

To,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G, Bandra Kurla Complex,
Bandra (E), MUMBAI- 400 051

Dated: June 04, 2020

Dear Sir,

Ref: : Clarification for Financial results – KWALITY LIMITED

This is in with reference to email received dated June 03, 2020 from your good office on the captioned subject. The following query is raised by your good office:

“Limited Review Report/ Independent Auditor's Report is not in the format prescribed by SEBI”.

In the instant matter, we would like to inform you that the Company received a mail on 6th March, 2020 regarding the re-submission of unaudited consolidated and standalone Limited Review Report along with Financial result post mentioning the UDIN number respectively.

To reply the email received from your good office dated 6th March, 2020, the Company (“Kwality Limited”) has uploaded the clarification letter and inadvertently missed with uploading the unaudited consolidated and standalone Limited Review Report of the Company with the NSE dated 09th March, 2020.

While keeping the same in view company is again submitting the revised Limited Review Report along with the clarification letter with your good office.

Hope the above information clarify the same, if any further information is needed from our end then the Company will provide the same and in future Company will be more cautious regarding the same.

Yours faithfully,

For Kwality Limited
[Signature]

Pradeep K. Srivastava

Company Secretary & Compliance officer

(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.)





To

The Resolution Professional of Kwaliti Limited

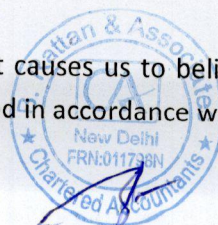
(A company under Corporate Insolvency Resolution Process ('CIRP') as per NCLT order)

Report on Limited Review of the Unaudited Standalone Financial Results of the Company for the quarter and nine months ended 31st December, 2019, Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

1. We have reviewed the accompanying statement of unaudited standalone financial results of Kwaliti Limited (the "Company") for the quarter and nine months ended 31st December, 2019. This statement is the responsibility of the Company's management and has been approved by the Resolution Professional of the Company. Our responsibility is to issue a report on these financial statements based on our review.

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 pendency of the CIRP the management of affairs of the Company and power of Board of Directors are now vested with RP. These Financial Statements have been prepared by the management of the Company and Certified by Mr. Sharad Bhandari, Chief Financial officer ('CFO'), and approved by Resolution Professional of the Company.

2. The preparation of the statement in accordance with the recognition and measurement principles laid down by the IND AS 34-"Interim Financial Reporting" prescribed under Section 133 of The Companies Act, 2013 read with Rule 3 of the Companies Rules, 2015 and SEBI Circular No. CIR/CFD/FAC/62/2016 dated 15 July 2016 is the responsibility of 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.
3. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity" issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. It is substantially less in scope than an audit conducted in accordance with the Standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review, nothing has come to our notice that causes us to believe that the accompanying statement of standalone unaudited financial results prepared in accordance with applicable accounting





standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 including the manner in which it is so disclosed or that it contains any material misstatement.

5. BASIS FOR MODIFIED CONCLUSION

- a. The Company has incurred a Net loss of INR 11,874.75 Lakhs and erosion of its Net worth as at December 31, 2019. The company has obligations towards lenders, creditors and other agencies pursuant to ongoing Corporate Insolvency Resolution Process (CIRP). These conditions may indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these matters is at present not ascertainable. Accordingly, we are unable to comment on the consequential impact, if any, on the accompanying standalone financial statements.
- b. We draw attention to Note 4 to the statement, in respect of various claims, submitted by the financial creditors, operational creditors, workmen or employee and authorized representative of workmen and employees of the Company to Resolution Professional. No provision of excess claims has been made in the books of accounts and no accounting effect is given in respect of such claims. Therefore, we are unable to comment on the consequential impact, if any, on the accompanying statement.

6. Emphasis of Matter:

We draw attention to the following:

- a. Note No. 1 to the statement, in respect of the application filed by the Resolution Applicant with Hon'ble NCLT, for directing 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 application is decided by the Hon'ble NCLT among other miscellaneous matters..
- b. Internal audit report has not been provided.
- c. The carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 31 December 2019 amounting to INR 29,055.86 lakhs and INR 70.82 lakhs respectively. The CIRP is not yet concluded and hence, the final outcome is yet to be ascertained. The Company has not taken into consideration any impact on the value of the tangible and intangible assets, if any, in preparation of financial statement 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 31st December 2019 in the value of tangible and intangible assets.



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- d. We draw attention to Note 5 to the statement, the tax payable (including interest upto insolvency commencement date) amounting to INR 18,814.68 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.

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.

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

There is an outstanding TDS of INR 481.70 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 December 2019. Interest payable on the outstanding TDS is estimated at INR 128.54 lakhs (includes INR 117.66 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.

- e. The Company has not recognized interest payable on loans and borrowings after December 11, 2018, the same is not quantified by the company so we're unable to comment on the financial impact of the same.

Our conclusion on the Statement is not modified in respect of the above matter.

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



B.K.Karn
Partner

Membership Number: 094790

UDIN: 20094790AAAAAD9160

Place: New Delhi
Date: February 14, 2020

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 nine month ended 31 Dec 2019

(INR in Lakhs)

Sr.No	Particulars	Quarter Ended			Nine Month Ended		Year Ended
		31 Dec 2019	30 Sep 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 March 2019
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Income from Operations						
	(a) Revenue from operations	3,619.32	3,212.06	36,197.75	11,630.00	1,97,558.06	2,08,923.25
	(b) Other income	3.25	5.06	54.32	14.37	456.61	457.75
	Total Income	3,622.57	3,217.12	36,252.07	11,644.37	1,98,014.67	2,09,381.00
2	Expenses						
	(a) Cost of materials consumed	3,051.05	2,143.82	26,469.32	8,419.09	1,50,768.28	1,59,421.85
	(b) Purchases of stock-in-trade	-	-	-	2.90	3,975.61	3,975.61
	(c) Change in inventories of finished goods, stock in trade and work-in-progress	29.52	244.45	4,100.38	632.92	16,716.03	17,241.18
	(d) Employee benefits expense	259.09	316.48	695.46	1,013.89	3,773.02	4,153.62
	(e) Finance costs	-	-	6,183.45	-	18,204.39	18,822.66
	(f) Depreciation and amortisation expense	853.60	885.60	3,418.48	2,625.54	9,601.63	13,010.34
	(g) Other expenses	3,774.15	943.53	1,45,422.63	10,824.78	2,40,719.12	2,87,600.69
	Total Expenses	7,967.41	4,533.88	1,86,289.72	23,519.12	4,43,758.08	5,04,225.95
3	Profit/(Loss) Before Tax (1-2)	(4,344.84)	(1,316.76)	(1,50,037.65)	(11,874.75)	(2,45,743.41)	(2,94,844.95)
4	Tax expense:						
	(a) Current tax	-	-	-	-	-	5.99
	(b) Deferred tax	-	-	-	-	(740.81)	(92.99)
	Total Tax Expenses	-	-	-	-	(740.81)	(87.00)
5	Net Profit/(Loss) for the Period after Tax (3-4)	(4,344.84)	(1,316.76)	(1,50,037.65)	(11,874.75)	(2,45,002.60)	(2,94,757.95)
6	Other Comprehensive Income/(Loss)						
	(a) Items that will not be reclassified to profit and loss	24.66	44.95	(1.50)	74.00	(4.51)	28.57
	(b) Income tax relating to items that will not be reclassified to profit and loss	-	-	-	-	1.05	-
	Total Other Comprehensive Income/(Loss)	24.66	44.95	(1.50)	74.00	(3.46)	28.57
7	Total comprehensive income/(Loss) (5+6)	(4,320.18)	(1,271.81)	(1,50,039.15)	(11,800.75)	(2,45,006.06)	(2,94,729.38)
8	Earning per share of INR 1 each						
	(a) Basic (INR)	(1.80)	(0.55)	(62.16)	(4.92)	(101.51)	(122.13)
	(b) Diluted (INR)	(1.80)	(0.55)	(62.16)	(4.92)	(101.51)	(122.13)
9	Paid-up equity share capital (face value of INR 1 per equity share)	2,413.54	2,413.54	2,413.54	2,413.54	2,413.54	2,413.54
10	Other equity	-	-	-	-	-	(1,84,070.61)



Notes to the Standalone Financial Results:

1. 1. The Corporate Insolvency Resolution Process ("CIRP") was initiated, on an application filed under Section 7 of the Insolvency & Bankruptcy Code, 2016 ("the Code") by KKR India Financial Services Private Limited against Kwaliti Limited ("the Company" and/or "Corporate Debtor") vide admission Order dated 11 December 2018 ("Insolvency Commencement Date") passed by the Hon'ble National Company Law Tribunal ("NCLT"), Delhi Bench. 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.

Resolution Plan dated 17 October 2019 (read with Addendum 1 & Addendum 2) of Consortium of Haldiram Snacks Pvt. Ltd. and Pioneer Securities Pvt. Ltd. ("Resolution Applicant") for the Company was not approved in terms of the requirement of Section 30(4) of the Code. Subsequently, the Resolution Applicant improved the value offered in the resolution plan vide Addendum 3 dated 4th November 2019, which was not considered by the CoC. Consequently, on 8th November 2019, on the direction of CoC, an application was filed by the RP in this regard with Hon'ble NCLT to pass such order or direction as it considers fit and proper in the facts and circumstances of the case.

Simultaneously, the Resolution Applicant also filed an application with Hon'ble NCLT on 6th November 2019 in respect of the Company for extension of the CIRP period and directing the RP to place the revised offer, vide Addendum 3 submitted by the Resolution Applicant, before the CoC for consideration among other miscellaneous matters. Resolution plan dated 17 October 2019 read with Addendum 1, 2, 3 and 4 was re-considered by the CoC on direction of Hon'ble NCLT vide order dated 14 November 2019 and was again not approved in terms of the requirement of Section 30(4) of the Code. RP filed a status report with Hon'ble NCLT on 6th December 2019 apprising the Hon'ble NCLT of the same.

However, on 7th December 2019, the Resolution Applicant has further filed an application with Hon'ble NCLT in respect of the Company, for directing 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 application is decided by the Hon'ble NCLT among other miscellaneous matters. The matter is currently sub-judice and consequently the Company is continuing to operate as a going concern in terms of the Code.

These standalone financial results for the quarter ended 31 December 2019 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 14 February 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 14 February 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 statements solely in discharge of the powers of the Board of Directors of the Company (suspended during CIRP) 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 December 2019 amounting to INR 29,055.86 lakhs and INR 70.82 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 December 2019 in the value of tangible and intangible assets.

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

4. Creditors Claim:

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

Sr. No.	Particulars	Claims Received*	Claims Admitted*
		(INR in lakhs)	(INR in lakhs)
1	Financial creditors		
	- Claim for Kwaliti Limited [#]	1,88,768.15	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
	Total Financial Creditors	2,00,968.86	1,97,044.96
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

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

5. Income Tax:

a. The tax payable (including interest upto insolvency commencement date) amounting to INR 18,814.68 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 481.70 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 December 2019. Interest payable on the outstanding TDS is estimated at INR 128.54 lakhs (includes INR 117.66 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.

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

Particulars	Quarter Ended 31 December 2019	Quarter Ended 30 September 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	-
Write-off of Property, Plant and Equipment	-	177.62
Discard of Packing Material	120.23	4.06
Total	3,060.16	181.68

7. 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: 14 February 2020

Sharad Bhandari
(Chief Financial Officer)
PAN: AAFPB5053P



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





To

The Resolution Professional of Kwaliti Limited

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

Independent Auditor's Review Report on Unaudited Consolidated Financial Results of the Company for the quarter and nine months ended 31st December, 2019, Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

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 total comprehensive income/loss of its subsidiary for the quarter and nine months ended 31st December, 2019 "the Statement" being submitted by the "Parent" pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

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 pendency of the CIRP the management of affairs of the Company and power of Board of Directors are now vested with RP. These Consolidated Financial Statements have been prepared by the management of the Company and Certified by Mr. Sharad Bhandari, Chief Financial officer ('CFO'), and approved by Resolution Professional of the Company.

2. The preparation of the statement in accordance with the recognition and measurement principles laid down by the IND AS 34-"Interim Financial Reporting" prescribed under Section 133 of The Companies Act, 2013 read with Rule 3 of the Companies Rules, 2015 and SEBI Circular No. CIR/CFD/FAC/62/2016 dated 15 July 2016 is the responsibility of 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.
3. 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 Auditors of the Entity" issued by The Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. It is substantially less in scope than an audit conducted in accordance with the Standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Accordingly, we do not express an audit opinion.





4. The statement includes the results of the following entity:

Subsidiary

(i) Kwaliti Dairy Products FZE.

5. Based on our review conducted and procedures performed as stated in paragraph 3 above , and based upon the consideration of the review reports of other auditors referred to in paragraph 7 below, nothing has come to our attention that causes us to believe that the accompanying statement, prepared in accordance with the recognition and measurement principles laid down in aforesaid IND AS and other accounting principles generally accepted in India has not disclosed the information required to be disclosed in terms of Regulation 33 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 including the manner in which it is so disclosed or that it contains any material misstatement.

6. BASIS FOR MODIFIED CONCLUSION

- a. The Company has incurred a Net loss of INR 13,031.25 lakhs and erosion of its Net worth as at December 31, 2019. The company has obligations towards lenders, creditors and other agencies pursuant to ongoing Corporate Insolvency Resolution Process (CIRP). These conditions may indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these matters is at present not ascertainable. Accordingly, we are unable to comment on the consequential impact, if any, on the accompanying standalone financial statements.
- b. We draw attention to note 4 to the statement, in respect of various claims, submitted by the financial creditors, operational creditors, workmen or employee and authorized representative of workmen and employees of the Company to Resolution Professional. No provision of excess claims has been made in the books of accounts and no accounting effect is given in respect of such claims. Therefore, we are unable to comment on the consequential impact, if any, on the accompanying statement.

7. Emphasis of Matter:

We draw attention to the following:

- a. Note No. 1 to the statement, in respect of the application filed by the Resolution Applicant with Hon'ble NCLT, for directing 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 application is decided by the Hon'ble NCLT among other miscellaneous matters.
- b. Internal audit report has not been provided.
- c. We draw attention to note 2 to the consolidated financial statements, the carrying value of tangible assets (including capital work in progress of INR 662.16 lakhs) and intangible assets as at 31 December 2019 amounting to INR 29,055.86 lakhs and INR 70.82 lakhs respectively. The CIRP is not yet concluded and hence, the final outcome is yet to be ascertained. The Company has not taken into consideration





any impact on the value of the tangible and intangible assets, if any, in preparation of financial statement 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 31st December 2019 in the value of tangible and intangible assets.

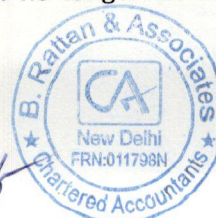
- d. We draw attention to Note 5 to the statement, the tax payable (including interest upto insolvency commencement date) amounting to INR 18,814.68 lakhs under the Income Tax Act of 1961 ("IT Act") for the assessment years 2016-17, 2017-18 and 2018-19, which has not been paid by the Company has been 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.

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.

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, the Resolution Professional for the Company has not collated and verified the additional claim submitted by income tax authorities"

- e. There is an outstanding TDS of INR 481.70 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 December 2019. Interest payable on the outstanding TDS is estimated at INR 128.54 lakhs (includes INR 117.66 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.
- f. The Company has not recognized interest payable on loans and borrowings after December 11, 2018, the same is not quantified by the company so we're unable to comment on the financial impact of the same.
- g. We draw attention to Note 7 to the consolidated Financial Statement, 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, has expired on 30 October 2019. Consequently, KDPF will no longer be able to carry out any business activities.





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.

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).

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 on the Statement is not modified in respect of the above matters.

These interim financial results of the subsidiary have been reviewed by other auditors and furnished to us by the management and our conclusion on the statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on the reports of other auditors, and the procedures performed by us as stated in Paragraph 3 above, our conclusion on the Statement is not modified in respect of the above matters.

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



B.K.Karn
Partner

Membership Number: 094790

Place: New Delhi
Date: February 14, 2020

UDIN :- 20094790AAAAAC7812



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 nine month ended 31 Dec 2019

(INR in Lakhs)

S.No	Particulars	Quarter Ended			Nine Year Ended		Year Ended
		31 Dec 2019	30 Sep 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 March 2019
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Income from Operations						
	(a) Revenue from operations	3,619.32	3,212.06	36,108.89	11,630.00	2,01,628.18	2,12,987.54
	(b) Other income	4.08	13.03	72.54	23.17	480.30	481.41
	Total Income	3,623.40	3,225.09	36,181.43	11,653.17	2,02,108.48	2,13,468.95
2	Expenses						
	(a) Cost of materials consumed	3,051.05	2,143.82	26,469.32	8,419.09	1,50,768.28	1,59,421.85
	(b) Purchases of stock-in-trade	-	-	(1,251.68)	2.90	5,196.40	5,194.66
	(c) Change in inventories of finished goods, stock in trade and work-in-progress	29.52	244.45	5,356.24	632.92	19,335.91	19,861.06
	(d) Employee benefits expense	259.09	316.48	697.86	1,013.89	3,809.28	4,189.82
	(e) Finance costs	378.59	522.22	6,498.11	1,146.03	18,936.77	19,808.30
	(f) Depreciation and amortisation expense	853.60	885.60	3,423.16	2,625.54	9,627.19	13,035.79
	(g) Other expenses	3,784.58	948.93	1,71,499.36	10,844.05	2,66,852.28	3,13,659.38
	Total Expenses	8,356.43	5,061.50	2,12,692.37	24,684.42	4,74,526.11	5,35,170.86
3	Profit/(Loss) Before Tax (1-2)	(4,733.03)	(1,836.41)	(1,76,510.94)	(13,031.25)	(2,72,417.63)	(3,21,701.91)
4	Tax expense:						
	(a) Current tax	-	-	-	-	-	5.99
	(b) Deferred tax	-	-	-	-	(740.81)	(92.99)
	Total Tax Expenses	-	-	-	-	(740.81)	(87.00)
5	Net Profit/(Loss) for the Period after Tax (3-4)	(4,733.03)	(1,836.41)	(1,76,510.94)	(13,031.25)	(2,71,676.82)	(3,21,614.91)
6	Other Comprehensive Income/(Loss)						
	(a) Items that will not be reclassified to profit and loss	24.66	44.95	(1.50)	74.00	(4.51)	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	(120.82)	(298.03)	(598.02)	(344.22)	975.79	925.31
	Total Other Comprehensive Income/(Loss)	(96.16)	(253.08)	(599.52)	(270.22)	972.33	953.88
7	Total comprehensive income/(Loss) (5+6)	(4,829.19)	(2,089.49)	(1,77,110.46)	(13,301.47)	(2,70,704.49)	(3,20,661.03)
8	Earning per share of INR 1 each						
	(a) Basic (INR)	(1.96)	(0.76)	(73.13)	(5.40)	(112.56)	(133.25)
	(b) Diluted (INR)	(1.96)	(0.76)	(73.13)	(5.40)	(112.56)	(133.25)
9	Paid-up equity share capital (face value of INR 1 per equity share)	2,413.54	2,413.54	2,413.54	2,413.54	2,413.54	2,413.54
10	Other equity	-	-	-	-	-	(1,95,967.61)



Shard Bhandari
[Signature]

Notes to the Consolidated Financial Results:

1. The Corporate Insolvency Resolution Process ("CIRP") was initiated, on an application filed under Section 7 of the Insolvency & Bankruptcy Code, 2016 ("the Code") by KKR India Financial Services Private Limited against Kwaliti Limited ("the Company" and/or "Corporate Debtor") vide admission Order dated 11 December 2018 ("Insolvency Commencement Date") passed by the Hon'ble National Company Law Tribunal ("NCLT"), Delhi Bench. 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.

Resolution Plan dated 17 October 2019 (read with Addendum 1 & Addendum 2) of Consortium of Haldiram Snacks Pvt. Ltd. and Pioneer Securities Pvt. Ltd. ("Resolution Applicant") for the Company was not approved in terms of the requirement of Section 30(4) of the Code. Subsequently, the Resolution Applicant improved the value offered in the resolution plan vide Addendum 3 dated 4th November 2019, which was not considered by the CoC. Consequently, on 8th November 2019, on the direction of CoC, an application was filed by the RP in this regard with Hon'ble NCLT to pass such order or direction as it considers fit and proper in the facts and circumstances of the case.

Simultaneously, the Resolution Applicant also filed an application with Hon'ble NCLT on 6th November 2019 in respect of the Company for extension of the CIRP period and directing the RP to place the revised offer, vide Addendum 3 submitted by the Resolution Applicant, before the CoC for consideration among other miscellaneous matters. Resolution plan dated 17 October 2019 read with Addendum 1, 2, 3 and 4 was re-considered by the CoC on direction of Hon'ble NCLT vide order dated 14 November 2019 and was again not approved in terms of the requirement of Section 30(4) of the Code. RP filed a status report with Hon'ble NCLT on 6th December 2019 apprising the Hon'ble NCLT of the same.

However, on 7th December 2019, the Resolution Applicant has further filed an application with Hon'ble NCLT in respect of the Company, for directing 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 application is decided by the Hon'ble NCLT among other miscellaneous matters. The matter is currently sub-judice and consequently the Company is continuing to operate as a going concern in terms of the Code.

These consolidated financial results for the quarter ended 31 December 2019 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 14 February 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 14 February 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 statements solely in discharge of the powers of the Board of Directors of the Company (suspended during CIRP) 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 December 2019 amounting to INR 29,055.86 lakhs and INR 70.82 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 December 2019 in the value of tangible and intangible assets.

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

4. Creditors Claim:

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

Sr. No.	Particulars	Claims Received*	Claims Admitted*
		(INR in lakhs)	(INR in lakhs)
1	Financial creditors		
	- Claim for Kwaliti Limited#	1,88,768.15	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	12,200.71	12,200.71
	Total Financial Creditors	2,00,968.86	1,97,044.96
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

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
CFO

5. Income Tax:

a. The tax payable (including interest upto insolvency commencement date) amounting to INR 18,814.68 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 481.70 lakhs (includes INR 417.11 lakhs outstanding as on insolvency commencement date) payable as on 31 December 2019. Interest payable on the outstanding TDS is estimated at INR 128.54 lakhs (includes INR 117.66 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.

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

Particulars	Quarter Ended 31 December 2019	Quarter Ended 30 September 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	-
Write-off of Property, Plant and Equipment	-	177.62
Discard of Packing Material	120.23	4.06
Total	3,068.92	181.68

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 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: 14 February 2020

Sharad Bhandari
(Chief Financial Officer)
PAN: AAFPB5053P



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

