow Statement

(INR in Lakhs)

**A CASH FLOW FROM OPERATING ACTIVITIES**

	Year ended 31 March 2020	Year ended 31 March 2019
Profit/(loss) before tax	(12,874.40)	(2,94,844.95)
<b>Adjustments for:</b>		
Depreciation and amortisation expense	3,475.08	13,010.34
Loss on discard of fixed assets	183.91	6,655.01
Profit on Sale of fixed assets	(0.29)	(56.45)
Interest income	(12.23)	(40.81)
Unrealised foreign exchange fluctuation (net)	-	739.09
Finance costs	-	18,822.66
Share based payment expense	-	1,447.53
Provision for doubtful receivables	2,567.15	1,59,719.70
Provision for doubtful advances	4,915.63	20,281.86
Write-back of provision for doubtful debts/advances	(36.17)	-
Provision for diminution in value of Investment	-	1,902.75
Write-off of other current assets	149.65	-
Provision for doubtful other current assets	223.13	-
Movement in provision for employee benefits	(41.28)	(208.84)
Release of derivative liability redeemable debentures	-	(350.72)
Discard of Packing Material	133.77	212.87
Reinstatement of Non Current Investment as per Market Value	(0.80)	(1.00)
Scheme/Discount/Bad debts	-	86,335.77
<b>Operating profit / (loss) before working capital changes</b>	<b>(1,316.85)</b>	<b>13,624.81</b>
<b>Movement in working capital</b>		
Decrease/(Increase) in non - current loans	6.51	(87.27)
Decrease/(Increase) in current loans	6.79	35.02
Decrease/(Increase) in inventories	583.67	19,573.83
Decrease/(Increase) in other financial assets	-	78.84
Decrease/(Increase) in other non current assets	-	8,963.24
Decrease/(Increase) in other current assets	(27.44)	30,984.98
Decrease/(Increase) in trade receivables	1,773.12	(81,653.92)
(Decrease)/Increase in other liabilities	122.27	232.05
(Decrease)/Increase in other financial liabilities	(449.64)	(44.74)
(Decrease)/Increase in trade and other payables	(544.81)	(5,984.17)
<b>Change in Working Capital</b>	<b>1,470.47</b>	<b>(27,902.14)</b>
<b>Cash flow from/(used in) operating activities post working capital changes</b>	<b>153.62</b>	<b>(14,277.33)</b>
Income tax paid (net)	(15.35)	(441.32)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>138.27</b>	<b>(14,718.65)</b>

**B CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets (including capital work-in-progress)	(19.75)	(70.15)
Proceeds from sale/disposal of fixed assets	0.50	172.76
Movement in fixed deposits and Other Bank Balance (net)	(3.75)	1,700.78
Interest received	-	40.81
<b>Net cash flows from/(used in) investing activities (B)</b>	<b>(23.00)</b>	<b>1,844.20</b>

**C CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds/ (Repayment) of borrowings (net)	(3.46)	14,467.38
Finance cost paid	-	(7,633.32)
Dividend paid (including tax)	3.35	(7.19)
<b>Net cash flow/(used in) financing activities (C)</b>	<b>(0.11)</b>	<b>6,826.87</b>

(Decrease)/ Increase in cash and cash equivalents (A+B+C)

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

Reconciliation of cash and cash equivalents as per the cash flow statement

Cash and cash equivalent as per above comprise of the following

Cash and Cash equivalents

Balance as per statement of cash flows

302.06	186.90
<b>302.06</b>	<b>186.90</b>



Shalendra Ajmera  
IP Registration no.  
IEB/IPA-001/IP-P00304/2017-18/105  
Chartered Professional  
Kwality Limited



## Notes to the Standalone Financial Results:

1. The Corporate Insolvency Resolution Process ("CIRP") in respect of Kwaliti Limited ("the Company" and/or "Corporate Debtor") was initiated, on an application filed under Section 7 of the Insolvency & Bankruptcy Code, 2016 ("the Code") by KKR India Financial Services Private Limited vide Order dated 11 December 2018 ("Insolvency Commencement Date") passed by the Hon'ble National Company Law Tribunal ("NCLT"), Delhi Bench. Mr. Shailendra Ajmera (IP Registration No. IBBI/PA-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 he was continued and appointed 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 applicable provisions of the Code, the power of the Board of Directors stood suspended and same is being exercised by RP. The CIRP period was extended from 180 days to 330 days from the insolvency commencement date, vide orders dated 24 May 2019 and 6 September 2019.

In terms of the process prescribed under the Code, the Resolution Plan dated 17 October 2019 read with Addendum 1 & Addendum 2 submitted by a Consortium of Haldiram Snacks Pvt. Ltd. and Pioneer Securities Pvt. Ltd. ("Resolution Applicant") for the Company was not approved by the CoC in terms of the requirement of Section 30(4) of the Code. Subsequently, the Resolution Applicant also submitted unsolicited Addendum 3 dated 4 November 2019 to their Resolution Plan offering more value, which was not considered by the CoC. Based on the above, the RP on 8 November 2019, filed an application with the NCLT to pass such order or direction as it considers fit and proper in the facts and circumstances of the case.

In the meantime, the Resolution Applicant filed an application with the NCLT on 6 November 2019 seeking extension of the CIRP period and a direction against the RP to place the revised offer, vide Addendum 3 submitted by the Resolution Applicant, before the CoC for consideration. Pursuant to interim order dated 14 November 2019 passed by the NCLT, the Resolution plan dated 17 October 2019 read with Addendum 1, 2, 3 and 4 was considered by the CoC and was not approved in terms of the requirement of Section 30(4) of the Code. RP filed a status report appraising the same to the NCLT on 6 December 2019.

The Resolution Applicant on 7 December 2019 filed another application with the NCLT seeking a direction against the CoC to approve the Resolution Plan and make it binding on the Corporate Debtor and other stakeholders with immediate effect and keeping the application for liquidation of the Corporate Debtor filed by RP in abeyance until the said application is decided by the NCLT.

On account of Government Advisory in the wake of Coronavirus (COVID - 19) and the notice dated 15 March 2020 issued by the President, NCLT based on such advisory, no hearings on any non urgent case is taking place before the NCLT since 15 March 2020. RP is continuing to manage and operate the Company as a going concern in terms of the Code.

These standalone financial results for the quarter and year ended 31 March 2020 have been prepared by the management of the Company and certified by Mr. Sharad Bhandari, Chief Financial Officer ("CFO") of the Company in accordance with Regulation 33(2) of the SEBI (Listing Obligations and Disclosure Requirements) Rules, 2015.

The audited financial results were placed before, the RP, the CFO and the Company Secretary on 29 July 2020 for their consideration. Accordingly, the audited financial results were considered, recommended and approved in the meeting. In view thereof, the RP, in reliance of such examination and the representations, clarifications and explanations by the CFO, has approved the same. To the extent, these audited financial results indicate or confirm to events prior to the appointment of RP, the confirmation is being provided only by the CFO. The RP is relying on the representation letter dated 29 July 2020 for all information and confirmation in relation to the day to day functioning of the Company and all information and confirmation in relation thereto.

The RP has approved these standalone financial results solely in discharge of the powers of the Board of Directors (suspended during CIRP) of the Company being exercised by him in terms of provisions of Section 17 of the Code.

2. The carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 31 March 2020 amounting to INR 28,214.19 lakhs and INR 62.91 lakhs respectively. The CIRP of the Company is yet to be concluded, 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 statements 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 2020 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 <sup>#</sup>	1,88,768.15	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
	<b>Total Financial Creditors</b>	<b>2,00,968.86</b>	<b>1,97,044.96</b>
2	Operational creditors (including Employees & workers)	36,721.32	28,610.78
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.

<sup>#</sup> Includes INR 117.92 lakhs in relation to un-invoked bank guarantees received and admitted as contingent claim without any voting rights

*Sharad Bhandari*

Shailendra Ajmera  
IP Registration no.  
IBBI/PA-001/IP-P00304/2017-18/10568  
Resolution Professional  
Kwaliti Limited



## Notes to the Standalone Financial Results:

Consequential impact of claims being higher than the book balances, if any, has not been considered and will be appropriately dealt with basis the outcome of the proceedings pending with NCLT going forward. Refer note 1 for further details.

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. Pending the final outcome of the proceedings pending with NCLT as mentioned in note 1, no provision in the books of accounts has been made for excess claims submitted in respect of financial /operational/other creditors and no corresponding accounting effect in respect of such creditors has been given.

### 5. Income Tax:

a. The tax payable (including interest upto insolvency commencement date) amounting to INR 18,828.43 lakhs under the Income Tax Act of 1961 ("IT Act") for the assessment years 2016-17, 2017-18 and 2018-19, which has not been paid by the Company has been provided in the books of accounts of the Company. It may be noted that the income tax department has already filed the claims (i.e. Form Bs) under the Insolvency and Bankruptcy Code, 2016 aggregating INR 24,290.52 lakhs (includes INR 5,567.93 lakhs w.r.t AY 2017-18 under section 140A, which has been inadvertently claimed twice), which includes claim towards tax payable for the assessment years 2016-17, 2017-18 and 2018-19, out of which claim aggregating INR 17,798.69 lakhs has been accepted by the RP.

b. Basis the assessment proceedings under Section 132 under the IT Act, income tax authorities has recently raised demand amounting to INR 8,97,440.28 lakhs (including interest) beginning from AY 2011-12 till AY 2018-19. Demand has generally been raised u/s 143(3) and u/s 144 r.w.s. 153A of the IT Act, as applicable. The Company has filed the appeal in January 2020 against the disputed demand with the Commissioner of Income-tax (Appeals). In addition to the demand raised income tax department has issued show cause notice for penalty proceedings for AY 2011-12 to 2018-19 covered u/s 274 r.w.s 271(1)(c) and 274 r.w.s 270A of the IT Act.

c. Income Tax authorities has belatedly also filed additional claim in Form B dated 31.12.2019 for INR 8,97,440.28 lakhs (including claim admitted of INR 17,798.69 lakhs) on 20.01.2020 with the Resolution Professional for the Company. As statutory period of completion of CIRP u/s 12 of the Code has come to an end on 5 November 2019 and the matter is subjudice before the Hon'ble NCLT for appropriate orders either under Section 31 or Section 33 of the Code (Refer Note 1), the Resolution Professional for the Company has not collated and verified the additional claim submitted by income tax authorities.

d. There is an outstanding TDS of INR 482.67 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 March 2020. Interest payable on the outstanding TDS is estimated at INR 149.82 lakhs (includes INR 136.43 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 has been accepted by the RP.

6. "Other Expenses" as stated in the income statement for the quarter ended 31 March 2020, include adjustment on these accounts, as enumerated below:

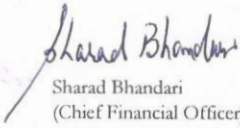
Particulars	Quarter Ended 31 March 2020	Quarter Ended 31 December 2019
	(INR in lakhs)	
Provision for bad and doubtful debts	-	2,567.15
Provision for doubtful other current assets	-	223.13
Write-off of other current assets	-	149.65
Discard of Packing Material	-	120.23
<b>Total</b>	-	<b>3,060.16</b>

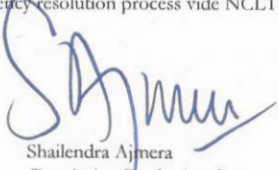
7. The Ministry of home affair vide order No. 40-3/2020-DM-I(A) dated 24 March 2020 exempted manufacturing units of essential commodities from nationwide lockdown imposed on account of Covid-19 pandemic. Hence the Company's key manufacturing unit at Softa (Haryana) continued to operate during lock down. The Company is under CIRP since 11 December 2018 and the application for ordering initiation of liquidation process filed by RP is still pending diction before the Hon'ble NCLT (refer notes 1 and 2 of the notes to the accounts) and thus as per the requirement under the IBC, the Company continue to operate as a going concern. The Company believes that thus far, there is no significant impact of Covid-19 pandemic on the financial position and performance of the Company. Further, the Company is not expecting any significant change in estimates as of now as the Company is running the business and operations as usual.

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

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

Place: Delhi  
Date: 29 July 2020

  
Sharad Bhandari  
(Chief Financial Officer)  
PAN:AAFPB5053P

  
Shailendra Ajmera  
(Resolution Professional)  
IP Registration No. IBBI/IPA-001  
/IP-P00804/2017-18/10568





UDIN: 20094790AAAAAQ5977

To

The Resolution Professional of Kwaliti Limited

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

**1. Opinion**

We have audited the accompanying standalone quarterly financial results ('the statement') of Kwaliti Limited ('the company') for the quarter and year ended 31.03.2020, attached herewith, being submitted by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us these standalone financial results are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis of Qualified Opinion these standalone financial results give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable accounting standards and other accounting principles generally accepted in India of the net profit/loss and other comprehensive income and other financial information for the quarter and year ended 31.03.2020.

**2. Basis for Qualified Opinion:**

- a. The Company has incurred a Net loss of INR 12,874.40 lakhs resulting into net accumulated losses of INR 1,96,888.91 lakhs and erosion of its Net worth as at 31 March 2020. The company has obligations towards lenders, creditors and other agencies. The process of filing, verification and acceptance of claims has been completed by the RP pursuant to ongoing Corporate Insolvency Resolution Process (CIRP). No accounting impact in the books of accounts has been made in respect of excess, short, non-receipt of claims or liabilities earlier not recorded in the books of accounts but now quantified and accepted by RP for operational and financial Creditors hence consequential impact, if any, is not ascertainable and we are unable to comment on the possible financial impacts of the same.
- b. The company has a number of pending litigations w.r.t various legal and tax matters pending with various authorities but the company has not made any provision for any future loss arising to the company in the scenario of negative outcome of such cases. It includes income tax demand (*along with interest*) of INR 8,97,440.28 lakhs (*including income tax claim of INR 17798.69 lakhs, which has already been accepted earlier & is recognized in the books and the balance amount is under appeal*) beginning from AY 2011-12 till AY 2018-19. Income Tax authorities has belatedly filed claim in Form B dated 31.12.2019 for INR 8,97,440.28 lakhs (*which also included claim of INR 17798.69*



*lakhs filed & admitted earlier and the amounts under appeals)* on 20.01.2020 with the Resolution Professional. As statutory period of completion of CIRP u/s 12 of the Code has come to an end on November 5, 2019, and the matter is subjudice before the Hon'ble NCLT for appropriate orders either under Section 31 or Section 33 of the Code, the Resolution Professional has not collated and verified the additional claim submitted by income tax authorities.

### 3. EMPHASIS OF MATTER

We draw attention to the following matters in the financial statements:

- a. The Company continues not to assess impairment of carrying value of tangible assets, capital work in progress and intangible assets in accordance with requirements of Indian Accounting Standard 36 on "Impairment of Assets". We are unable to obtain sufficient appropriate audit evidence about the recoverable amount of the Company's tangible assets, capital work in progress and intangible assets. Consequently, we are unable to determine whether any adjustments to carrying value are necessary and consequential impacts on the standalone financial statements.
- b. Attention is drawn to non-recognition of interest on borrowing from banks and financial institutions and bank charges on borrowing from banks and financial institutions subsequent to insolvency commencement date i.e. 11<sup>th</sup> December 2018. The company has not recognized any interest on these amounts. The same is not in compliance with requirements of Ind AS. Had provision for interest, bank charges and exchange difference been recognized, finance cost and total expenses, would have been higher while loss and total comprehensive loss for year ended would have been higher, having consequential impact on other current financial liability and other equity.

Our opinion is not modified in respect of above matters

### 4. Material Uncertainty Related to Going Concern

The Company has incurred cash losses, its liabilities exceeded total assets and its net worth has been fully eroded as on 31st March 2020. Capacity utilization of manufacturing processing facilities is very low and Corporate Insolvency Process against the Company is in process. Since the CIRP is currently in progress, as per the Code, it is required that the Company be managed as a going concern during the CIRP. The standalone financial statements is continued to be prepared on going concern basis. However there exists material uncertainty about the Company's ability to continue as going concern since the application filed by the resolution applicant seeking a direction against the CoC to approve the resolution plan is sub-judice before the Hon'ble NCLT. Hence the application for liquidation of the Company filed by RP with NCLT is in abeyance until the said application filled by the resolution applicant is decided by the NCLT. The appropriateness of preparation of standalone financial statements on going concern basis is critically dependent upon CIRP as specified in the Code. Our opinion is not modified in respect of this matter.





#### **5. Management's and Those Charged with Governance Responsibilities for the Standalone Financial Results**

These quarterly financial results have been prepared on the basis of the standalone annual financial statements. The Company's Board of Directors is responsible for the preparation of these financial results that give a true and fair view of the net profit/loss and other comprehensive income/loss and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, 'Interim Financial Reporting' prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. 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 standalone financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial results, the 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 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.

Pursuant to ongoing Corporate Insolvency Resolution Process (CIRP) powers of the Board of Directors have been suspended and these powers are now vested with Resolution Professional (RP).

#### **6. Auditor's Responsibilities for the Audit of the Standalone Financial Results**

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

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

Identify and assess the risks of material misstatement of the standalone financial results, 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

## B. Rattan & Associates

Chartered Accountants  
E-mail: brabk121@gmail.com  
Website: www.brattan.co.in



84, 2nd Floor  
New Rajdhani Enclave  
Near Preet Vihar Metro Station  
Gate No. 1, New Delhi-110 092  
Ph.: 011-22448384

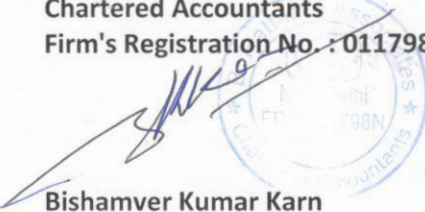
resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial results, including the disclosures, and whether the financial results represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

For B RATTAN & ASSOCIATES  
Chartered Accountants  
Firm's Registration No. : 011798N

  
Bishamver Kumar Karn  
Membership no. 094790  
Partner

Place: New Delhi  
Date: 29 July 2020

**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, 2020  
[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	15,123.39	15,123.39
	2.	Total Expenditure	27,997.79	9,06,609.63
	3.	Net Profit/(Loss)	(12,874.40)	(8,91,486.24)
	4.	Earnings Per Share of INR 1 each	(5.33)	(369.37)
	5.	Total Assets	31,252.43	31,252.43
	6.	Total Liabilities	2,25,727.80	11,04,339.64
	7.	Net Worth	(1,94,475.37)	(10,73,087.21)
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	<b>1. Audit Qualification (each audit qualification separately):</b>			
	<b>a. Details of Audit Qualification:</b>			
	The Company has incurred a Net loss of INR 12,874.40 lakhs resulting into net accumulated losses of INR 1,96,888.91 lakhs and erosion of its Net worth as at 31 March 2020. The company has obligations towards lenders, creditors and other agencies. The process of filing, verification and acceptance of claims has been completed by the Resolution Professional ('RP') pursuant to ongoing Corporate Insolvency Resolution Process ('CIRP'). No accounting impact in the books of accounts has been made in respect of excess, short, non-receipt of claims or liabilities earlier not recorded in the books of accounts but now quantified and accepted by RP for operational and financial Creditors hence consequential impact, if any, is not ascertainable and we are unable to comment on the possible financial impacts of the same.			
	<b>b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion</b>			
	<b>c. Frequency of qualification: Whether appeared first time- / repetitive / since how long continuing</b>			
	<b>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: NA</b>			
	<b>e. For Audit Qualification(s) where the impact is not quantified by the auditor:</b>			
	<b>(i) Management's estimation on the impact of audit qualification: NA</b>			
	<b>(ii) If management is unable to estimate the impact, reasons for the same:</b>			
	Since the company is under CIRP, Consequential impact of claims being higher than the book balances, if any, has not been considered and will be appropriately dealt with basis the outcome of the proceedings pending with NCLT going forward.			
	<b>(iii) Auditors' Comments on (i) or (ii) above:</b>			
	Refer "Basis for Qualified Opinion" in audit report the same is self explanatory.			
	<b>2. Audit Qualification (each audit qualification separately):</b>			
	<b>a. Details of Audit Qualification:</b>			
	The Company has a number of pending litigations w.r.t various legal and tax matters pending with various authorities but the company has not made any provision for any future loss arising to the company in the scenario of negative outcome of such cases. It includes income tax demand (along with interest) of INR 8,97,440.28 lakhs (including income tax claim of INR 17,798.69 lakhs, which has already been accepted earlier & is recognized in the books and the balance amount is under appeal) beginning from AY 2011-12 till AY 2018-19. Income Tax authorities has belatedly filed claim in Form B dated 31.12.2019 for INR 8,97,440.28 lakhs (which also included claim of INR 17,798.69 lakhs filed & admitted earlier and the amounts under appeals) on 20.01.2020 with the Resolution Professional. As statutory period of completion of CIRP u/s 12 of the Code has come to an end on November 5, 2019, and the matter is subjudice before the Hon'ble NCLT for appropriate orders either under Section 31 or Section 33 of the Code, the Resolution Professional has not collated and verified the additional claim submitted by income tax authorities.			



*Shamul Bhandari*

Shamul Bhandari  
IP Registration no.  
IBB/IPA-001/IP-P00304/2017-18/10568  
Resolution Professional  
Kwality Limited

	b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion
	c. Frequency of qualification: Whether appeared first time / repetitive / since how long continuing
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:
	Legal and tax matters litigations are pending for outcome with various authorities therefore they have been considered as contingent liability and appropriately disclosed in annual financial statements.
	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: NA
	(iii) Auditors' Comments on (i) or (ii) above:
	Refer "Basis for Qualified Opinion" in audit report the same is self explanatory.
III.	<p><b>Signatories:</b></p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">   <b>(Sharad Bhandari)</b>            Chief Financial Officer            PAN : AAFPB5053P   <b>Place: New Delhi</b>  <b>Date: 29 July 2020</b> </div> <div style="width: 45%; text-align: right;">   <b>(Shailendra Ajmera)</b>            Resolution Professional            IP Registration no. IBBI/IPA-001/            IP-P00304/2017-18/10568         </div> </div>
IV.	<p><b>Auditors:</b></p> <p>Refer our Independent Auditors Report dated 29 July 2020 on Standalone Financial Results of the Company</p> <p><b>For B. Rattan &amp; Associates</b>            Chartered Accountants            Firm's Registration No. : 011798N</p> <div style="display: flex; align-items: center;">  <div> <b>Bishamver Kumar Karn</b>            Membership no. 094790            Partner         </div> </div> <p><b>Place: New Delhi</b>  <b>Date: 29 July 2020</b></p>



**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 Quarter and Year ended 31 Mar 2020**

(INR in Lakhs)

S.No	Particulars	Quarter Ended			Year Ended	
		31 Mar 2020	31 Dec 2019	31 Mar 2019	31 Mar 2020	31 Mar 2019
		Audited*	Unaudited	Audited	Audited	Audited
1	<b>Income from Operations</b>					
	(a) Revenue from operations	3,426.81	3,619.32	11,359.36	15,056.81	2,12,987.54
	(b) Other income	52.47	4.08	1.11	75.64	481.41
	<b>Total Income</b>	<b>3,479.28</b>	<b>3,623.40</b>	<b>11,360.47</b>	<b>15,132.45</b>	<b>2,13,468.95</b>
2	<b>Expenses</b>					
	(a) Cost of materials consumed	2,775.06	3,051.05	8,653.57	11,194.15	1,59,421.85
	(b) Purchases of stock-in-trade	(2.90)	-	(1.74)	-	5,194.66
	(c) Change in inventories of finished goods and work-in-progress	(153.57)	29.52	525.15	479.35	19,861.06
	(d) Employee benefits expense	234.46	259.09	380.54	1,248.35	4,189.82
	(e) Finance costs	411.75	378.59	871.53	1,557.78	19,808.30
	(f) Depreciation and amortisation expense	849.54	853.60	3,408.60	3,475.08	13,035.79
	(g) Other expenses	776.90	3,784.58	46,807.10	11,620.95	3,13,659.38
	<b>Total Expenses</b>	<b>4,891.24</b>	<b>8,356.43</b>	<b>60,644.75</b>	<b>29,575.66</b>	<b>5,35,170.86</b>
3	<b>Profit/(Loss) Before Tax (1-2)</b>	<b>(1,411.96)</b>	<b>(4,733.03)</b>	<b>(49,284.28)</b>	<b>(14,443.21)</b>	<b>(3,21,701.91)</b>
4	<b>Tax expense:</b>					
	(a) Current tax	-	-	5.99	-	5.99
	(b) Deferred tax	-	-	647.82	-	(92.99)
	<b>Total Tax Expenses</b>	<b>-</b>	<b>-</b>	<b>653.81</b>	<b>-</b>	<b>(87.00)</b>
5	<b>Net Profit/(Loss) for the Period after Tax (3-4)</b>	<b>(1,411.96)</b>	<b>(4,733.03)</b>	<b>(49,938.09)</b>	<b>(14,443.21)</b>	<b>(3,21,614.91)</b>
6	<b>Other Comprehensive Income/(Loss)</b>					
	(a) Items that will not be reclassified to profit and loss	(17.90)	24.66	33.08	56.10	28.57
	(b) Income tax relating to items that will not be reclassified to profit and loss	-	-	(1.05)	-	-
	(c) Items that will be reclassified to profit and loss	(758.06)	(120.82)	(50.48)	(1,102.28)	925.31
	<b>Total Other Comprehensive Income/(Loss)</b>	<b>(775.96)</b>	<b>(96.16)</b>	<b>(18.45)</b>	<b>(1,046.18)</b>	<b>953.88</b>
7	<b>Total comprehensive Income/(Loss) (5+6)</b>	<b>(2,187.92)</b>	<b>(4,829.19)</b>	<b>(49,956.54)</b>	<b>(15,489.39)</b>	<b>(3,20,661.03)</b>
8	<b>Earning per share of INR 1 each</b>					
	(a) Basic (INR)	(0.58)	(1.96)	(20.69)	(5.98)	(133.25)
	(b) Diluted (INR)	(0.58)	(1.96)	(20.69)	(5.98)	(133.25)
9	<b>Paid-up equity share capital (face value of INR 1 per equity share)</b>	<b>2,413.54</b>	<b>2,413.54</b>	<b>2,413.54</b>	<b>2,413.54</b>	<b>2,413.54</b>
10	<b>Other equity</b>				<b>(2,11,457.00)</b>	<b>(1,95,967.61)</b>

\* The figure for the quarter ended 31 March 2020 are the balancing figures between audited figures of the year ended 31 March 2020 and unaudited figures of the nine months period ended 31 December 2019



*Shamul Bhandari*

Shamul Bhandari  
IP Registration no.  
IBBN/PA/000304/2017-18/10568  
Resolution Professional  
Kwality Limited



## Audited Consolidated Statement of Assets and Liabilities

(INR in Lakhs)

Particulars	31 March 2020	31 March 2019
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	27,552.03	31,158.43
Capital work-in-progress	662.16	662.16
Other intangible assets	62.91	95.95
Financial assets		
Investments	17.46	16.66
Loans	160.05	166.56
Other financial assets	63.11	60.93
Deferred tax assets (net)	-	-
Other non-current assets	-	4,915.63
<b>Total Non-Current Assets</b>	<b>28,517.72</b>	<b>37,076.32</b>
<b>Current Assets</b>		
Inventories	509.09	1,226.53
Financial Assets		
Trade receivables	1,516.24	5,823.16
Cash and cash equivalents	303.09	187.33
Other bank balances	170.05	159.61
Loans	6.55	25.82
Other current assets	234.12	576.88
Asset held for sale	435.86	400.91
<b>Total Current Assets</b>	<b>3,175.00</b>	<b>8,400.24</b>
<b>Total Assets</b>	<b>31,692.72</b>	<b>45,476.56</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity share capital	2,413.54	2,413.54
Other equity	(2,11,457.00)	(1,95,967.61)
<b>Total Equity</b>	<b>(2,09,043.46)</b>	<b>(1,93,554.07)</b>
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Other non-current liabilities	-	431.29
Provisions	138.08	223.32
<b>Total Non-Current liabilities</b>	<b>138.08</b>	<b>654.61</b>
<b>Current Liabilities</b>		
Financial liabilities		
Borrowings	1,97,948.32	1,95,256.20
Trade payables	6,514.70	7,061.16
Other financial liabilities	15,584.32	16,033.96
Other current liabilities	1,711.41	1,157.85
Provisions	40.02	52.17
Current tax liabilities (net)	18,799.33	18,814.68
<b>Total Current Liabilities</b>	<b>2,40,598.10</b>	<b>2,38,376.02</b>
<b>Total Equity and Liabilities</b>	<b>31,692.72</b>	<b>45,476.56</b>



Shard Bhatia

IP Registration no.  
IBBI/PA-001/IP-P00304/2017  
Resolution Professional  
Kwality Limited



	Year ended 31 Mar 2020	(INR in Lakhs) Year ended 31 March 2019
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before tax	(14,443.21)	(3,21,701.91)
<b>Adjustments for:</b>		
Depreciation and amortisation expense	3,475.08	13,035.79
Loss on discard of fixed assets	183.91	6,659.72
Loss on impairment of fixed assets	-	203.13
Profit on Sale of fixed assets	(0.29)	(56.45)
Interest income	(12.23)	(40.93)
Unrealised foreign exchange fluctuation (net)	-	739.09
Finance costs	1,557.78	19,808.30
Share based payment expense	-	1,447.53
Provision for doubtful receivables	2,567.15	1,78,285.27
Provision for doubtful advances	4,915.63	29,398.95
Write-back of provision for doubtful debts/advances	(43.52)	-
Write-off of other current assets	149.65	-
Provision for doubtful other current assets	223.13	-
Provision for doubtful deposits	9.26	-
Movement in provision for employee benefits	(41.28)	(208.84)
Release of derivative liability redeemable debentures	-	(350.72)
Discard of Packing Material	133.77	212.87
Reinstatement of Non Current Investment as per Market Value	(0.80)	(1.00)
Scheme/Discount/Bad debts	-	86,335.77
<b>Operating profit/(loss) before working capital changes</b>	<b>(1,325.97)</b>	<b>13,766.57</b>
<b>Movement in working capital</b>		
Decrease/(Increase) in non - current loans	6.51	(87.27)
Decrease/(Increase) in current loans	10.01	22.54
Decrease/(Increase) in inventories	583.67	22,193.71
Decrease/(Increase) in other financial assets	-	103.02
Decrease/(Increase) in other non current assets	-	8,963.24
Decrease/(Increase) in other current assets	(27.21)	28,023.21
Decrease/(Increase) in trade receivables	1,780.48	(80,532.59)
(Decrease)/Increase in other liabilities	122.27	232.05
(Decrease)/Increase in other financial liabilities	(449.64)	(44.74)
(Decrease)/Increase in trade and other payables	(546.46)	(8,263.04)
<b>Change in Working Capital</b>	<b>1,479.63</b>	<b>(29,389.87)</b>
<b>Cash flow from/(used in) operating activities post working capital changes</b>	<b>153.66</b>	<b>(15,623.30)</b>
Income tax paid (net)	(15.35)	(441.32)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>138.31</b>	<b>(16,064.62)</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (including capital work-in-progress)	(19.75)	(70.15)
Proceeds from sale/disposal of fixed assets	0.50	273.56
Movement in fixed deposits and Other Bank Balance (net)	(3.75)	2,911.62
Interest received	-	40.93
<b>Net cash flows from /(used in) investing activities (B)</b>	<b>(23.00)</b>	<b>3,155.96</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds/ (Repayment) of borrowings (net)	(3.46)	14,083.63
Finance cost paid	(0.36)	(8,341.61)
Dividend paid (including tax)	3.35	(7.19)
<b>Net cash flow from/(used in) financing activities (C)</b>	<b>(0.47)</b>	<b>5,734.83</b>
(Decrease)/ Increase in cash and cash equivalents (A+B+C)	114.84	(7,173.83)
Cash and cash equivalents at the beginning of the year	187.33	6,484.11
Effect of foreign exchange on foreign operation	0.92	877.05
<b>Cash and cash equivalents at the end of the year</b>	<b>303.09</b>	<b>187.33</b>

Reconciliation of cash and cash equivalents as per the cash flow statement

Cash and cash equivalent as per above comprise of the following

Cash and Cash equivalents

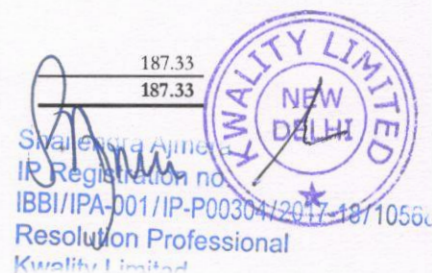
Balance as per statement of cash flows

303.09  
303.09

187.33  
187.33



Sham Bhandari



## Notes to the Consolidated Financial Results:

1. The Corporate Insolvency Resolution Process ("CIRP") in respect of Kwaliti Limited ("the Company" and/or "Corporate Debtor") was initiated, on an application filed under Section 7 of the Insolvency & Bankruptcy Code, 2016 ("the Code") by KKR India Financial Services Private Limited vide Order dated 11 December 2018 ("Insolvency Commencement Date") passed by the Hon'ble National Company Law Tribunal ("NCLT"), Delhi Bench. Mr. 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 he was continued and appointed 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 applicable provisions of the Code, the power of the Board of Directors stood suspended and same is being exercised by RP. The CIRP period was extended from 180 days to 330 days from the insolvency commencement date, vide orders dated 24 May 2019 and 6 September 2019.

In terms of the process prescribed under the Code, the Resolution Plan dated 17 October 2019 read with Addendum 1 & Addendum 2 submitted by a Consortium of Haldiram Snacks Pvt. Ltd. and Pioneer Securities Pvt. Ltd. ("Resolution Applicant") for the Company was not approved by the CoC in terms of the requirement of Section 30(4) of the Code. Subsequently, the Resolution Applicant also submitted unsolicited Addendum 3 dated 4 November 2019 to their Resolution Plan offering more value, which was not considered by the CoC. Based on the above, the RP on 8 November 2019, filed an application with the NCLT to pass such order or direction as it considers fit and proper in the facts and circumstances of the case.

In the meantime, the Resolution Applicant filed an application with the NCLT on 6 November 2019 seeking extension of the CIRP period and a direction against the RP to place the revised offer, vide Addendum 3 submitted by the Resolution Applicant, before the CoC for consideration. Pursuant to interim order dated 14 November 2019 passed by the NCLT, the Resolution plan dated 17 October 2019 read with Addendum 1, 2, 3 and 4 was considered by the CoC and was not approved in terms of the requirement of Section 30(4) of the Code. RP filed a status report appraising the same to the NCLT on 6 December 2019.

The Resolution Applicant on 7 December 2019 filed another application with the NCLT seeking a direction against the CoC to approve the Resolution Plan and make it binding on the Corporate Debtor and other stakeholders with immediate effect and keeping the application for liquidation of the Corporate Debtor filed by RP in abeyance until the said application is decided by the NCLT.

On account of Government Advisory in the wake of Coronavirus (COVID - 19) and the notice dated 15 March 2020 issued by the President, NCLT based on such advisory, no hearings on any non urgent case is taking place before the NCLT since 15 March 2020. RP is continuing to manage and operate the Company as a going concern in terms of the Code.

These consolidated financial results for the quarter and year ended 31 March 2020 have been prepared by the management of the Company and certified by Mr. Sharad Bhandari, Chief Financial Officer ("CFO") of the Company in accordance with Regulation 33(2) of the SEBI (Listing Obligations and Disclosure Requirements) Rules, 2015.

The audited financial results were placed before, the RP, the CFO and the Company Secretary on 29 July 2020 for their consideration. Accordingly, the audited financial results were considered, recommended and approved in the meeting. In view thereof, the RP, in reliance of such examination and the representations, clarifications and explanations by the CFO, has approved the same. To the extent, these audited financial results indicate or confirm to events prior to the appointment of RP, the confirmation is being provided only by the CFO. The RP is relying on the representation letter dated 29 July 2020 for all information and confirmation in relation to the day to day functioning of the Company and all information and confirmation in relation thereto.

The RP has approved these consolidated financial results solely in discharge of the powers of the Board of Directors (suspended during CIRP) of the Company being exercised by him in terms of provisions of Section 17 of the Code.

2. The carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 31 March 2020 amounting to INR 28,214.19 lakhs and INR 62.91 lakhs respectively. The CIRP of the Company is yet to be concluded, 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 statements 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 2020 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:

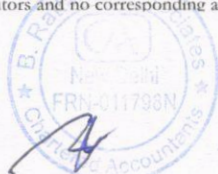
Sr. No.	Particulars	Claims Received*	Claims Admitted*
		(INR in lakhs)	(INR in lakhs)
1	Financial creditors		
	- Claim for Kwaliti Limited <sup>#</sup>	1,88,768.15	1,84,844.25
	- Claim for Corporate guarantees given by the Company for credit facility availed by the wholly owned subsidiary i.e. Kwaliti Dairy Products FZE (yet to be recognized in the books of account)	12,200.71	12,200.71
	<b>Total Financial Creditors</b>	<b>2,00,968.86</b>	<b>1,97,044.96</b>
2	Operational creditors (including Employees & workers)	36,721.32	28,610.78
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.

<sup>#</sup> Includes INR 117.92 lakhs in relation to un-invoked bank guarantees received and admitted as contingent claim without any voting rights

Consequential impact of claims being higher than the book balances, if any, has not been considered and will be appropriately dealt with basis the outcome of the proceedings pending with NCLT going forward. Refer note 1 for further details.

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. Pending the final outcome of the proceedings pending with NCLT as mentioned in note 1, no provision in the books of accounts has been made for excess claims submitted in respect of financial /operational/other creditors and no corresponding accounting effect in respect of such creditors has been given.



*Sharad Bhandari*



## Notes to the Consolidated Financial Results:

### 5. Income Tax:

a. The tax payable (including interest upto insolvency commencement date) amounting to INR 18,828.43 lakhs under the Income Tax Act of 1961 ("IT Act") for the assessment years 2016-17, 2017-18 and 2018-19, which has not been paid by the Company has been provided in the books of accounts of the Company. It may be noted that the income tax department has already filed the claims (i.e. Form Bs) under the Insolvency and Bankruptcy Code, 2016 aggregating INR 24,290.52 lakhs (includes INR 5,567.93 lakhs w.r.t AY 2017-18 under section 140A, which has been inadvertently claimed twice), which includes claim towards tax payable for the assessment years 2016-17, 2017-18 and 2018-19, out of which claim aggregating INR 17,798.69 lakhs has been accepted by the RP.

b. Basis the assessment proceedings under Section 132 under the IT Act, income tax authorities has recently raised demand amounting to INR 8,97,440.28 lakhs (including interest) beginning from AY 2011-12 till AY 2018-19. Demand has generally been raised u/s 143(3) and u/s 144 r.w.s. 153A of the IT Act, as applicable. The Company has filled the appeal in January 2020 against the disputed demand with the Commissioner of Income-tax (Appeals). In addition to the demand raised income tax department has issued show cause notice for penalty proceedings for AY 2011-12 to 2018-19 covered u/s 274 r.w.s 271(1)(c) and 274 r.w.s 270A of the IT Act.

c. Income Tax authorities has belatedly also filed additional claim in Form B dated 31.12.2019 for INR 8,97,440.28 lakhs (including claim admitted of INR 17,798.69 lakhs) on 20.01.2020 with the Resolution Professional for the Company. As statutory period of completion of CIRP u/s 12 of the Code has come to an end on 5 November 2019 and the matter is subjudice before the Hon'ble NCLT for appropriate orders either under Section 31 or Section 33 of the Code (Refer Note 1), the Resolution Professional for the Company has not collated and verified the additional claim submitted by income tax authorities.

d. There is an outstanding TDS of INR 482.67 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 March 2020. Interest payable on the outstanding TDS is estimated at INR 149.82 lakhs (includes INR 136.43 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 has accepted by the RP.

6. "Other Expenses" as stated in the income statement for the quarter ended 31 March 2020, include adjustment on these accounts, as enumerated below:

Particulars	Quarter Ended 31 March 2020	Quarter Ended 31 December 2019
	(INR in lakhs)	
Provision for bad and doubtful debts	-	2,567.15
Provision for doubtful other current assets	-	223.13
Provision for doubtful deposits	-	8.76
Write-off of other current assets	-	149.65
Discard of Packing Material	-	120.23
<b>Total</b>	-	<b>3,068.92</b>

7. Kwaliti Dairy Products FZE, Wholly Owned Subsidiary of Kwaliti Limited ("KDPF")

a. The trading license of KDPF, which has discontinued the business during the previous financial years, has expired on 30 October 2019. Consequently, KDPF will no longer be able to carry out any business activities.

b. In view of continuing default in payment of dues by KDPF, certain lenders have sent notices / letters recalling their loans given and further issued legal notices and/or filed petition/cases for recovery of loans before various authorities.

c. Court of Dubai on 12 November 2019 have issued order for recovery of dues of Bank of Baroda, Dubai from KDPF. Although, Bank of Baroda, Dubai has already filled claim (i.e. Form C) with Kwaliti Limited which have been duly accepted (Refer Note 4).

d. KDPF current assets and liabilities are stated at the values at which they are realizable and payable.

e. KDPF investment property(s) is valued on the basis of realizable value (assets are held for sale).

8. The Ministry of home affair vide order No. 40-3/2020-DM-I(A) dated 24 March 2020 exempted manufacturing units of essential commodities from nationwide lockdown imposed on account of Covid-19 pandemic. Hence the Company's key manufacturing unit at Softa (Haryana) continued to operate during lock down. The Company is under CIRP since 11 December 2018 and the application for ordering initiation of liquidation process filed by RP is still pending diction before the Hon'ble NCLT (refer notes 1 and 2 of the notes to the accounts) and thus as per the requirement under the IBC, the Company continue to operate as a going concern. The Company believes that thus far, there is no significant impact of Covid-19 pandemic on the financial position and performance of the Company. Further, the Company is not expecting any significant change in estimates as of now as the Company is running the business and operations as usual.

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

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

Place: Delhi  
Date: 29 July 2020

Sharad Bhandari  
(Chief Financial Officer)  
PAN:AAFPB5053P

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





UDIN :20094790AAAAAR7274

To

**The Resolution Professional of Kwaliti Limited****(A company under Corporate Insolvency Resolution Process ('CIRP') as per NCLT order)****1. Opinion**

We have audited the accompanying consolidated quarterly financial results('the statement') of Kwaliti Limited (the company) for the quarter and year ended 31.03.2020, attached herewith, being submitted by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us these consolidated financial results are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis of Qualified Opinion these consolidated financial results give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable accounting standards and other accounting principles generally accepted in India of the net profit/loss and other comprehensive income and other financial information for the quarter and year ended 31.03.2020.

**2. Basis for Qualified Opinion:**

- a) The Company has incurred a Net loss of INR 14,443.21 lakhs resulting into net accumulated losses of INR 2,11,457 lakhs and erosion of its Net worth as at 31 March 2020. The company has obligations towards lenders, creditors and other agencies. The process of filing, verification and acceptance of claims has been completed by the RP pursuant to ongoing Corporate Insolvency Resolution Process (CIRP). No accounting impact in the books of accounts has been made in respect of excess, short, non-receipt of claims or liabilities earlier not recorded in the books of accounts but now quantified and accepted by RP for operational and financial Creditors hence consequential impact, if any, is not ascertainable and we are unable to comment on the possible financial impacts of the same.
- b) The company has a number of pending litigations w.r.t various legal and tax matters pending with various authorities but the company has not made any provision for any future loss arising to the company in the scenario of negative outcome of such cases. It includes income tax demand (*along with interest*) of INR 8,97,440.28 lakhs (*including income tax claim of INR 17798.69 lakhs, which has already been accepted earlier & is recognized in the books and the balance amount is under appeal*) beginning from AY 2011-12 till AY 2018-19. Income Tax authorities has belatedly filed claim in Form B dated 31.12.2019 for INR 8,97,440.28 lakhs (*which also included claim of INR 17798.69 lakhs filed & admitted earlier and the amounts under appeals*) on 20.01.2020 with the Resolution Professional. As statutory period of completion of CIRP u/s 12 of the Code has come to an end on November 5, 2019, and the matter is subjudice before the Hon'ble NCLT for appropriate orders either under Section 31 or Section 33 of the





Code, the Resolution Professional has not collated and verified the additional claim submitted by income tax authorities.

### 3. EMPHASIS OF MATTER

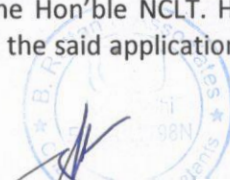
We draw attention to the following matters in the financial statements:

- a. The Company continues not to assess impairment of carrying value of tangible assets, capital work in progress and intangible assets in accordance with requirements of Indian Accounting Standard 36 on "Impairment of Assets". We are unable to obtain sufficient appropriate audit evidence about the recoverable amount of the Company's tangible assets, capital work in progress and intangible assets. Consequently, we are unable to determine whether any adjustments to carrying value are necessary and consequential impacts on the consolidated financial statements.
- b. Attention is drawn to non-recognition of interest on borrowing from banks and, financial institutions and bank charges on borrowing from banks and financial institutions subsequent to insolvency commencement date i.e. 11<sup>th</sup> December 2018. The company has not recognized any interest on these amounts. The same is not in compliance with requirements of Ind AS. Had provision for interest, bank charges and exchange difference been recognized, finance cost and total expenses, would have been higher and loss and total comprehensive loss for year ended would also have been higher, having consequential impact on other current financial liability and other equity.
- c. Attention is drawn to Kquality Dairy Products FZE, Wholly Owned Subsidiary of Kquality Limited ("KDPF"). The trading license of KDPF, which has discontinued the business during the previous financial years expired on 30 October 2019. Consequently, KDPF is no longer able to carry out any business activities. In view of continuing default in payment of dues by KDPF, certain lenders sent notices / letters recalling their loans given and further issued legal notices and/or filed petition/cases for recovery of loans before various authorities. Court of Dubai on 12 November 2019 issued order for recovery of dues of Bank of Baroda, Dubai from KDPF. Although, Bank of Baroda, Dubai has already filled claim (i.e. Form C) with Kquality Limited which have been duly accepted (Refer Note 4). KDPF current assets and liabilities are stated at the values at which they are realizable and payable. KDPF investment property(s) is valued on the basis of realizable value (assets are held for sale).

Our opinion is not modified in respect of above matters

### 4. Material Uncertainty Related to Going Concern

The Company has incurred cash losses, its liabilities exceeded total assets and its net worth has been fully eroded as on 31st March 2020. Capacity utilization of manufacturing processing facilities is very low and Corporate Insolvency Process against the Company is in process. Since the CIRP is currently in progress, as per the Code, it is required that the Company be managed as a going concern during the CIRP. The consolidated financial statements is continued to be prepared on going concern basis. However there exists material uncertainty about the Company's ability to continue as going concern since the application filed by the resolution applicant seeking a direction against the CoC to approve the resolution plan is sub-judice before the Hon'ble NCLT. Hence the application for liquidation of the Company filed by RP with NCLT is in abeyance until the said application filled by





the resolution applicant is decided by the NCLT.. The appropriateness of preparation of consolidated financial statements on going concern basis is critically dependent upon CIRP as specified in the Code. Our opinion is not modified in respect of this matter.

#### **5. Management's and Those Charged with Governance Responsibilities for the consolidated Financial Results**

These quarterly financial results have been prepared on the basis of the consolidated annual financial statements. The Company's Board of Directors is responsible for the preparation of these financial results that give a true and fair view of the net profit/loss and other comprehensive income/loss and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, 'Interim Financial Reporting' prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. 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 consolidated financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial results, the 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 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.

Pursuant to ongoing Corporate Insolvency Resolution Process (CIRP) powers of the Board of Directors have been suspended and these powers are now vested with Resolution Professional (RP).

#### **6. Auditor's Responsibilities for the Audit of the consolidated Financial Results**

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

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

Identify and assess the risks of material misstatement of the consolidated financial results, 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



## B. Rattan & Associates

Chartered Accountants  
E-mail: brabk121@gmail.com  
Website: www.brattan.co.in



84, 2nd Floor  
New Rajdhani Enclave  
Near Preet Vihar Metro Station  
Gate No. 1, New Delhi-110 092  
Ph.: 011-22448384

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial results, including the disclosures, and whether the financial results represent the underlying transactions and events in a manner that achieves fair presentation.


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

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.

**For B RATTAN & ASSOCIATES**

Chartered Accountants

Firm's Registration No. : 011798N

  
**Bishamver Kumar Karn**  
Membership no. 094790  
Partner



**Place:** New Delhi

**Date:** 29 July 2020

**Kwality Limited**

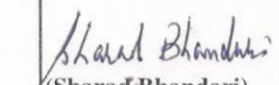
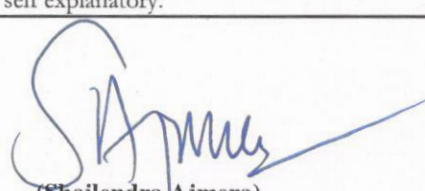
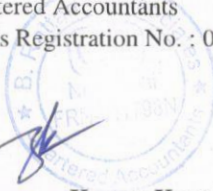

(a company under corporate insolvency resolution process vide NCLT order)

**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, 2020  
[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	15,132.45	15,132.45
	2.	Total Expenditure	29,575.66	9,08,187.50
	3.	Net Profit/(Loss)	(14,443.21)	(8,93,055.05)
	4.	Earnings Per Share of INR 1 each	(5.98)	(370.02)
	5.	Total Assets	31,689.32	31,689.32
	6.	Total Liabilities	2,40,732.78	11,19,344.62
	7.	Net Worth	(2,09,043.46)	(10,87,655.30)
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	<b>1. Audit Qualification (each audit qualification separately):</b>			
	<b>a. Details of Audit Qualification:</b>			
	The Company has incurred a Net loss of INR 14,443.21 lakhs resulting into net accumulated losses of INR 2,11,457.00 lakhs and erosion of its Net worth as at 31 March 2020. The company has obligations towards lenders, creditors and other agencies. The process of filing, verification and acceptance of claims has been completed by the Resolution Professional (RP) pursuant to ongoing Corporate Insolvency Resolution Process (CIRP). No accounting impact in the books of accounts has been made in respect of excess, short, non-receipt of claims or liabilities earlier not recorded in the books of accounts but now quantified and accepted by RP for operational and financial Creditors hence consequential impact, if any, is not ascertainable and we are unable to comment on the possible financial impacts of the same.			
	<b>b. Type of Audit Qualification :</b> Qualified Opinion / Disclaimer of Opinion / Adverse Opinion			
	<b>c. Frequency of qualification:</b> Whether appeared first-time/ repetitive / since how long continuing			
	<b>d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:</b> NA			
	<b>e. For Audit Qualification(s) where the impact is not quantified by the auditor:</b>			
	<b>(i) Management's estimation on the impact of audit qualification:</b> NA			
	<b>(ii) If management is unable to estimate the impact, reasons for the same:</b>			
	Since the company is under CIRP, Consequential impact of claims being higher than the book balances, if any, has not been considered and will be appropriately dealt with basis the outcome of the proceedings pending with NCLT going forward.			
	<b>(iii) Auditors' Comments on (i) or (ii) above:</b>			
	Refer "Basis for Qualified Opinion" in audit report the same is self explanatory.			
	<b>2. Audit Qualification (each audit qualification separately):</b>			
	<b>a. Details of Audit Qualification:</b>			
	The company has a number of pending litigations w.r.t various legal and tax matters pending with various authorities but the company has not made any provision for any future loss arising to the company in the scenario of negative outcome of such cases. It includes income tax demand (along with interest) of INR 8,97,440.28 lakhs (including income tax claim of INR 17,798.69 lakhs, which has already been accepted earlier & is recognized in the books and the balance amount is under appeal) beginning from AY 2011-12 till AY 2018-19. Income Tax authorities has belatedly filed claim in Form B dated 31.12.2019 for INR 8,97,440.28 lakhs (which also included claim of INR 17,798.69 lakhs filed & admitted earlier and the amounts under appeals) on 20.01.2020 with the Resolution Professional. As statutory period of completion of CIRP u/s 12 of the Code has come to an end on November 5, 2019, and the matter is subjudice before the Hon'ble NCLT for appropriate orders either under Section 31 or Section 33 of the Code, the Resolution Professional has not collated and verified the additional claim submitted by income tax authorities.			

Shailendra Arora  
IP Registration no.  
IBBI/PA-001/IP-P00304/2017-18/10568  
Resolution Professional  
Kwality Limited



	b. <b>Type of Audit Qualification :</b> Qualified Opinion / <del>Disclaimer of Opinion</del> / Adverse Opinion
	c. <b>Frequency of qualification:</b> Whether appeared first time / <del>repetitive</del> / since how long continuing
	d. <b>For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views :</b>
	Legal and tax matters litigations are pending for outcome with various authorities therefore they have been considered as contingent liability and appropriately disclosed in annual financial statements.
	e. <b>For Audit Qualification(s) where the impact is not quantified by the auditor:</b>
	(i) <b>Management's estimation on the impact of audit qualification:</b> NA
	(ii) <b>If management is unable to estimate the impact, reasons for the same:</b> NA
	(iii) <b>Auditors' Comments on (i) or (ii) above:</b>
	Refer "Basis for Qualified Opinion" in audit report the same is self explanatory.
III.	<b>Signatories:</b>  <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">   <b>(Sharad Bhandari)</b>            Chief Financial Officer            PAN : AAFPB5053P         </div> <div style="width: 45%;">   <b>(Shailendra Ajmera)</b>            Resolution Professional            IP Registration no. IBBI/IPA-001/            IP-P00304/2017-18/10568         </div> </div> <b>Place: New Delhi</b> <b>Date: 29 July 2020</b>
IV.	<b>Auditors:</b>  <b>Refer our Independent Auditors Report dated 29 July 2020 on Consolidated Financial Results of the Company</b>  <b>For B. Rattan &amp; Associates</b> Chartered Accountants Firm's Registration No. : 011798N    <b>Bishamver Kumar Karn</b> Membership no. 094790 Partner  <b>Place: New Delhi</b> <b>Date: 29 July 2020</b>

