

Date: November 12, 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”)**

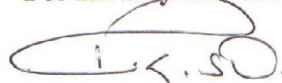
Dear Sir/Madam,

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. November 12, 2020 concluded at 2.30 PM chaired by Resolution Professional along with the KMP of Kwality Limited to discuss and approve the following matters:

1. The Standalone and Consolidated Unaudited Financial Results for the quarter and half year ended as on 30<sup>th</sup> September, 2020.
2. The Limited Review Report given by the Statutory Auditors for the quarter and half year ended as on 30<sup>th</sup> September, 2020.
3. The Standalone and Consolidated Cash Flow Statement for the half year ended as on 30<sup>th</sup> September, 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



**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 Unaudited Standalone Financial Results for the Quarter and half year ended 30 Sep 2020

Sr.No	Particulars	Quarter Ended			Half Year Ended		Year Ended
		30 Sep 2020	30 Jun 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Mar 2020
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	<b>Income from Operations</b>						
	(a) Revenue from operations	2,542.77	3,132.52	3,212.06	5,675.29	8,010.68	15,056.81
	(b) Other income	5.07	6.03	5.06	11.10	11.12	66.58
	<b>Total Income</b>	<b>2,547.84</b>	<b>3,138.55</b>	<b>3,217.12</b>	<b>5,686.39</b>	<b>8,021.80</b>	<b>15,123.39</b>
2	<b>Expenses</b>						
	(a) Cost of materials consumed	1,916.56	2,421.80	2,143.82	4,338.36	5,368.04	11,194.15
	(b) Purchases of stock-in-trade	-	-	-	-	2.90	-
	(c) Change in inventories of finished goods and work-in-progress	83.04	139.33	244.45	222.37	603.40	479.35
	(d) Employee benefits expense	160.20	195.42	316.48	355.62	754.80	1,248.35
	(e) Finance costs	-	-	-	-	-	-
	(f) Depreciation and amortisation expense	739.20	741.91	885.60	1,481.11	1,771.94	3,475.08
	(g) Other expenses	739.48	680.10	943.53	1,419.58	7,050.63	11,600.86
	<b>Total Expenses</b>	<b>3,638.48</b>	<b>4,178.56</b>	<b>4,533.88</b>	<b>7,817.04</b>	<b>15,551.71</b>	<b>27,997.79</b>
3	<b>Profit/(Loss) Before Tax (1-2)</b>	<b>(1,090.64)</b>	<b>(1,040.01)</b>	<b>(1,316.76)</b>	<b>(2,130.65)</b>	<b>(7,529.91)</b>	<b>(12,874.40)</b>
4	<b>Tax expense:</b>						
	(a) Current tax	-	-	-	-	-	-
	(b) Deferred tax	-	-	-	-	-	-
	<b>Total Tax Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
5	<b>Net Profit/(Loss) for the Period after Tax (3-4)</b>	<b>(1,090.64)</b>	<b>(1,040.01)</b>	<b>(1,316.76)</b>	<b>(2,130.65)</b>	<b>(7,529.91)</b>	<b>(12,874.40)</b>
6	<b>Other Comprehensive Income/(Loss)</b>						
	(a) Items that will not be reclassified to profit and loss	5.61	5.61	44.95	11.22	49.34	56.10
	(b) Income tax relating to items that will not be reclassified to profit and loss	-	-	-	-	-	-
	<b>Total Other Comprehensive Income/(Loss)</b>	<b>5.61</b>	<b>5.61</b>	<b>44.95</b>	<b>11.22</b>	<b>49.34</b>	<b>56.10</b>
7	<b>Total comprehensive Income/(Loss) (5+6)</b>	<b>(1,085.03)</b>	<b>(1,034.40)</b>	<b>(1,271.81)</b>	<b>(2,119.43)</b>	<b>(7,480.57)</b>	<b>(12,818.30)</b>
8	<b>Earning per share of INR 1 each</b>						
	(a) Basic (INR)	(0.45)	(0.43)	(0.55)	(0.88)	(3.12)	(5.33)
	(b) Diluted (INR)	(0.45)	(0.43)	(0.55)	(0.88)	(3.12)	(5.33)
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>	<b>2,413.54</b>
10	<b>Other equity</b>						<b>(1,96,888.91)</b>

*[Signature]*



*[Signature]*





## 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 vide Order dated 11 December 2018 ("Insolvency Commencement Date") passed by the Hon'ble National Company Law Tribunal, Delhi Bench ("NCLT") on an application filed under Section 7 of the Insolvency & Bankruptcy Code, 2016 ("the Code") by KKR India Financial Services Private Limited. Mr. Shailendra Ajmera (IP Registration No. IBBI/IPA-001/IP-P00304/2017-18/10568) was appointed as the Interim Resolution Professional ("IRP") by the Hon'ble NCLT 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 in terms of 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 06 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 instructions of the CoC, the RP on 08 November 2019, filed an application with the Hon'ble 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 Hon'ble NCLT on 06 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 Hon'ble 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 Section 30(4) of the Code. RP filed a status report appraising the same to the Hon'ble NCLT on 6 December 2019.

The Resolution Applicant on 07 December 2019 filed another application with the Hon'ble 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 filed by the Resolution Applicant is decided by the Hon'ble NCLT.

The application of liquidation filed by the RP under Section 33(1) of IBC was listed for arguments before the Hon'ble NCLT along with the status report of RP and the application filed by the Resolution Applicant. The status report of RP was taken on record and application filed by the Resolution Applicant was dismissed in default for non-prosecution. The Liquidation Application along with status report will now be taken up on 11th December 2020 before the Hon'ble NCLT. 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 ended 30 September 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 unaudited financial results were placed before, the RP, the CFO and the Company Secretary on 12 November 2020 for their consideration. Accordingly, the unaudited 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 unaudited 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 12 November 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 being exercised by him in terms of Section 17 of the Code, as the powers of the Board of Directors stand suspended during CIRP of the Company.

2. The carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 30 September 2020 amounting to INR 26,740.43 lakhs and INR 55.06 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 30 September 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.

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



Sharad Bhandari





## 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 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 476.75 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 30 September 2020. Interest payable on the outstanding TDS is estimated at INR 192.38 lakhs (includes INR 173.97 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. 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 decision 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.

7. On September 21, 2020 the officers of the Central Bureau of Investigation ("CBI") inspected the registered office cum corporate office and other business locations of the Company for the purpose of the investigation in Case RC 2232020A0005 of CBI/AC-V registered on September 10, 2020 under the provisions of the Prevention of Corruption Act, 1988. The above case is stated to have been registered for the offences of fraud and wrongful loss to public money. The said case has been registered on a complaint made by one of the lenders of the Company.

8. 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: 12 November 2020

Sharad Bhandari  
(Chief Financial Officer)  
PAN:AAFPB5053P

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





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

Particulars	30 September 2020	31 March 2020
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	26,078.67	27,552.03
Capital work-in-progress	662.16	662.16
Other intangible assets	55.06	62.91
Financial assets		
Investments	-	17.46
Loans	160.05	160.05
Other financial assets	65.31	63.11
<b>Total Non-Current Assets</b>	<b>27,021.25</b>	<b>28,517.72</b>
<b>Current Assets</b>		
Inventories	226.07	509.09
Financial Assets		
Trade receivables	2,008.78	1,516.24
Cash and cash equivalents	123.87	302.06
Other bank balances	168.94	170.05
Loans	5.75	6.55
Other current assets	237.23	234.12
<b>Total Current Assets</b>	<b>2,770.64</b>	<b>2,738.11</b>
<b>Total Assets</b>	<b>29,791.89</b>	<b>31,255.83</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity share capital	2,413.54	2,413.54
Other equity	(1,99,008.34)	(1,96,888.91)
<b>Total Equity</b>	<b>(1,96,594.80)</b>	<b>(1,94,475.37)</b>
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Provisions	104.01	138.08
<b>Total Non-Current liabilities</b>	<b>104.01</b>	<b>138.08</b>
<b>Current Liabilities</b>		
Financial liabilities		
Borrowings	1,82,943.34	1,82,943.34
Trade payables	7,221.53	6,514.70
Other financial liabilities	15,599.57	15,584.32
Other current liabilities	1,691.84	1,711.41
Provisions	40.02	40.02
Current tax liabilities (net)	18,786.38	18,799.33
<b>Total Current Liabilities</b>	<b>2,26,282.68</b>	<b>2,25,593.12</b>
<b>Total Equity and Liabilities</b>	<b>29,791.89</b>	<b>31,255.83</b>



*Shard Shandore*

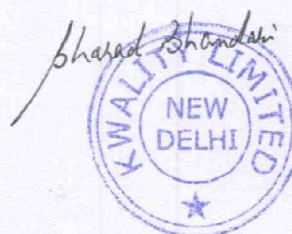




## Unaudited Standalone Cash Flow Statement

(INR in Lakhs)

	Six month ended		Year ended
	30 Sep 2020	30 Sep 2019	31 March 2020
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax	(2,130.65)	(7,529.91)	(12,874.40)
Adjustments for:			
Depreciation and amortisation expense	1,481.11	1,771.94	3,475.08
Loss on discard of fixed assets	-	183.91	183.91
Profit on Sale of fixed assets	(0.30)	(0.16)	(0.29)
Interest income	(7.24)	(5.98)	(12.23)
Provision for doubtful receivables	-	-	2,567.15
Provision for doubtful advances	-	4,915.63	4,915.63
Write-back of provision for doubtful debts/advances	(0.30)	-	(36.17)
Write-off of other current assets	-	-	149.65
Provision for doubtful other current assets	-	-	223.13
Movement in provision for employee benefits	(22.86)	(40.36)	(41.28)
Discard of Packing Material	-	13.54	133.77
Reinstatement of Non Current Investment as per Market Value	(0.20)	(0.61)	(0.80)
<b>Operating profit / (loss) before working capital changes</b>	<b>(680.44)</b>	<b>(692.00)</b>	<b>(1,316.85)</b>
<b>Movement in working capital</b>			
Decrease/(Increase) in non - current loans	-	-	6.51
Decrease/(Increase) in current loans	0.80	4.17	6.79
Decrease/(Increase) in inventories	283.02	681.40	583.67
Decrease/(Increase) in other non current assets	0.30	-	-
Decrease/(Increase) in other current assets	(3.11)	(9.07)	(27.44)
Decrease/(Increase) in trade receivables	(492.54)	917.00	1,773.12
(Decrease)/Increase in other liabilities	(19.57)	128.24	122.27
(Decrease)/Increase in other financial liabilities	15.25	(399.87)	(449.64)
(Decrease)/Increase in trade and other payables	706.84	(597.05)	(544.81)
<b>Change in Working Capital</b>	<b>490.99</b>	<b>724.82</b>	<b>1,470.47</b>
<b>Cash flow from/(used in) operating activities post working capital changes</b>	<b>(189.45)</b>	<b>32.82</b>	<b>153.62</b>
Income tax paid (net)	(12.95)	-	(15.35)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>(202.40)</b>	<b>32.82</b>	<b>138.27</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (including capital work-in-progress)	-	-	(19.75)
Proceeds from sale/disposal of fixed assets	0.40	0.22	0.50
Proceeds from sale of investments	17.66	-	-
Movement in fixed deposits and Other Bank Balance (net)	-	-	(3.75)
Interest received	0.63	-	-
<b>Net cash flows from/(used in) investing activities (B)</b>	<b>18.69</b>	<b>0.22</b>	<b>(23.00)</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds/ (Repayment) of borrowings (net)	-	(1.39)	(3.46)
Dividend paid (including tax)	5.52	-	3.35
<b>Net cash flow/(used in) financing activities (C)</b>	<b>5.52</b>	<b>(1.39)</b>	<b>(0.11)</b>
(Decrease)/ Increase in cash and cash equivalents (A+B+C)	(178.19)	31.64	115.16
Cash and cash equivalents at the beginning of the year	302.06	186.90	186.90
<b>Cash and cash equivalents at the end of the year</b>	<b>123.87</b>	<b>218.54</b>	<b>302.06</b>
<i>Reconciliation of cash and cash equivalents as per the cash flow statement</i>			
Cash and cash equivalent as per above comprise of the following			
Cash and Cash equivalents	123.87	218.54	302.06
<b>Balance as per statement of cash flows</b>	<b>123.87</b>	<b>218.54</b>	<b>302.06</b>



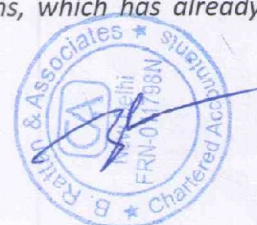




**Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Standalone Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended**

**Review Report to  
The Resolution Professional of Kwaliti Limited  
(A company under Corporate Insolvency Resolution Process ('CIRP') as per NCLT order)**

1. We have reviewed the accompanying statement of unaudited standalone financial results of Kwaliti Limited ('the company') for the period ended September 30, 2020 ("the Statement"). These Standalone Financial Statements have been prepared by the management of the Company and certified by Mr. Sharad Bhandari Chief Financial officer ('CFO'), and approved by the RP. Our responsibility is to issue a report on the statement based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion. We believe that our review provides a reasonable basis for our modified conclusion.
3. Based on our review conducted as above, except for the effects of the matters described in the Basis of Modified Conclusion paragraph 4 below, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.
4. **Basis for Modified Conclusion**
  - a. The Company has incurred a Net loss of INR 2,130.65 lakhs and erosion of its Net worth as at September 30, 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.*

- c. The Financial Creditors who have already filed application under IBC, 2016 have registered a case of Criminal Conspiracy/ Forgery/ Cheating/ Criminal Misconduct with Central Bureau of Investigation ("CBI") under the provisions of Prevention of Corruption Act, 1988. The said case has been filed with the CBI for the offences of wrongful gain to the company and wrongful loss to the Banks. The CBI inspected the registered office of the company along with other business locations as on 21<sup>st</sup> September, 2020 and the Investigation is in process. The outcome of the proceedings of Investigation may have major Impact on the financial sustainability of the company.

#### **5. EMPHASIS OF MATTER**

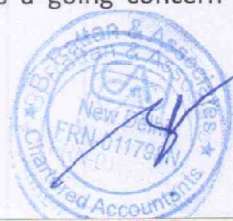
We draw attention to the following matters in the financial statements:

- 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 consequently, loss and total comprehensive loss for year ended would also have been higher, having consequential impact on other current financial liability and other equity.

**Our conclusion is not modified in respect of this matter.**

#### **6. Material Uncertainty on Going Concern**

The Company has incurred cash losses, its liabilities exceeded total assets and its net worth has been fully eroded as on September 30, 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





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Chartered Accountants

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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 Liquidation Application along with status report will now be taken up before the Hon'ble NCLT on 11th December 2020. The appropriateness of preparation of standalone financial statements on going concern basis is critically dependent upon CIRP as specified in the Code.


**Our conclusion is not modified in respect of this matter.**

7. We have reviewed the subsequent realization of the Trade Receivables reported by the company. Most of the Trade Receivables reported by the company were subsequently realized. In other cases the Trade Receivables are subject to Balance Confirmations.

**For B RATTAN & ASSOCIATES**

Chartered Accountants

Firm's Registration No. : 011798N

**Bishamver Kumar Karn**

Partner

Membership no. 094790

UDIN:- 20094790AAAABM7209

Place: Delhi

Date: 12 November 2020



Kwality Limited  
CIN : L74899DL1992PLC255519

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

Statement of Unaudited Consolidated Financial Results for the Quarter and half year ended 30 September 2020

S.No	Particulars	(INR in Lakhs)					
		Quarter Ended			Half Year Ended		Year Ended
		30 Sep 2020	30 Jun 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 March 2020
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	<b>Income from Operations</b>						
	(a) Revenue from operations	2,542.77	3,132.52	3,212.06	5,675.29	8,010.68	15,056.81
	(b) Other income	5.07	6.03	13.03	11.10	19.09	75.64
	<b>Total Income</b>	<b>2,547.84</b>	<b>3,138.55</b>	<b>3,225.09</b>	<b>5,686.39</b>	<b>8,029.77</b>	<b>15,132.45</b>
2	<b>Expenses</b>						
	(a) Cost of materials consumed	1,916.56	2,421.80	2,143.82	4,338.36	5,368.04	11,194.15
	(b) Purchases of stock-in-trade	-	-	-	-	2.90	-
	(c) Change in inventories of finished goods and work-in-progress	83.04	139.33	244.45	222.37	603.40	479.35
	(d) Employee benefits expense	160.20	195.42	316.48	355.62	754.80	1,248.35
	(e) Finance costs	361.86	385.12	522.22	746.98	767.44	1,557.78
	(f) Depreciation and amortisation expense	739.20	741.91	885.60	1,481.11	1,771.94	3,475.08
	(g) Other expenses	739.48	680.10	948.93	1,419.58	7,059.47	11,620.95
	<b>Total Expenses</b>	<b>4,000.34</b>	<b>4,563.68</b>	<b>5,061.50</b>	<b>8,564.02</b>	<b>16,327.99</b>	<b>29,575.66</b>
3	<b>Profit/(Loss) Before Tax (1-2)</b>	<b>(1,452.50)</b>	<b>(1,425.13)</b>	<b>(1,836.41)</b>	<b>(2,877.63)</b>	<b>(8,298.22)</b>	<b>(14,443.21)</b>
4	<b>Tax expense:</b>						
	(a) Current tax	-	-	-	-	-	-
	(b) Deferred tax	-	-	-	-	-	-
	<b>Total Tax Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
5	<b>Net Profit/(Loss) for the Period after Tax (3-4)</b>	<b>(1,452.50)</b>	<b>(1,425.13)</b>	<b>(1,836.41)</b>	<b>(2,877.63)</b>	<b>(8,298.22)</b>	<b>(14,443.21)</b>
6	<b>Other Comprehensive Income/(Loss)</b>						
	(a) Items that will not be reclassified to profit and loss	5.61	5.61	44.95	11.22	49.34	56.10
	(b) Income tax relating to items that will not be reclassified to profit and loss	-	-	-	-	-	-
	(c) Items that will be reclassified to profit and loss	402.01	(37.39)	(298.03)	364.62	(223.40)	(1,102.28)
	<b>Total Other Comprehensive Income/(Loss)</b>	<b>407.62</b>	<b>(31.78)</b>	<b>(253.08)</b>	<b>375.84</b>	<b>(174.06)</b>	<b>(1,046.18)</b>
7	<b>Total comprehensive Income/(Loss) (5+6)</b>	<b>(1,044.88)</b>	<b>(1,456.91)</b>	<b>(2,089.49)</b>	<b>(2,501.79)</b>	<b>(8,472.28)</b>	<b>(15,489.39)</b>
8	<b>Earning per share of INR 1 each</b>						
	(a) Basic (INR)	(0.60)	(0.59)	(0.76)	(1.19)	(3.44)	(5.98)
	(b) Diluted (INR)	(0.60)	(0.59)	(0.76)	(1.19)	(3.44)	(5.98)
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>	<b>2,413.54</b>
10	<b>Other equity</b>						<b>(2,11,457.00)</b>



*Shahul Bhamani*





## 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 vide Order dated 11 December 2018 ("Insolvency Commencement Date") passed by the Hon'ble National Company Law Tribunal, Delhi Bench ("NCLT") on an application filed under Section 7 of the Insolvency & Bankruptcy Code, 2016 ("the Code") by KKR India Financial Services Private Limited. Mr. Shailendra Ajmera (IP Registration No. IBBI/PA-001/IP-P00304/2017-18/10568) was appointed as the Interim Resolution Professional ("IRP") by the Hon'ble NCLT 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 in terms of the provisions of the Code. On 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 s 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 instructions of the CoC, the RP on 08 November 2019, filed an application with the Hon'ble 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 Hon'ble NCLT on 06 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 Hon'ble 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 Section 30(4) of the Code. RP filed a status report appraising the same to the Hon'ble NCLT on 6 December 2019.

The Resolution Applicant on 07 December 2019 filed another application with the Hon'ble 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 filed by the Resolution Applicant is decided by the Hon'ble NCLT.

The application of liquidation filed by the RP under Section 33(1) of IBC was listed for arguments before the Hon'ble NCLT along with the status report of RP and the application filed by the Resolution Applicant. The status report of RP was taken on record and application filed by the Resolution Applicant was dismissed in default for non-prosecution. The Liquidation Application along with status report will now be taken up on 11th December 2020 before the Hon'ble NCLT. 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 ended 30 September 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 unaudited financial results were placed before, the RP, the CFO and the Company Secretary on 12 November 2020 for their consideration. Accordingly, the unaudited 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 unaudited 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 12 November 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 being exercised by him in terms of Section 17 of the Code, as the powers of the Board of Directors stand suspended during CIRP of the Company.

2. The carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 30 September 2020 amounting to INR 26,740.83 lakhs and INR 55.06 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 30 September 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* (INR in lakhs)	Claims Admitted* (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.



Sharad Bhandari



## Notes to the Consolidated Financial Results:

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 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 476.75 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 30 September 2020. Interest payable on the outstanding TDS is estimated at INR 192.38 lakhs (includes INR 173.97 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. 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 towards recovery of their loans and further issued legal notices as well as filed appropriate applications for recovery of their dues.

c. KDPF has been issued notice by the Dubai Court in execution of a Suit No. 2589/2018 filed by Bank of Baroda on 15.11.2018 and registered on 10.12.2018 for recovery of dues. Kwaliti Limited has given corporate guarantee to Bank of Baroda in respect of loans availed by the KDPF which has been invoked by vide notice dated 19.09.2018. Bank of Baroda has already filled the claim with RP for recovery of the dues arise on account of invocation of the corporate guarantee, the same has been admitted and voting share assigned to Bank of Baroda in respect thereof in the CoC. The RP has replied to Bank of Baroda that the action taken by them is violation of the order of moratorium and amounts to seeking recovery of dues by pursuing individual recovery proceedings for recovery of debt in respect of which claim has been admitted by the RP under the IBC. Bank of Baroda has been requested to forthwith withdraw the said execution and all step and actions arising therefrom or related thereto. (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).

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 decision 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. On September 21, 2020 the officers of the Central Bureau of Investigation ("CBI") inspected the registered office cum corporate office and other business locations of the Company for the purpose of the investigation in Case RC 2232020A0005 of CBI/AC-V registered on September 10, 2020 under the provisions of the Prevention of Corruption Act, 1988. The above case is stated to have been registered for the offences of fraud and wrongful loss to public money. The said case has been registered on a complaint made by one of the lenders of the Company.

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: 12 November 2020

Sharad Bhandari  
(Chief Financial Officer)  
PAN:AAFPB5053P

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





**Kwality Limited**
**Unaudited Consolidated Statement of Assets and Liabilities**
**(INR in Lakhs)**

Particulars	30 September 2020	31 March 2020
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	26,078.67	27,552.03
Capital work-in-progress	662.16	662.16
Other intangible assets	55.06	62.91
Financial assets		
Investments	-	17.46
Loans	160.05	160.05
Other financial assets	65.31	63.11
<b>Total Non-Current Assets</b>	<b>27,021.25</b>	<b>28,517.72</b>
<b>Current Assets</b>		
Inventories	226.07	509.09
Financial Assets		
Trade receivables	2,008.78	1,516.24
Cash and cash equivalents	124.87	303.09
Other bank balances	168.94	170.05
Loans	5.75	6.55
Other current assets	237.23	234.12
Asset held for sale	425.23	435.86
<b>Total Current Assets</b>	<b>3,196.87</b>	<b>3,175.00</b>
<b>Total Assets</b>	<b>30,218.12</b>	<b>31,692.72</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity share capital	2,413.54	2,413.54
Other equity	(2,13,958.79)	(2,11,457.00)
<b>Total Equity</b>	<b>(2,11,545.25)</b>	<b>(2,09,043.46)</b>
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Provisions	104.01	138.08
<b>Total Non-Current liabilities</b>	<b>104.01</b>	<b>138.08</b>
<b>Current Liabilities</b>		
Financial liabilities		
Borrowings	1,98,320.02	1,97,948.32
Trade payables	7,221.53	6,514.70
Other financial liabilities	15,599.57	15,584.32
Other current liabilities	1,691.84	1,711.41
Provisions	40.02	40.02
Current tax liabilities (net)	18,786.38	18,799.33
<b>Total Current Liabilities</b>	<b>2,41,659.36</b>	<b>2,40,598.10</b>
<b>Total Equity and Liabilities</b>	<b>30,218.12</b>	<b>31,692.72</b>


*Shard Bhandari*




**Kwality Limited**  
**Unaudited Consolidated Cash Flow Statement**

	Six Month ended		(INR in Lakhs)
	30 Sep 2020	30 Sep 2019	Year ended 31 March 2020
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax	(2,877.63)	(8,298.22)	(14,443.21)
<b>Adjustments for:</b>			
Depreciation and amortisation expense	1,481.11	1,771.94	3,475.08
Loss on discard of fixed assets	-	183.91	183.91
Profit on Sale of fixed assets	(0.30)	(0.16)	(0.29)
Interest income	(7.24)	(5.98)	(12.23)
Finance costs	746.98	767.44	1,557.78
Provision for doubtful receivables	-	-	2,567.15
Provision for doubtful advances	-	4,915.63	4,915.63
Write-back of provision for doubtful debts/advances	(0.30)	(7.11)	(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	(22.86)	(40.36)	(41.28)
Discard of Packing Material	-	13.54	133.77
Reinstatement of Non Current Investment as per Market Value	(0.20)	(0.61)	(0.80)
<b>Operating profit/(loss) before working capital changes</b>	<b>(680.44)</b>	<b>(699.98)</b>	<b>(1,325.97)</b>
<b>Movement in working capital</b>			
Decrease/(Increase) in non - current loans	-	-	6.51
Decrease/(Increase) in current loans	0.80	7.81	10.01
Decrease/(Increase) in inventories	283.02	681.40	583.67
Decrease/(Increase) in other non current assets	0.30	-	-
Decrease/(Increase) in other current assets	(3.11)	(10.50)	(27.21)
Decrease/(Increase) in trade receivables	(492.54)	924.11	1,780.48
(Decrease)/Increase in other liabilities	(19.57)	128.24	122.27
(Decrease)/Increase in other financial liabilities	15.25	(399.87)	(449.64)
(Decrease)/Increase in trade and other payables	706.84	(597.73)	(546.46)
<b>Change in Working Capital</b>	<b>490.99</b>	<b>733.46</b>	<b>1,479.63</b>
<b>Cash flow from/(used in) operating activities post working capital changes</b>	<b>(189.45)</b>	<b>33.48</b>	<b>153.66</b>
Income tax paid (net)	(12.95)	-	(15.35)
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>(202.40)</b>	<b>33.48</b>	<b>138.31</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (including capital work-in-progress)	-	-	(19.75)
Proceeds from sale/disposal of fixed assets	0.40	0.22	0.50
Proceeds from sale of investments	17.66	-	-
Interest received	0.63	-	-
<b>Net cash flows from /(used in) investing activities (B)</b>	<b>18.69</b>	<b>0.22</b>	<b>(23.00)</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds/ (Repayment) of borrowings (net)	-	(1.39)	(3.46)
Finance cost paid	-	(0.34)	(0.36)
Dividend paid (including tax)	5.52	-	3.35
<b>Net cash flow from/(used in) financing activities (C)</b>	<b>5.52</b>	<b>(1.73)</b>	<b>(0.47)</b>
(Decrease)/ Increase in cash and cash equivalents (A+B+C)	(178.19)	31.97	114.84
Cash and cash equivalents at the beginning of the year	303.09	187.33	187.33
Effect of foreign exchange on foreign operation	(0.03)	0.20	0.92
<b>Cash and cash equivalents at the end of the year</b>	<b>124.87</b>	<b>219.50</b>	<b>303.09</b>
<i>Reconciliation of cash and cash equivalents as per the cash flow statement</i>			
Cash and cash equivalent as per above comprise of the following			
Cash and Cash equivalents	124.87	219.50	303.09
<b>Balance as per statement of cash flows</b>	<b>124.87</b>	<b>219.50</b>	<b>303.09</b>



*Shard Bhandari*







**Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Consolidated Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended**

**Review Report to**

**The Resolution Professional of Kwaliti Limited**

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

1. We have reviewed the accompanying statement of unaudited consolidated financial results of Kwaliti Limited ('The Parent') reviewed by us and its subsidiary reviewed by other auditors (the parent and its subsidiary together referred to as "the Group") and its proportionate share of the profit/ Loss after tax and its comprehensive income/ loss of its subsidiary for the period ended September 30, 2020 ("the Statement"). These Consolidated Financial Statements have been prepared by the management of the Company and certified by Mr. Sharad Bhandari Chief Financial officer ('CFO'), and approved by the RP. Our responsibility is to issue a report on the statement based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion. We believe that our review provides a reasonable basis for our modified conclusion.
3. The Statement includes the results of the following entity:  
Subsidiary  
(i) Kwaliti Dairy Products FZE
4. Based on our review conducted as above, except for the effects of the matters described in the Basis of Modified Conclusion paragraph 5 below, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. **BASIS FOR MODIFIED CONCLUSION**
  - a. The Company has incurred a Net loss of INR 2,877.63 lakhs and erosion of its Net worth as at September 30, 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.





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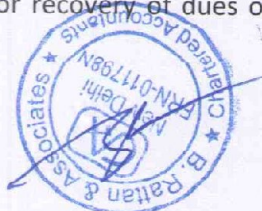
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- b. The company has a number of pending litigations w.r.t various legal and tax matters pending with various authorities but the company has not made any provision for any future loss arising to the company in the scenario of negative outcome of such 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.
- c. The Financial Creditors who have already filed application under IBC, 2016 have registered a case of Criminal Conspiracy/ Forgery/ Cheating/ Criminal Misconduct with Central Bureau of Investigation ("CBI") under the provisions of Prevention of Corruption Act, 1988. The said case has been filed with the CBI for the offences of wrongful gain to the company and wrongful loss to the Banks. The CBI inspected the registered office of the company along with other business locations as on 21<sup>st</sup> September, 2020 and the Investigation is in process. The outcome of the proceedings of Investigation may have major Impact on the financial sustainability of the company.

### 6. 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 consequently, 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 Kwaliti Dairy Products FZE, Wholly Owned Subsidiary of Kwaliti 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,





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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). 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 conclusion is not modified in respect of this matter.**

**7. Material Uncertainty on Going Concern**

The Company has incurred cash losses, its liabilities exceeded total assets and its net worth has been fully eroded as on September 30, 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 Liquidation Application along with status report will now be taken up before the Hon'ble NCLT on 11th December 2020. The appropriateness of preparation of consolidated financial statements on going concern basis is critically dependent upon CIRP as specified in the Code.

**Our conclusion is not modified in respect of this matter.**

8. We have reviewed the subsequent realization of the Trade Receivables reported by the company. Most of the Trade Receivables reported by the company were subsequently realized. In other cases the Trade Receivables are subject to Balance Confirmations.

**For B RATTAN & ASSOCIATES**

Chartered Accountants

Firm's Registration No. : 011798N

**Bishamver Kumar Karn**

Partner

Membership no. 094790

**UDIN:- 20094790AAAABL1709****Place:** Delhi**Date:** 12 November 2020