



Date: March 25, 2019

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

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

Dear Sir/Madam,

This is in furtherance to the letter dated 16/02/2019, we wish to inform you pursuant to Regulation 30 read with Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 that the meeting held today i.e. Monday, March 25, 2019 concluded at 10:30 P.M. chaired by Resolution professional along with the KMP of Kwality Limited to discuss and approve the following matters:

1. The Unaudited Financial Results for the quarter and nine months ended as at 31st December, 2018.
2. The Limited Review Report given by the Statutory Auditors for the quarter and nine months ended as at 31st December, 2018.

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

Kwality Limited
CIN : L74899DL1992PLC255519

Registered office : KDIL House, F-82, Shivaji Place, Rajouri Garden, New Delhi - 110027

Statement of Unaudited Standalone Financial Results for the Quarter and Nine Months ended 31 December 2018

Sr.No	Particulars	Quarter ended			Nine Month ended		(INR in Lakhs)
		31-Dec-18	30-Sep-18	31-Dec-17	31-Dec-18	31-Dec-17	Year ended
		Unaudited*	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Income from operations						
	(a) Revenue from operations	36,197.75	35,112.00	1,77,327.06	1,97,558.06	5,01,591.93	6,72,487.64
	(b) Other income	54.32	71.67	22.97	456.61	407.57	1,300.95
	Total income	36,252.07	35,183.67	1,77,350.03	1,98,014.67	5,01,999.50	6,73,788.59
2	Expenses						
	(a) Cost of materials consumed	26,469.32	25,684.66	1,30,981.19	1,50,768.28	3,84,874.05	5,19,066.04
	(b) Purchases of stock-in-trade	-	-	18,555.31	3,975.61	49,737.37	66,224.95
	(c) Change in inventories of finished goods, stock in trade and work-in-progress	4,100.38	4,994.46	8,346.74	16,716.03	12,853.31	11,878.86
	(d) Employee benefits expense	695.46	1,379.97	1,875.54	3,773.02	3,981.47	5,794.13
	(e) Finance costs	6,183.45	6,218.87	5,619.97	18,204.39	15,712.27	23,318.30
	(f) Depreciation and amortisation	3,418.48	3,434.26	3,455.39	9,601.63	9,266.12	12,555.96
	(g) Excise duty	-	-	-	-	2.31	2.31
	(h) Other expenses	1,45,422.63	89,595.97	4,823.92	2,40,719.12	14,834.80	20,536.61
	Total expenses	1,86,289.72	1,31,308.19	1,73,658.06	4,43,758.08	4,91,261.70	6,59,377.16
3	Profit before tax (1-2)	(1,50,037.65)	(96,124.52)	3,691.97	(2,45,743.41)	10,737.80	14,411.43
4	Tax expense:						
	(a) Current tax	-	(562.37)	1,857.76	-	4,154.72	6,372.62
	(b) Deferred tax	-	(492.93)	(259.69)	(740.81)	(398.85)	927.71
	Total tax expenses	-	(1,055.30)	1,598.07	(740.81)	3,755.87	7,300.33
5	Net profit for the period after tax (3-4)	(1,50,037.65)	(95,069.22)	2,093.90	(2,45,002.60)	6,981.93	7,111.10
6	Other comprehensive income						
	(a) Items that will not be reclassified to profit and loss	(1.50)	(1.51)	(0.65)	(4.51)	(1.96)	(34.81)
	(b) Income tax relating to items that will not be reclassified to profit and loss	-	0.52	0.23	1.05	0.68	12.05
	Total other comprehensive income	(1.50)	(0.99)	(0.42)	(3.46)	(1.28)	(22.76)
7	Total comprehensive income (5+6)	(1,50,039.15)	(95,070.21)	2,093.48	(2,45,006.06)	6,980.65	7,088.34
8	Earning per share of INR 1 each						
	(a) Basic (INR)	(62.16)	(39.39)	0.88	(101.51)	2.92	2.97
	(b) Diluted (INR)	(62.16)	(39.39)	0.88	(101.51)	2.92	2.96
9	Paid-up equity share capital (face value of INR 1 per equity share)	2,413.54	2,413.54	2,379.70	2,413.54	2,379.70	2,413.54
10	Other equity	-	-	-	-	-	1,09,211.24

* The figures for the quarter ended 31 December 2018 are the balancing figures between unaudited figures for Six month period ended 30 September 2018 and nine month period ended 31 December 2018.



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CIN L74899DL1992PLC255519

Notes to the unaudited standalone result for the quarter and nine months ended 31 December 2018

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

As the powers of the Board of Directors have been suspended, the above unaudited financial results for the quarter and nine months ended 31 December 2018 have not been considered and recommended by the Audit Committee and, consequently by the Board of Directors.

While these unaudited Financial results pertain to the quarter and nine months ended 31 December 2018, almost entirely prior to Insolvency Commencement Date, the RP is not in position to certify on its own the truthfulness, fairness accuracy or completeness of the financial statements prepared for the quarter and nine months ended 31 December 2018 during the financial year of 2018-19 i.e. prior to Insolvency Commencement Date.

However, the same has been signed by the Mr. Sanjay Dhingra, Managing Director and Mr. Sharad Bhandari, Chief Financial Officer of the Company, confirming truthfulness, fairness, accuracy and completeness of the unaudited standalone financial results for the quarter and nine months ended 31 December 2018. Basis this confirmation by the Managing Director and Chief Financial Officer of the Company, these unaudited financial results have been taken on record by the RP on 25th March 2019 for filing with the stock exchanges. The same have also been subject to Limited Review by the Statutory Auditors. The RP has taken on record these financial results solely for discharging the powers of the Board of Directors of the Company (suspended during CIRP) which has been conferred upon him in terms of provisions of Section 17 of the Code.

Post the commencement of CIRP, the Company is continuing to operate as a going concern in terms of the Code. Invitation for expression of interest from the potential resolution applicants have been published and the last date for submission for expression of interest is 31 March 2019.

2. The financial result for the quarter and nine months ended 31 December 2018 have been certified by Mr. Sharad Bhandari, Chief Financial Officer of the Company in accordance with Regulation 33(2) of the SEBI (Listing Obligations and Disclosure Requirements) Rules, 2015.
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)
1	Financial creditors (including claims w.r.t. to corporate guarantees given by the Company for credit facility availed by the subsidiary)	2,00,968.86
2	Operational creditors (including Employees & workers)	13,883.97
3	Other claims	10,521.07

Amount claimed till the insolvency commencement date.



Sharad Bhandari

[Signature]

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

- b. The Company has not provided any liability towards interest, penal interest charges and any foreign currency fluctuation on claims by financial creditors for the period w.e.f. the Insolvency Commencement Date i.e. 11 December 2018, 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 i.e. 11 December 2018. The aggregate claims submitted by the Financial Creditors exceeded the amount as appearing in the books of accounts. Further, in respect of operational creditors the process of submitting claims is ongoing and is under reconciliations with amount as appearing in the books of accounts. Pending reconciliations and final outcome of the CIRP, no provision in the books of accounts has been made for excess claims submitted in respect of financial creditors and no accounting effect in respect of operational creditors has been given.
5. Trade receivables and loans & advances at 31 December 2018 are under the process of being confirmed and reconciled.
6. The Tax payable (including interest thereon) amounting to INR 18,832.29 lakhs include income tax payable for earlier years amounting to INR 17,929.09 lakhs which is not paid by the Company. The Company has in past couple of years invested in development of new manufacturing facility for production of 'Value Added Products' at Plant Softa (Palwal). In view of the said expansion and to part fund the working capital requirements, there have been delays in payment of Income-tax. The Company has received orders under section 279(1) r.w.s. 276C(2) for assessment years 2016-17 and 2017-18 for prosecution due to non-payment of such taxes. Interest on same have been fully provided for in the books of accounts of the Company upto insolvency Commencement date. At this stage no penalty has been imposed by department, therefore it is not possible to predict the outcome in near future. Further assessment proceedings under Section 132 have been initiated, the Company currently is not in a position to evaluate the consequential impact, if any, of possible tax adjustments. It may be noted that the income tax department has filed a Form B w.r.t. to their outstanding dues from the Company.
7. The Company has decided to discontinue the business operations of the subsidiary ""Kwality Dairy Products FZE"". Consequently, the Company has recognised INR 1,902.75 lakhs towards provision for diminution in the value on investment in the subsidiary during the current quarter.
8. "Other Expenses" as stated in the income statement for the quarter and nine months ended 31 December 2018, include adjustment on these accounts, as enumerated below:

Particulars	Quarter Ended December 31, 2018	Nine months Ended December 31, 2018
	INR in lakhs	
Diminution in value of Investments	1,902.75	1,902.75
Provision for doubtful debtors	1,27,152.56	1,27,672.66
Provision for doubtful advances	14,363.61	14,363.61
Total	1,43,418.92	1,43,939.02

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



[Signature]

Shahid Bhandari


[Signature]

10. Trade payables include foreign currency balances outstanding amounting to INR 268.70 lakhs for more than six months from the date of goods receipt note. Similarly, trade receivables include foreign currency balances amounting to INR 13,829.48 lakhs which is pending for collection for more than one year from the date of invoices. Therefore, the Company has made provision for INR 13,829.48 lakhs, which is included under provision for doubtful debtors as per note 8 above.
11. Considering the ongoing CIRP (refer note 1 above) the certainty as to realisation of deferred tax asset (net) cannot be ascertained at this stage. Consequently, adjustment to closing deferred tax asset (net) available at 30 September 2018 have not been given affect to, during the period. Further, the deferred tax asset (net) for the quarter ended 31 December 2018 has not been recognised in the books of accounts.
12. During the quarter, few of the Company's lenders have sold the shares of Mr. Sanjay Dhingra, Managing Director amounting to INR 8,539.07 lakhs (No. of Share 361.88 lakhs) pledged with them. The amount adjusted by lender by way of sale of shares, has been classified as unsecured loan from Director. The unsecured loan amount does not carry any interest.
13. Effective from 1 April 2018, the Company has adopted IND AS 115 using cumulative effect method and the comparative information is not restated. The adoption of the standard did not have any material impact on the result of the Company.
14. The figures for the previous periods have been regrouped/ rearranged wherever necessary.


For Kityality Limited

Taken on Record

Place: Delhi
Date: 25 March 2019


Sanjay Dhingra
(Managing Director)


Sharad Bhandari
(Chief Financial Officer)


Shailendra Ajmera
(Resolution Professional)



**INDEPENDENT AUDITORS' REVIEW REPORT****TO RESOLUTION PROFESSIONAL OF KWALITY LIMITED**

IP Registration No. IBBI/PA-001/IP-P00304/2017-18/ 10568

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of KWALITY LIMITED ("the Company") for the quarter and nine months ended 31st December 2018. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Circular No. CIR/CFD/FAC/62/2016 dated 5th July 2016.
2. The Hon'ble National Company Law Tribunal (NCLT), Delhi Bench, by an order dated 11 December 2018 admitted the Corporate Insolvency Resolution Process (CIRP) application filed against Kwaliti Limited ("the company"), and appointed Mr Shailendra Ajmera as the Interim Resolution Professional ("IRP") in terms of the Insolvency and Bankruptcy Code, 2016 ("the Code") to manage the affairs of the Company as per the provisions of the Code. Further, the Committee of Creditors constituted during the CIRP of the Company in its meeting dated 11 January 2019, confirmed the IRP as the Resolution Professional ("RP") for the Company. In view of the CIRP and suspension of powers of Board of Directors, the powers of adoption of the Statement vests with RP.
3. This Statement, which is the responsibility of the Company's Management, approved by CFO and taken on record by RP, has been prepared in accordance with Ind AS 34 'Interim Financial Reporting', prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other recognized accounting practices and policies generally accepted in India. (As per Section 134 of the Companies Act, 2013, the financial statements of a company are required to be authenticated by the Company management. Our responsibility is to issue a report on the Statement based on our review.
4. We conducted our review of the Statement in accordance with the Standard on Review Engagements (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 analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
5. **Basis for Qualified Conclusion: -**
 - a) As mentioned in Note no. 4 of the Statement, claims submitted by the Financial & other Creditors exceeded the amount as appearing in the books of account. Further, in respect of other creditors (includes operational creditors) the process of submitting claims is still going on and it is also under reconciliations with amount as appearing in the books of accounts. Pending reconciliations and final outcome of the CIRP, no provision in the books of accounts has been made for excess claims submitted in respect of financial creditors and no accounting effect in respect of operational creditors is given.
 - b) Significant delays in monetization of trade receivables and Loan & advances have caused strain on the working capital of the Company. The Company has provided for Doubtful debts and advances to the tune of INR 1,41,516.17 lakhs {including export receivables amounting INR 13,829.48 lakhs and loans & advance amounting INR 14,363.61 lakhs} during the quarter ended 31 December, 2018 towards non-recovery of long pending over dues. As per the terms of agreement with certain suppliers, certain advances made (which are a part of loans & advances mentioned above) on account of purchase of AMCUs are required to be settled against future purchases. The Company has provided for INR 8,975.89 lakhs on the assumption that there will be no supply from the said bulk suppliers in future. Independent balances confirmations in respect of trade receivables and loan and advances are not



available as at 31 December 2018. Hence, consequential impact, if any, on the financial results is not currently ascertainable.

- c) Tax payable (including interest thereon) amounting to INR 18,832.29 lakhs include income tax payable for earlier years amounting to INR 17,929.09 lakhs which is not paid by the Company. Company received orders under section 279(1) r.w.s. 276C (2) and 277 of the Income Tax Act, 1961 w.r.t. Assessment year 2016-2017 and 2017-2018 for prosecution due to non-payment of such taxes. Interest on same have been fully provided for in the Books of Accounts of the Company upto 10 December, 2018. We are unable to comment on the impact on the statement of the Company. The Company has also not deposited Tax at Source to the tune of INR 527.86 lakhs including interest of INR 43.02 lakhs calculated till 10 December 2018. At this stage no penalty has been imposed by department, therefore it is not possible to predict the outcome in near future. Further assessment proceedings under Section 132 have been initiated, the Company currently is not in a position to evaluate the consequential impact, if any, of possible tax adjustments. It may be noted that the income tax department has filed a Form B w.r.t. to their outstanding dues from the Company. (Refer note 6 to the statement).
- d) The foreign currency receivables amounting to INR 13829.48 lakhs and payable amounting to INR 268.70 lakhs are unrecovered/ unpaid over the respective time limit prescribed under Foreign Exchange Management Act (FEMA), 1999 whose settlement may require written approval from the regulatory authorities. The company has fully provided for the foreign currency receivables during the quarter ended 31 December, 2018. Therefore, we are unable to comment its impact on the statement.

6. Qualified Conclusion

Based on our review conducted, with the exceptions of the matters described in the preceding paragraph nothing has come to our attention that causes us to believe that the accompanying interim financial information, is not prepared in accordance with the applicable Indian Accounting Standards ("Ind-AS") specified under section 133 of the Companies Act, 2013, read with relevant rules issued there under and other recognised accounting practices and principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated 5th July 2016, including the manner in which it is to be disclosed, or that it contains any material misstatement.

7. Material Uncertainty Related to Going Concern

The company is unable to meet its financial obligations including repayment of various loans and unpaid interest and to fund various obligations pertaining to operations including unpaid creditors / overdue creditors and working capital requirements for maximum capacity utilisation. Since the CIRP is currently in progress and pending measures to be approved, adopted and implemented as a part of resolution process, the 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 same is dependent upon the resolution plan to be formulated and approved by NCLT. The appropriateness of preparation of financial statements on going concern basis is critically dependent upon CIRP as specified in the Code.

Our opinion is not qualified in respect of this matter.

8. Emphasis of Matter

1. We draw attention to:

- a) The Company has issued Non-Convertible Debentures (NCDs) to KKR Capital Markets India Private Limited, KKR India Debt Fund I, KKR India Debt Opportunity Fund III and BOI AXA Credit Risk Fund ('Debenture Holders') aggregating INR 10,000.00 lakhs during June 2016. Per Section 71 of the Companies Act, 2013 is required to create Debenture Redemption Reserve and



invest or deposit amounts as per the Rule 18 of Companies (Share Capital and Debentures) Rules, 2014. The Company has not complied with the requirements of Debenture Redemption Reserve due to stressed financial condition. Such non-compliance as stated above may result in fines and penalties, the impact of which is not currently ascertainable. We are unable to comment on the consequential impact, if any, for such non-compliance. Subsequently on commencement of CIRP, the Debenture Holders have filed their claims in Form C and the same will be dealt with as per the provisions for the Code. (refer note 9 to the statement).

- b) The Company has decided to discontinue the business operations of the subsidiary "Kwality Dairy Products FZE". Consequently, the Company has recognised loss of INR 1,902.75 lakhs towards provision for diminution in the value on investment in the subsidiary during the current quarter (refer note 7 to the statement).
- c) Considering the ongoing CIRP (refer note 1) the certainty as to realization of deferred tax asset (net) cannot be ascertained at this stage. Consequently, adjustment to closing deferred tax (net) available at 30 September 2018 have not been given affect to, during the period. Further, the deferred tax (net) for the quarter ended 31 December 2018 has not been recognised in the books of accounts (refer note 11 to the statement).

Our report is not qualified in respect of these matters.

- 2. The Statement of the Company for the quarter and nine month ended 31 December 2017, was reviewed by another auditor whose report dated 12 February 2018 expressed an unmodified review conclusion on those Statement.

For **B Rattan & Associates**

Chartered Accountants

ICAI Firm Registration No: 011798N



B.K. Karn

Partner

Membership No.: 094790

Place: Delhi

Date: 25 March 2019