

# 37<sup>th</sup> ANNUAL REPORT

2019-20

## KWALITY PHARMACEUTICALS LIMITED



**CORPORATE INFORMATION**

<b>BOARD OF DIRECTORS</b> Mr. Ramesh Arora (Managing Director) Mr. Ajay Kumar Arora (Whole Time Director) Mrs. Anju Arora (Whole Time Director) Mrs. Geeta Arora (Whole Time Director) Mr. Aditya Arora (Whole Time Director) Mr. Kiran Kumar Verma (Independent Director) Mr. Pankaj Takkar (Independent Director) Mr. Ravi Shanker Singh (Independent Director)	<b>CHIEF FINANCIAL OFFICER</b> Mr. Aditya Arora		
<b>AUDITORS</b> <b>M/s ARORA AGGARWAL &amp; CO.</b> Chartered Accountants Address: # 1, Second Floor, J. K. Towers, Mall Road, Amritsar – 143001. Tel: 0183-5030348	<b>BANKERS</b> <table border="1"> <tr> <td data-bbox="808 653 1084 852"> <b>HDFC Bank Limited</b>  The Mall,  Amritsar – 143001. </td> <td data-bbox="1084 653 1393 852"> <b>Axis Bank Limited,</b>  Green Field Avenue,  Majitha Road,  Amritsar-143001. </td> </tr> </table>	<b>HDFC Bank Limited</b> The Mall, Amritsar – 143001.	<b>Axis Bank Limited,</b> Green Field Avenue, Majitha Road, Amritsar-143001.
<b>HDFC Bank Limited</b> The Mall, Amritsar – 143001.	<b>Axis Bank Limited,</b> Green Field Avenue, Majitha Road, Amritsar-143001.		
<b>COMPANY SECRETARY &amp; COMPLIANCE OFFICER</b> Ms. Gurpreet Kaur	<b>REGISTRAR &amp; SHARE TRANSFER AGENTS</b> BIGSHARE SERVICES PRIVATE LIMITED 1st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri (East), Mumbai – 400 059. Tel: +91 – 022 40430200 Fax: +91 – 022 28475207 Web: <a href="http://www.bigshareonline.com">www.bigshareonline.com</a>		
<b>REGISTERED OFFICE</b> Village Nagkalan, Majitha Road, Amritsar, Punjab – 143601, India Tel: 8558820862 <b>Website:</b> <a href="http://www.kwalitypharma.com">www.kwalitypharma.com</a> , <b>E-mail:</b> <a href="mailto:cs@kwalitypharma.com">cs@kwalitypharma.com</a>	<b>ANNUAL GENERAL MEETING</b> <b>ON MONDAY NOVEMBER 30, 2020 AT 11:30</b> <b>A.M. AT VILLAGE NAGKALAN, MAJITHA</b> <b>ROAD, AMRITSAR – 143601</b>		

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**KWALITY PHARMACEUTICALS LIMITED**

Regd. Office:- VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601

CIN No.:- L24232PB1983PLC005426; Phone no. :-8558820862

Email Id:-[ramesh@kwalitypharma.com](mailto:ramesh@kwalitypharma.com); Website :- [www.kwalitypharma.com](http://www.kwalitypharma.com)

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**Notice**

Notice is hereby given that the **37<sup>th</sup> Annual General Meeting** of the members of **KWALITY PHARMACEUTICALS LIMITED** will be held on **Monday 30<sup>th</sup> November, 2020** at 11:30 A.M. at the Registered Office of the Company at **VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601** to transact the following business:-

**ORDINARY BUSINESS:**

1. To receive, consider and adopt:
  - (i) the Audited Standalone Financial Statements of the Company for the Financial Year ended 31st March, 2020, together with Reports of the Board of Directors and Auditors' thereon.
  - (ii) the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2020 and the Report of the Auditors thereon.
2. To appoint a Director in place of **Mr. Ajay Kumar Arora, (DIN : 00462664)**, liable to retire by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for reappointment.
3. To appoint a Director in place of **Mrs. Geeta Arora, (DIN : 03155615)**, liable to retire by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers herself for reappointment.

**SPECIAL BUSINESS:**

**4 .Ratification Of Cost Auditors Remuneration**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an 'Ordinary Resolution':

**“RESOLVED THAT** pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and Rules framed there under, the company hereby ratifies the remuneration of Rs. 60,000/- (Rupees Sixty Thousand Only) plus reimbursement of out of pocket expenses to M/s. Verma Khushwinder & Co., Cost Accountants, Jalandhar, appointed by the Board of Directors of the company, to conduct the audit of cost records of the company for the financial year ending 31<sup>st</sup> March, 2021.”

**By Order Of the Board**

**Sd/-**

**Place:- Amritsar**

**Date:- 05<sup>th</sup> November 2020**

**(GURPREET KAUR)**

**Company Secretary & Compliance Officer**



**NOTES**

1. The relevant Explanatory Statement pursuant to section 102 (1) of the Companies Act, 2013, in respect of Special Business at the meeting, is annexed hereto and forms part of this notice.
2. The information required pursuant to SEBI (LODR) Regulations, 2015 about director(s) proposed to be reappointed/appointed is given as an Annexure to this notice.
3. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. Proxies in order to be effective must be received by the company not later than forty eight (48) hours before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable.

A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

4. Electronic copy of the Annual Report along with the notice of the 37<sup>th</sup> Annual General Meeting of the Company for year ended 31.03.2020 is being sent to all members whose email ids are registered with the Company/Depository Participant(s) for communication purpose unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report along with notice for year ended 31.03.2020 is being sent in the permitted mode.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 21<sup>st</sup> November, 2020 to Monday, 30<sup>th</sup> November, 2020.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
7. Relevant documents, if any, referred to in the accompanying Notice and in the Explanatory Statements are open for inspection by the Members at the Company's Registered Office on all working days of the Company, during business hours up to the date of the Meeting.
8. Corporate Members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company, a certified copy of the relevant Board Resolution together with their respective specimen signatures authorizing their representative(s) to attend and vote on their behalf at the Meeting.
9. All Members are requested to intimate immediately any change in their address to Company's Registrar and Share Transfer Agent **Bigshare Services Pvt. Ltd at 1st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri (East), Mumbai, Maharashtra-400059.** (Board No. : 022 62638200, Fax No: 022 62638299, Email: investor@bigshareonline.com, Website: [www.bigshareonline.com](http://www.bigshareonline.com))
  - Send all correspondence relating to transfer and transmission of shares to Registrar of shares to Registrar and Transfer Agent and not to the Company.
  - Quote their Folio No. / Client ID No. in their correspondence with the Registrar and Share Transfer Agent.
  - Intimate Registrar and Share Transfer Agent M/s Big share Services Private Limited for consolidation of folios, in case having more than one folio.
  - Bring their copies of annual report and attendance slip with them at the meeting.



10. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their registered email id, bank detail, mandates, nominations, power of attorney etc to their Depository Participants. Changes intimated to the Depository Participants will then be automatically reflected in Company's records which will help the Company and its Registrars and Transfer Agents, M/s Big share Services Private Limited, to provide efficient and better service to the Members. Members holding share in physical form are requested to advice such changes to the Company's Registrar and transfer agents, M/s Big share Services Private Limited.
11. As per Regulation 40 of SEBI (LODR) Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from 1 April, 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or Company's Registrars and Transfer Agents, M/s Big share Services Private Limited for assistance in this regard.
12. Non Resident Indian Members are requested to inform Registrar and Transfer Agent, immediately of:
  - i) Change in their residential status on return to India for permanent settlement.
  - ii) Particulars of their Bank Account maintained in India with complete name, branch, account, type, account number and address of the bank with pin code number, if not furnished earlier.
13. Members who wish to claim dividend which remain unclaimed, are requested either to correspond with the Secretarial Department at the Company's registered office or with the Company's Registrar and Share Transfer Agent (Big Share Services Pvt. Ltd.) for revalidation.
14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding shares in physical form can submit their PAN to the Company or the Company's Share Registrars and Transfer Agents.
15. Shareholders desiring any information as regards the accounts are requested to write to the Company at least 10 days before the Annual General Meeting to enable the Management to keep the information ready.
16. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company.
17. Members are requested to give their valuable suggestions for improvement of the services and are also advised to quote their E-mail Id's, telephone / facsimile no. for prompt reply of their communications.

**Explanatory Statement Pursuant to Section 102 (1) of the Companies Act, 2013**

**Item No. 4**

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of Cost Auditors M/s Verma Khushwinder & Co., Cost Accountants, Jalandhar to conduct the audit of the cost records of the Company for the financial year ending March 31, 2021. In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board of Directors, has to be ratified by the members of the Company. Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 4 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2021.



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None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No. 4 of the Notice for approval by the members.

**By Order Of the Board**

**Sd/-**

**Place:- Amritsar**

**Date:- 05<sup>th</sup> November 2020**

**(GURPREET KAUR)**

**Company Secretary & Compliance Officer**



## Details of Directors seeking Appointment / Re-appointment at the Annual General Meeting

Name of Director	Date of Birth	Brief Resume and Nature of Expertise in Functional Area	List of Directorship / Committee Memberships in other Public Companies as on 31 <sup>st</sup> March, 2020
<b>GEETA ARORA</b> (DIN: 03155615)	29/11/1970	Mrs. Geeta Arora aged 49 years is MA. She has experience of thirteen years in Administration.	<b>Other Directorship:</b> Nil  <b>Committee positions held in Kwality Pharmaceuticals Limited :-</b> Member in Stakeholders Relationship Committee & Chairperson in CSR Committee  <b>Committee Positions held in other Public Companies: Nil</b>  <b>Relationship with other directors :-</b> Relative of Directors Mr. Ramesh Arora, Mr. Ajay Arora, Mrs. Anju Arora & Mr. Aditya Arora  <b>No of Shares held in the Company :-</b> 111500
<b>AJAY KUMAR ARORA</b> (DIN: 00462664)	29/01/1968	Mr. Ajay Kumar Arora aged 52 years is B.PHARMACY. He has experience of forty four years in Pharmaceuticals.	<b>Other Directorship:</b> Nil  <b>Committee positions held in Kwality Pharmaceuticals Limited :-</b> Nil  <b>Committee Positions held in other Public Companies: Nil</b>  <b>Relationship with other directors :-</b> Relative of Directors Mr. Ramesh Arora, Mrs. Geeta Arora, Mrs. Anju Arora & Mr. Aditya Arora  <b>No of Shares held in the Company :-</b> 1395628

By Order Of the Board

Sd/-

Place:- Amritsar  
Date:- 05<sup>th</sup> November 2020(GURPREET KAUR)  
Company Secretary & Compliance Officer

**DIRECTORS' REPORT**

To

**The Members  
KWALITY PHARMACEUTICALS LIMITED.**

Your Directors have pleasure in presenting the 37<sup>th</sup> Annual Report of KWALITY PHARMACEUTICALS LIMITED along with the Audited Financial Statements for the year ended 31<sup>st</sup> March 2020.

**FINANCIAL HIGHLIGHTS**

Our Company's financial performance for the year under review has been encouraging and is summarized below:

(Rupees In Lacs)

Particulars	STANDALONE		CONSOLIDATED	
	2019-20	2018-19	2019-20	2018-19
Revenue from operations	13868.38	16515.08	13929.75	16629.30
Other Income	392.05	92.77	365.96	60.65
Total Income	14260.43	16607.85	14295.71	16689.95
Less:- Depreciation and amortisation expenses	439.46	305.70	443.39	311.89
Less:- Finance cost	249.88	221.15	249.88	228.34
Less:- Other Expenses	12457.08	14991.36	12510.72	15058.69
Profit Before Tax	1114.01	1089.64	1091.72	1091.03
Less: Provision for Taxation				
Current Tax	300.00	330.00	300.17	330.42
Deferred Tax	(31.96)	(8.97)	(31.96)	(8.97)
Tax for earlier Years	2.82	13.89	2.82	13.89
Profit/(Loss) After Tax For The Year	843.15	754.72	820.69	755.69
Add/(Less) Minority interest in Subsidiary profits	NIL	NIL	11.01	(0.47)
Profit/(Loss) For The Year	843.15	754.72	831.70	755.22

**PERFORMANCE REVIEW**

During the year under review, on standalone basis, revenue of the company was Rs. 14260.43 Lakhs as compared to Rs.16607.85 Lakhs in the corresponding previous year. The Company earned a profit after tax of Rs. 843.15 Lakhs as compared to Rs. 754.72 Lakhs in the previous year.

On consolidated basis, revenue of the company was Rs.14295.71 Lakhs as compared to Rs. 16689.95 Lakhs in the corresponding previous year. The Company earned a profit after tax of Rs. 820.69 Lakhs as compared to Rs. 755.69 Lakhs in the previous year.

During the last quarter of the year under review, the incidence of Covid-19 developed into a global pandemic. The Directors have assessed the impact of Covid-19 on the business at the balance sheet date and there was significant adverse impact on operating revenue. The Company continues to provide the services to its customers, although some parts of the business have been disrupted due to the lockdown conditions in most part of the country. Due to the worldwide uncertainty caused by Covid-19,



and its potential to impact the Company, the Company has put in place mitigation plans to minimize the adverse impact on both revenue and profitability.

### **CHANGES IN NATURE OF BUSINESS**

The Company is engaged in the business of manufacturing & trading in Pharmaceuticals & allied products and there was no change in the nature of the business of the Company during the year under review.

### **DIVIDEND**

In order to conserve the resources, the Board of Directors does not recommend any dividend for the financial year 2019-20.

### **RESERVES**

During the financial year under review, your Company has not transferred any amount to the general reserve.

### **STATEMENT PURSUANT TO LISTING AGREEMENT**

The Company's equity shares are listed at Bombay Stock Exchange Limited (SME Segment). The Annual Listing Fee for the year 2020-21 has been paid.

### **EXTRACT OF THE ANNUAL RETURN**

The extract of the annual return in Form No. MGT – 9 is attached in '**Annexure A**'.

### **PARTICULARS OF EMPLOYEES REMUNERATION**

The information pertaining to Section 197(12) read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as '**Annexure B**'. There is no employee drawing a salary exceeding the limit prescribed under Section 197(12) read with Rule 5 (2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

### **NON APPLICABILITY OF THE INDIAN ACCOUNTING STANDARDS (IND-AS)**

As per proviso to regulation Rule 4(1) of the Companies (Indian Accounting Standards) Rules, 2015 notified vide Notification No. G.S.R.111 (E) on 16th Feb., 2015, Companies whose shares are listed on SME exchange as referred to in Chapter XB of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, are exempted from the compulsory requirement of adoption of IND-AS w.e.f. 1<sup>st</sup> April, 2017. As your Company is also listed on SME Platform of BSE Limited, is covered under the exempted category and is not required to comply with IND-AS for preparation of financial statements beginning with period on or after 1st April 2017.

### **CHANGES IN DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Mr. Janibhasha Shaik (DIN: 06738842) ceased to be director of the company w.e.f. 04-04-2019 due to resignation and his other professional commitments.

Mr. Gaurav Bajaj (M. No. 49505) Company Secretary, KMP and compliance officer of the company has resigned from the company with effect from 18<sup>th</sup> June, 2019 due to personal reasons and **Ms. GURPREET KAUR (Membership No. A52091)** appointed as Company Secretary, KMP and compliance officer of the company with effect from 23<sup>rd</sup> July 2019.



### **RETIREMENT BY ROTATION**

In accordance with the provisions of section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Ajay Kumar Arora & Mrs. Geeta Arora, directors retire by rotation at the ensuing Annual General Meeting and offer themselves for reappointment.

### **NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS**

During the Financial Year 2019-20, 16 meetings of the Board of Directors of the company were held and the details of which are given in the Corporate Governance Report which is enclosed with director's report as "**Annexure E**". The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **COMMITTEES OF THE BOARD**

The Board has constituted various committees to support the Board in discharging its responsibilities. The following three committees are constituted by the Board:

#### **AUDIT COMMITTEE**

The Audit Committee comprises of Sh. Pankaj Takkar as Chairman and Sh. Kiran Kumar Verma and Sh. Aditya Arora as members. The details of term of reference of the Audit Committee members, dates of meetings held and attendance of the Directors are given separately in the Corporate Governance Report.

#### **NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee comprises of Sh. Kiran Kumar Verma as Chairman and Sh. Pankaj Takkar and Sh. Ravi Shanker Singh as members. The details of term of reference of the Committee members, dates of meetings held and attendance of the Directors are given in the Corporate Governance Report.

#### **STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Stakeholders Relationship Committee comprises of Sh. Ravi Shanker Singh as Chairman and Smt. Geeta Arora and Smt. Anju Arora as members. The details of term of reference of the Committee members, dates of meetings held and attendance of the Directors are given separately in the Corporate Governance Report.

#### **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Corporate Social Responsibility Committee is duly constituted in terms of the requirement of Companies Act, 2013. During the financial year 2019-20, one Meeting was held on 30-05-2019. The composition of Committee and attendance of members is as follows:

<b>Name</b>	<b>Category</b>	<b>Meeting held during 2019-20</b>	<b>No. of Meeting Attended</b>
Geeta Arora	Chairperson	1	1
Aditya Arora	Member	1	1
Pankaj Takkar	Member	1	1

#### **DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**



In view of the profits and turnover of the Company, your Company was required to undertake CSR projects during the year 2019-20 under the provisions of section 135 of the Companies Act, 2013 and the rules made thereunder. As part of its initiatives under Corporate Social Responsibility (CSR)", the Company has undertaken various activities, which are in accordance with CSR Policy of the Company and Schedule VII of the Companies Act, 2013. The Board has approved a CSR policy on the recommendations of the CSR Committee. The Report on CSR activities as required under Companies (Corporate Social Responsibility) Rules, 2014, including a brief outline of the Company's CSR Policy, total amount to be spent under CSR for the financial year, amount unspent if any and the reason for the unspent amount, is set out at **Annexure-D** forming part of this Report.

**MEETINGS OF INDEPENDENT DIRECTORS:**

The Company's Independent Directors meet at least once in every financial year without the presence of Executive Directors or management personnel. Such meetings are conducted informally to enable Independent Directors to discuss matters pertaining to (i) review the performance of Non Independent Directors and the Board as a whole, (ii) review the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors; and (iii) to assess the quality, quantity and timeliness of flow of information between the Company Management and the Board.

One meeting of the Independent Directors was held during the Financial Year on 18-02-2020.

**DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES**

The Company has one subsidiary company '**Kwality Pharmaceuticals Africa, Limitada**' at Maputo Province, Mozambique which is mainly engaged in the Pharmaceuticals business. The Board reviewed the affairs of the Company's subsidiary during the year at regular intervals. In accordance with section 129(3) of the Companies Act, 2013, the Company has prepared Consolidated Financial Statements of the Company and its subsidiary, which forms part of this Annual Report. Further a statement containing Salient features of the Financial Statements of its subsidiary in Form AOC-1 as given in the annual report forms part of the Financial Statements.

**MECHANISM FOR EVALUATING BOARD MEMBERS:**

Pursuant to the section 134 (p) of Companies Act, 2013 read with Rule 8 (4) of Companies Accounts Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the Directors individually, as well as the Board Committees. The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the Board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, frequency of committee meetings, their functioning etc.

The evaluation of the Directors were based on their attendance and participation, acting in good faith and in the interests of the company as a whole, exercising duties with due diligence and reasonable care, complying with legislations and regulations in letter and spirit and such other factors.

In addition, the Chairman was also evaluated on the key aspects of his role. In a separate meeting of independent Directors, performance of non independent directors, performance of the board as a whole and performance of the Chairman was evaluated, taking into account the views of executive directors and non-executive directors.

**FAMILIARISATION PROGRAMMES FOR BOARD MEMBERS:**



The Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices. The Chairman & Managing Director had one to one discussions with newly appointed Directors to familiarize them with the Company's operations. Periodic presentations are made at the Board and Board Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved. Quarterly updates on relevant statutory and regulatory changes are circulated to the Directors.

#### **STATEMENT ON DECLARATION BY INDEPENDENT DIRECTORS**

Pursuant to the provisions of Section 149 of the Act, the Independent Directors have submitted declarations that each of them meet the criteria of independence as provided in section 149(6) of the Act along with rules framed thereunder and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Requirements"). There has been no change in the circumstances affecting their status as Independent Directors of the Company.

#### **REMUNERATION POLICY**

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of the Directors, the senior management and their remuneration. The remuneration policy is stated in the Corporate Governance Report.

#### **WHISTLE BLOWER POLICY**

Pursuant to the Section 177(9) and (10) of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated Whistle Blower Policy for vigil mechanism for Directors and Employees to report the management about the unethical behavior, fraud, improper practice or violation of the Company's Code of Conduct or complaints regarding accounting, auditing, internal controls or disclosure practices of the Company. It gives a platform to the whistle blower to report any unethical or improper practice (not necessarily violation of law) and to define processes for receiving and investigating complaints. The mechanism provides adequate safeguards against victimization of employees and directors who use such mechanism and makes provision for direct access to the Chairman of the Audit Committee in exceptional cases.

#### **VIGIL MECHANISM**

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism for directors and employees to report genuine concerns has been established and Chairman of the Audit Committee is responsible for issue pertaining to same.

#### **RISK MANAGEMENT POLICY**

The Management has devised a Risk Management Policy considering the nature of industry and associated risks pertaining to the industry. The Management is overseeing the implementation of the Policy on regular basis. Though the various risks associated with the business cannot be eliminated completely, all efforts are made to minimize the impact of such risks on the operations of the Company.

#### **STATUTORY AUDITORS**

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder, the Company in its Annual General Meeting held on 30<sup>th</sup> day of September, 2019 had appointed **M/s ARORA AGGARWAL & CO**, Chartered Accountants, Amritsar (**FRN:021086N**) as the Statutory Auditors of the Company for a period of Five Consecutive years from the conclusion of the 36<sup>th</sup> Annual general



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Meeting, till the conclusion of the 41<sup>st</sup> Annual General Meeting of the Company to be held in the year 2024. The Companies Amendment Act, 2017 has dispensed the ratification of auditors appointment at every Annual General Meeting. Accordingly the Ordinary Business Agenda item relating to the ratification of the statutory Auditors appointment is not placed in the AGM notice.

### **AUDITORS' REPORT**

**M/s ARORA AGGARWAL & CO., Chartered Accountants**, have submitted their Report on the Financial Statements of the Company for the F.Y 2019-2020, which forms part of the Annual Report. The observations made in the Auditors' Report read together with relevant notes thereon are self explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

### **COST AUDITOR**

Pursuant to Section 148(3) of the Companies Act, 2013, **M/s Verma Khushwinder & Co., Cost Accountants, Jalandhar**, were appointed as the Cost Auditors of the Company for the financial year 2019-20 by the Board of Directors and their remuneration was ratified by members at the 36<sup>th</sup> Annual General Meeting of the Company.

Further, the Board of Directors has appointed **M/s Verma Khushwinder & Co.** as the Cost Auditors of the Company for the financial year 2020-21 and has also fixed their remuneration. The Board has recommended the remuneration approved in its meeting, for ratification by the shareholders in the ensuing AGM of the Company.

### **SECRETARIAL AUDITORS**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the board of directors have appointed M/s Rishi Mittal & Associates, Company Secretaries, Amritsar as the Secretarial Auditors of the Company.

The Secretarial Audit Report for Financial Year 2019-20 forms part of the Annual report as “**Annexure C**” to the Board's report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

### **REPORT ON CORPORATE GOVERNANCE:**

Corporate Governance Report of the Company regarding Compliance of the Conditions of Corporate Governance pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed herewith as “**Annexure E**”.

### **MANAGEMENT DISCUSSION AND ANALYSIS:**

A detailed review of the operations and performance of the Company is set out in the Management Discussion and Analysis Report pursuant to Regulation 34 Part-B of Schedule V of the (Listing Obligations and Disclosure Requirements) Regulations, 2015 which forms part of the Annual Report for the year under review as “**Annexure F**”.

### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186**

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

### **PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:**



All Related Party Transactions that were entered into during the financial year were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of the Companies Act, 2013 ('the Act') and SEBI (Listing Obligations and Disclosures Requirements) Regulations 2015 and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no related party transactions made by the Company with the Promoters, Directors and Key Managerial Personnel which may have a potential conflict with the interest of the Company at large. The transactions with the related parties have been disclosed in the financial statements. Thus disclosure in Form AOC-2 is not required.

### **SECRETARIAL STANDARDS**

The Company has devised proper systems to ensure compliance with the provisions of applicable Secretarial Standards issued by the Institute of Company secretaries of India and that such systems are adequate and effecting.

### **MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT**

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

### **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The details pursuant to Section 134(3) of the Companies Act, 2013 read with Rule 8, sub-rule (3) of Companies (Accounts) Rules, 2014 relating to Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo is provided as under :

#### A) Conservation of energy:

<b>Steps taken for conservation of energy</b>	The use of energy is being optimized through improved operational methods. Continuous efforts are being made to optimize and conserve energy by improvement in production process. Significant measures are taken to reduce energy consumption by using energy-efficient equipments. The Company regularly reviews power consumption patterns in its all locations and implements requisite improvements/changes in the process in order to optimize energy/ power consumption and thereby achieve cost savings.
<b>Steps taken for utilizing alternate sources of energy</b>	The Company is using electricity as the main source of energy and is currently not exploring any alternate source of energy.
<b>Capital investment on energy conservation equipment</b>	NIL

#### (B) Technology absorption:

The Company always adopts the latest technology while purchasing the plant and machinery. The Company is making continuous efforts for the technological advancement. The company always remains aggressive for improvement of quality of product, efficient manufacturing process, search of



new products or modification in the existing products, introducing new products by continuously studying the market. It has helped in improvement in quality to sustain in the competitive market.

(C) Foreign exchange earnings and Outgo:(in Rupees Lacs)

<b>Particulars</b>	<b>Year ended 31<sup>st</sup> March 2020 ( Rs. In Lakhs)</b>	<b>Year Ended 31<sup>st</sup> March 2019 ( Rs. In Lakhs)</b>
<b>Earnings</b>		
Export Sales	7881.94	8356.79
<b>Outgo</b>		
Capital Goods	133.96	85.65
Raw Materials	1050.28	759.49

### **DEPOSITS**

Your Company has not accepted any deposits from the public during the year under review, within the meaning of Section 73 of the Companies Act,2013 ('the Act) read with the Companies (Acceptance of Deposits) Rules, 2014, and no amount of principle or interest on deposits from the public is outstanding as on the date of Balance Sheet.

### **SHARE CAPITAL**

During the year under review, there was no change in the paid-up equity share capital of the Company which is as on 31<sup>st</sup> March, 2020, was Rs. 1037.62 Lakhs.

### **PROVISION OF MONEY BY COMPANY FOR PURCHASE OF ITS OWN SHARES BY EMPLOYEES OR BY TRUSTEES FOR THE BENEFIT OF EMPLOYEES**

The company has not made any provision of money for purchase of its own shares by employees or by trustees for the benefit of employees as per Rule 16(4) of Companies (share capital and debentures) Rules, 2014.

### **ISSUE OF SWEAT EQUITY SHARES**

The Company has not issued any sweat equity share during the financial year in accordance with the provisions of Section 54 of Companies Act, 2013 read with Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014.

### **ISSUE OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS**

The Company has not issued any equity shares with differential voting rights during the financial year as per Rule 4(4) of Companies (Share capital and debentures) Rules, 2014.

### **ISSUE OF EMPLOYEE STOCK OPTION**

The company has not issued any employee stock option during the financial year as per Rule 12 of Companies (share capital and debentures) Rules, 2014.

### **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has comprehensive and adequate internal financial controls system for all major processes including financial statements to ensure reliability of reporting. The system also helps management to have timely data/feedback on various operational parameters for effective review. It also ensures proper



safeguarding of assets across the Company and its economical use. The internal financial controls system of the Company is commensurate with the size, scale and complexity of its operations. The systems and controls are periodically reviewed and modified based on the requirement.

The Company has an internal audit function which is empowered to examine the adequacy and compliance with policies, plans and statutory requirements. It is also responsible for assessing and improving the effectiveness of risk management, control and governance process. The scope of Internal Audit is well defined and documented and the audit committee reviews the observations of the Internal Audit critically. The composition and working of the audit committee forms part of the Corporate Governance Report.

#### **COMPANY SECRETARY AND COMPLIANCE OFFICER**

**Mr. Gaurav Bajaj** (M. No. 49505) Company Secretary, KMP and compliance officer of the company has resigned from the company with effect from Tuesday, 18<sup>th</sup> June, 2019 and **Ms. GURPREET KAUR (Membership No. A52091)** was appointed as Company Secretary, KMP and compliance officer of the company with effect from 23<sup>rd</sup> July 2019.

#### **DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has in place a policy on Prevention, Prohibition and Redressal of Sexual Harassment at workplace in line with the requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The policy has set guidelines on the redressal and enquiry process that is to be followed by complainants, whilst dealing with issues related to sexual harassment at the work place. All women employees (permanent, temporary, contractual and trainees) are covered under this policy. An Internal Complaints Committee has been set up to redress the complaints received regarding sexual harassment. Your Company did not receive any complaints during the period under review.

#### **PROHIBITION OF INSIDER TRADING**

In line with the amendments made by SEBI, your Company has adopted an amended Code of Conduct to regulate, monitor and report trading by Designated Persons and their Immediate Relatives under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

#### **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

#### **TRANSFER OF UNPAID AND UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)**

Your Company did not have any funds lying unpaid or unclaimed for a period of seven years. Therefore there were no funds which were required to be transferred to Investor Education and Protection Fund (IEPF).

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 134 (5) of the Companies Act, 2013 Your Directors' confirm that:

- i. In preparation of annual accounts for the financial year ended 31<sup>st</sup> March, 2020 the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> March, 2020 and of the profit of the Company for that period;



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- iii The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. The Directors had prepared the annual accounts on a 'going concern' basis;
- v. The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- vi. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **INDUSTRIAL RELATIONS**

During the year under review, your Company enjoyed cordial relationship with workers and employees at all levels.

### **ENVIRONMENT, HEALTH AND SAFETY**

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires conduct of operations in such a manner so as to ensure safety of all concerned, compliances of environmental regulations and preservation of natural resources.

### **ACKNOWLEDGMENTS:**

The Board of Directors places on record its sincere appreciation for the dedicated services rendered by the employees of the Company at all levels. Your directors place on record their appreciation for the committed services by every member of the company globally whose contribution was significant to the growth and success of the Company. We would like to thank all our clients, vendors, investors, bankers, Government Authorities, Auditors, financial institutions, Customers, suppliers and other business associates for their continued support and encouragement during the year.

**For and on Behalf of the Board**

**Place: Amritsar  
Date: 05<sup>th</sup> November 2020**

**Sd/-  
(RAMESH ARORA)  
Managing Director  
DIN: 00462656**

**Sd/-  
(AJAY KUMAR ARORA)  
Whole Time Director  
DIN: 00462664**

**ANNEXURE 'A'****FORM NO. MGT 9****EXTRACT OF ANNUAL RETURN**

As on financial year ended on 31.03.2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management &amp; Administration) Rules, 2014.

## I. REGISTRATION &amp; OTHER DETAILS:

1.	CIN	<b>L24232PB1983PLC005426</b>
2.	Registration Date	<b>04/05/1983</b>
3.	Name of the Company	<b>KWALITY PHARMACEUTICALS LIMITED</b>
4.	Category/Sub-category of the Company	<b>Company limited by shares/Indian Non-Government Company</b>
5.	Address of the Registered office & contact details	<b>VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR, PUNJAB. Phone no. :- 8558820862</b>
6.	Whether listed company	<b>YES</b>
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	<b>BIGSHARE SERVICES PVT. LTD 1st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri (East), Mumbai, Maharashtra – 400059; Phone No.:- 022 - 40430200 / 62638200</b>

II. **PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY** (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	PHARMACEUTICALS	210	100

III. **PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -**

S. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1	Kwalita Pharmaceuticals Africa, Limitada Mozambique, Maputo Province, City Of Matola	Foreign Company	SUBSIDIARY	51%	2(87)



**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF	5202840	NIL	5202840	50.14	5346148	NIL	5346148	51.52	+1.38
b) Central Govt	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) State Govt(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) Bodies Corp.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f) Any other	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Sub-total (A) (1):</b>	<b>5202840</b>	<b>NIL</b>	<b>5202840</b>	<b>50.14</b>	<b>5346148</b>	<b>NIL</b>	<b>5346148</b>	<b>51.52</b>	<b>+1.38</b>
<b>(2) Foreign</b>									
a) NRIs- Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Other - Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Bodies Corp.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) Banks / FI.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Any Other....	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Sub-total (A) (2):</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
<b>Total shareholding of Promoter (A) = (A)(1)+ (A)(2)</b>	<b>5202840</b>	<b>NIL</b>	<b>5202840</b>	<b>50.14</b>	<b>5346148</b>	<b>NIL</b>	<b>5346148</b>	<b>51.52</b>	<b>+1.38</b>
<b>B. Public Shareholding / Other than Promoters</b>									
<b>1. Institutions</b>									
a) Mutual Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Central Govt	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL



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d) State Govt(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f) Insurance Companies	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
g) FIIs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
h) Foreign Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
i) Others (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Sub-total (B)(1):-</b>	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	2101470	NIL	2101470	20.25	2002470	NIL	2002470	19.30	-0.95
ii) Overseas	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	375000	NIL	375000	3.61	336000	NIL	336000	3.24	-0.38
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	1643328	858560	2501888	24.11	2128662	189708	2318370	22.34	-1.77
c) Others (Public)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
HUF	NIL	NIL	NIL	NIL	181210	NIL	181210	1.75	1.75
Non Resident Indians	195000	NIL	195000	1.88	192000	NIL	192000	1.85	-0.03
Overseas Corporate Bodies	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Foreign Nationals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Sub-total (B)(2):-</b>	4314798	858560	5173358	49.86	4840342	189708	5030050	48.48	-1.38
Total Public Shareholding (B)=(B)(1)+(B)(2)	4314798	858560	5173358	49.86	4840342	189708	5030050	48.48	-1.38
C. Shares held by Custodian for GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Grand Total (A+B+C)</b>	9517638	858560	10376198	100%	10186490	189708	10376198	100%	NIL



ii) Shareholding of Promoter-

S. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Ramesh Arora	2966016	28.58	NIL	3202484	30.86	NIL	+2.28
2	Anju Arora	135634	1.31	NIL	135634	1.31	NIL	NIL
3	Ajay Arora	1395628	13.45	NIL	1395628	13.45	NIL	NIL
4	Jugal Kishore HUF	92350	0.90	NIL	92350	0.90	NIL	NIL
5	Anu Mehra	240932	2.32	NIL	240932	2.32	NIL	NIL
6	Geeta Arora	111500	1.07	NIL	111500	1.07	NIL	NIL
7	Aarti Bajaj	93160	0.90	NIL	NIL	NIL	NIL	-0.90
8	Sachin Seth	25620	0.25	NIL	25620	0.25	NIL	NIL
9	Aditya Arora	142000	1.36	NIL	142000	1.36	NIL	NIL
	<b>TOTAL</b>	<b>5202840</b>	<b>50.14</b>	<b>NIL</b>	<b>5346148</b>	<b>51.52</b>	<b>NIL</b>	<b>+1.38</b>

iii) Change in Promoters' Shareholding: -

Shareholder's Name	No. of Shares held at the beginning of the year 01.04.2019		Increase/Decrease during the year	No. of Shares held at the end of the year 31.03.2020	
	No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
Ramesh Arora	2966016	28.58	236468	3202484	30.86
Aarti Bajaj	93160	0.90	-93160	NIL	NIL

iv) Share holding Pattern of top ten Shareholders:  
(Other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No.	Shareholder's Name	At the beginning of the year 01.04.2019		Shareholder's Name	At the end of the year 31.03.2020	
		No. of Shares	% of total Shares of the company		No. of Shares	% of total Shares of the company
1	T R METALS PRIVATE LIMITED	1381470	13.31	RKK PORTFOLIO PRIVATE LIMITED	1381470	13.31
2	WAYS VINIMAY PRIVATE LIMITED	563994	5.44	DEEPAK BANSAL	637878	6.15
3	JANI BHASHA SHAIK	189000	1.82	WAYS VINIMAY PRIVATE LIMITED	563994	5.44
4	NIZAMUDDIN SHAIK	144000	1.39	JANI BHASHA SHAIK	189000	1.82
5	NEERAJ JAIN	66000	0.64	NIZAMUDDIN SHAIK	144000	1.39
6	ASHOK LAKHANI	108000	1.04	ASHOK LAKHANI	108000	1.04
7	POOJA KAPOOR	83308	0.80	SHANKAR DAYAL	67772	0.65



8	KIRAN MAHAJAN	69518	0.67	RAKESH HANDA	66000	0.64
9	VIJAY MARTIN	67792	0.65	NEERAJ JAIN	66000	0.64
10	SHANKAR DAYAL	67772	0.65	NEERAJ JAIN HUF	60000	0.58

**V) Shareholding of Directors and Key Managerial Personnel:**

S. No	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
<b>1</b>	<b>RAMESH ARORA – MANAGING DIRECTOR</b>				
	At the beginning of the year	<b>2966016</b>	<b>28.58</b>		
	Changes during the year <b>Purchase</b>	<b>236468</b>	<b>2.28</b>	<b>3202484</b>	<b>30.86</b>
	At the end of the year			<b>3202484</b>	<b>30.86</b>
<b>2</b>	<b>AJAY KUMAR ARORA – WHOLE TIME DIRECTOR</b>				
	At the beginning of the year	<b>1395628</b>	<b>13.45</b>		
	Changes during the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	At the end of the year			<b>1395628</b>	<b>13.45</b>
<b>3</b>	<b>GEETA ARORA - WHOLE TIME DIRECTOR</b>				
	At the beginning of the year	<b>111500</b>	<b>1.07</b>		
	Changes during the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	At the end of the year			<b>111500</b>	<b>1.07</b>
<b>4</b>	<b>ANJU ARORA - WHOLE TIME DIRECTOR</b>				
	At the beginning of the year	<b>135634</b>	<b>1.31</b>		
	Changes during the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	At the end of the year			<b>135634</b>	<b>1.31</b>
<b>5</b>	<b>ADITYA ARORA- WHOLE TIME DIRECTOR &amp; CFO</b>				
	At the beginning of the year	<b>142000</b>	<b>1.36</b>		
	Changes during the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	At the end of the year			<b>142000</b>	<b>1.36</b>
<b>6</b>	<b>KIRAN KUMAR VERMA- INDEPENDENT DIRECTOR</b>				
	At the beginning of the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	Changes during the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	At the end of the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
<b>7</b>	<b>RAVI SHANKER SINGH- INDEPENDENT DIRECTOR</b>				
	At the beginning of the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	Changes during the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	At the end of the year	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
<b>8</b>	<b>PANKAJ TAKKAR- INDEPENDENT DIRECTOR</b>				



	At the beginning of the year	NIL	NIL	NIL	NIL
	Changes during the year	NIL	NIL	NIL	NIL
	At the end of the year	NIL	NIL	NIL	NIL
<b>9</b>	<b>GURPREET KAUR- COMPANY SECRETARY</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Changes during the year	NIL	NIL	NIL	NIL
	At the end of the year	NIL	NIL	NIL	NIL

V) **INDEBTEDNESS** -Indebtedness of the Company including interest outstanding/accrued but not due for payment. (Rupees in Lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	2574.02	NIL	NIL	2574.02
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	2574.02	NIL	NIL	2574.02
<b>Change in Indebtedness during the financial year</b>				
* Addition	617.27	200.00	NIL	817.27
* Reduction	(249.70)	NIL	NIL	(249.70)
<b>Net Change</b>	367.57	200.00	NIL	567.57
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	2941.59	200.00	NIL	3141.59
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	2941.59	200.00	NIL	3141.59

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-**

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

S. No.	Particulars of Remuneration	Name of MD/WTD/ Manager					Total Amount (in Rs.)
		Ramesh Arora (MD)	Ajay Kumar Arora (WTD)	Anju Arora (WTD)	Geeta Arora (WTD)	Aditya Arora (WTD & CFO)	
1	Gross salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	3300000	3300000	840000	840000	1800000	10080000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3)	NIL	NIL	NIL	NIL	NIL	NIL



	Income- tax Act, 1961						
2	Stock Option	NIL	NIL	NIL	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL	NIL	NIL	NIL
4	Commission - as % of profit - others, specify...	NIL	NIL	NIL	NIL	NIL	NIL
5	Others, please specify	NIL	NIL	NIL	NIL	NIL	NIL
	<b>Total (A)</b>	<b>3300000</b>	<b>3300000</b>	<b>840000</b>	<b>840000</b>	<b>1800000</b>	<b>10080000</b>
	Ceiling as per the Act	As per Part II of Schedule V of the Companies Act, 2013 (due to inadequate profits)					

B. Remuneration to other directors

S. No.	Particulars of Remuneration	Name of Directors				Total Amount (in Rs.)
		Ravi Shanker Singh	Pankaj Takkar	Kiran Kumar Verma	---	
1	Independent Directors					
	Fee for attending board committee meetings	12000	12000	12000	NIL	36000
	Commission	NIL	NIL	NIL	NIL	NIL
	Others, please specify	NIL	NIL	NIL	NIL	NIL
	<b>Total (1)</b>	<b>12000</b>	<b>12000</b>	<b>12000</b>	<b>NIL</b>	<b>36000</b>
2	Other Non-Executive Directors	NIL	NIL	NIL	NIL	NIL
	Fee for attending board committee meetings	NIL	NIL	NIL	NIL	NIL
	Commission	NIL	NIL	NIL	NIL	NIL
	Others, please specify	NIL	NIL	NIL	NIL	NIL
	<b>Total (2)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	<b>Total (B)=(1+2)</b>	<b>12000</b>	<b>12000</b>	<b>12000</b>	<b>NIL</b>	<b>36000</b>
	Overall Ceiling as per the Act	N/A				

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

S. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO	Total (in Rs.)
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	NIL	<b>321190</b>	<b>NIL</b>	<b>321190</b>
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL	NIL
4	Commission	NIL	NIL	NIL	NIL
	- as % of profit	NIL	NIL	NIL	NIL



	others, specify...	NIL	NIL	NIL	NIL
5	Others, please specify	NIL	NIL	NIL	NIL
	Total	NIL	321190	NIL	321190

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
<b>B. DIRECTORS</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

For and on Behalf of the Board

Place: Amritsar  
Date: 05<sup>th</sup> November 2020

Sd/-  
(RAMESH ARORA)  
Managing Director  
DIN: 00462656

Sd/-  
(AJAY KUMAR ARORA)  
Whole Time Director  
DIN: 00462664

**ANNEXURE 'B'**

**Information under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended March 31, 2020**

**A. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial Year:**

Executive Director	Ratio to Median Remuneration
RAMESH ARORA	30.14
AJAY KUMAR ARORA	30.14
ANJU ARORA	7.67
GEETA ARORA	7.67
ADITYA ARORA	16.44

**B. The percentage increase in remuneration of each director, chief financial officer, chief executive officer, company secretary or manager, if any, in the financial year**

Name	Designation	% increase in remuneration in the financial year
RAMESH ARORA	Managing Director	10.00
AJAY KUMAR ARORA	Whole Time Director	10.00
ANJU ARORA	Whole Time Director	75.00
GEETA ARORA	Whole Time Director	75.00
ADITYA ARORA	Whole Time Director & CFO	50.00
GURPREET KAUR	Company Secretary	No change in monthly remuneration in last financial year

**C. The percentage increase in the median remuneration of employees in the financial year: 12.82%**

**D. The number of permanent employees on rolls of the company as on 31<sup>st</sup> March 2020:- 458**

**E. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.**

	F.Y. 2018-19	F. Y. 2019-20	% increase
Employees' Salary (in Rupees Lakhs)	671.08	917.94	36.78
Managerial Remuneration (in Rupees Lakhs)	81.60	100.80	23.53

The company follows performance appraisal methodology where in performances of employees are linked to the key deliverables and key control areas of the company.

**F. Affirmation that the remuneration is as per the remuneration policy of the company.**

The company affirms that the remuneration is as per the remuneration policy of the Company.

**For and on Behalf of the Board**

Place: Amritsar  
Date: 05<sup>th</sup> November 2020

Sd/-  
(RAMESH ARORA)  
Managing Director  
DIN: 00462656

Sd/-  
(AJAY KUMAR ARORA)  
Whole Time Director  
DIN: 00462664



**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2020**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To  
**The Members,**  
**KWALITY PHARMACEUTICALS LIMITED,**  
**(CIN: L24232PB1983PLC005426)**  
**VILLAGE NAGKALAN, MAJITHA ROAD,**  
**AMRITSAR.**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **KWALITY PHARMACEUTICALS LIMITED** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on **March 31, 2020** generally complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on March 31, 2020 according to the provisions of:
  - (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
  - (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules thereunder;
  - (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
  - (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
  - (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
    - (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
    - (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    - (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
    - (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
    - (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Not applicable to the Company during Audit Period)**;
    - (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during Audit Period)**;
    - (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
    - (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during Audit Period)**;
    - (i) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 2018 **(Not applicable to the Company during Audit Period)**; and



- (vi) The Drug (Prices Control) Order 2013;  
(vii) The Indian Boilers Act, 1923;  
(viii) Environment Protection Act, 1986;  
(ix) Drugs and Cosmetics Act, 1940;  
(x) Other laws as applicable to the company as per the representations made by the management.
2. We have also examined compliance with the applicable clauses of the following:
- The Secretarial Standards issued by The Institute of Company Secretaries of India and
  - The provisions envisaged in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
  - Listing Agreement(s) entered into by the Company with BSE Limited (SME Segment).
3. During the period under review and as per the explanations and clarifications given to us and the representations made by the management, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.
4. We have relied on the information & representations made by the company & its officers for systems and mechanisms formed by the company for compliances under other applicable acts, laws and regulations to the company.
5. We further report that we have not reviewed the Compliance of applicable financial laws such as direct and indirect tax laws and maintenance of financial records and books of accounts by the Company since the same has been subject to review by the Statutory Auditors and other designated professionals.
6. We further report on the basis of information received and records maintained by the company that:
- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
  - Adequate notice was given to all directors to schedule the Board Meetings; agenda and detailed notes on agenda were sent at least seven days in advance except in cases where meetings convened at shorter notice, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
  - As per the minutes of the meetings duly recorded and signed by the chairman, majority decision is carried through and there were no dissenting views on any matter.
7. We further report that as per the explanations and clarifications given to us and the representations made by the management, there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
8. We further report that during the Audit Period under review, there were no specific events / actions incurred having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

Place : AMRITSAR

Signature: Sd/- (RISHI MITTAL)

Date : **05<sup>th</sup> November 2020**

Name of Company Secretary in practice / Firm: RISHI MITTAL & ASSOCIATES

ACS No. 12613 & C P No.: 3004

UDIN: **A012613B001161519**

Note:-This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.



**Annexure 'A'**

To,

**The Members  
KWALITY PHARMACEUTICALS LIMITED.**

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place : AMRITSAR

Signature: Sd/- (RISHI MITTAL)

Date : **05<sup>th</sup> November 2020**

Name of Company Secretary in practice / Firm: RISHI MITTAL & ASSOCIATES

ACS No. 12613

C P No.: 3004

UDIN: **A012613B001161519**



## (Annexure- D)

## REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

Sr. No.	Particulars	
1.	A brief outline of the company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or Programme.	A detailed CSR Policy as recommended by the CSR Committee has approved by the Board. The CSR Policy inter-alia covers the following activities: <ul style="list-style-type: none"><li>▪ Environmental Sustainability</li><li>▪ Promoting Education</li><li>▪ Health</li><li>▪ Eradication of Hunger &amp; Poverty</li><li>▪ Rural Development</li><li>▪ Rural Sports</li></ul> CSR Policy is stated at the Website of Company: <a href="http://www.kwalitypharma.com">www.kwalitypharma.com</a>
2.	Composition of the CSR Committee	Mrs. Geeta Arora - Chairperson Mr. Aditya Arora - Member Mr. Pankaj Takkar- Member
3.	Average Net Profit of the Company for last three financial years	Rs. 80851204
4.	Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)	Rs. 1617024
5.	Details of CSR spent during the financial year	
	a) Total amount spent for the financial year 2019-20	Rs. 1762140
	b) Amount unspent, if any	NIL



c) Manner in which the amount spent during the financial year is detailed below:-

(Rs.)

Sr. No	CSR Projects or Activities Identified	Sector in which project is covered	Projects or Programs (1) Local Area or others (2) Specify the state and district where project or programs were undertaken	Amount Outlay (Budget) project or program wise	Amount spent on the project or programs Subheads:- (1) Direct Expenditure on projects or programs (2) Overheads	Cumulative Expenditure upto reporting period	Amount Spent:- Direct or through implementing agency
1.	Project of Food Distribution	Eradication of hunger & poverty	Rural Area, Amritsar, (Punjab)	6,06,589	6,06,589	6,06,589	Direct
2.	Project of providing fees of needy Students for higher education	Promotion of Higher Education	Khalsa College of Education, Amritsar, Punjab	71,238	71,238	71,238	Direct
3.	Project of providing fees and education material to needy students	Promoting Education	Ibadat, Mall Road, Amritsar, Punjab	55,000	55,000	55,000	Direct
4.	Project of Promoting Sports Activities	Promoting Sports	District Fatehgarh Sahib Table Tennis Association	10,000	10,000	10,000	Direct
5.	Project of providing education facility to needy students	Promoting Education of Children	Shri Ram Global School, Patel Nagar, Delhi	1,36,590	1,36,590	1,36,590	Direct
6.	Project of providing education, education material, benches, desks to needy schools	Promoting Education of Children	School Welfare Fund Amritsar (Punjab)	2,88,360	2,88,360	2,88,360	Direct
7.	Project for Promotion of Art and	Promoting Art and Culture	Lok Kala Manch Amritsar	1,70,000	1,70,000	1,70,000	Direct



	Culture		(Punjab)				
8.	Project for Tribal Education and health welfare	Promoting Education and Healthcare	Akhil Bhartiya Vanvasi Kalyan Ashram, Jashpur, Dist. Jashpur (Chhattisgarh)	21,000	21,000	21,000	Through implementing Agency
9.	Project for Providing opportunities for people affected by leprosy	Promoting health care and rehabilitation of people effected by leprosy	Shri Guru Ram Das Kusht Ashram, Amritsar, Punjab	500	500	500	Direct
10.	Project for Education and Healthcare of Under privileged people	Promoting welfare of poor & Under privileged people	Hope For All Sector-2 Panchkula (Haryana)	24,000	24,000	24,000	Through implementing Agency
11.	Project for improving the lives of children and their families	Promoting and Protecting the rights of children	UNICEF Donations	20,000	20,000	20,000	Through implementing Agency
12.	Project for working with and for disadvantaged elderly	To serve elder needs, enabling them to live active, dignified and healthier lives	Helpage India , New Delhi	5,000	5,000	5,000	Direct
13.	Project for providing education to poor & needy students	Promoting Education	ST. Xavier's High School, U.P.	70,600	70,600	70,600	Direct
14.	Project for fostering the growth of Education	Promoting Education of underprivileged children	School Mart, U.P	12,363	12,363	12,363	Direct
15.	Project of providing education	Promoting Education of Children	Indradhanu Waldorf School,	1,18,000	1,18,000	1,18,000	Direct



	facility to Poor & needy students		Chennai				
16.	Project for providing free education material to needy students	Promoting Education	Shaheed Bhagat Singh Paramedical Education , Amritsar, Punjab	25,000	25,000	25,000	Direct
17.	Project for research and development in the field of medicines	Promoting education & health care	Department of Pharmaceutics Science, GNDU, Amritsar, Punjab	1,27,900	1,27,900	1,27,900	Direct

6. Reasons for not spending the prescribed CSR expenditure :N.A.

7. Responsibility Statement:

The CSR Committee of the Board of Directors hereby confirms that implementation and monitoring is fully in accordance with the CSR Policy of the Company.

**For and on Behalf of the Board**

Place: Amritsar  
Date: 05<sup>th</sup> November 2020

Sd/-  
**(RAMESH ARORA)**  
Managing Director  
DIN: 00462656

Sd/-  
**(AJAY KUMAR ARORA)**  
Whole Time Director  
DIN: 00462664



**ANNEXURE 'E'**  
**REPORT ON CORPORATE GOVERNANCE**

**COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Your Company believes that Corporate Governance is a pre-requisite for attaining sustainable growth in the competitive world.

**KQUALITY's** philosophy on Corporate Governance is based on practices, such as fair and transparent business practices, effective management controls at all levels, adequate representation of promoters, executive and independent directors on the board, accountability of performance at all levels, monitoring of executive performance by the Board and transparent and timely disclosure of financial and management information.

A report on compliance with the principles of Corporate Governance as prescribed by SEBI in Chapter IV read with Schedule V of Listing Regulations is given below:

**BOARD OF DIRECTORS**

There were eight members in the Board of the Directors of the company on 31<sup>st</sup> March 2020 including Executive Directors, Non Executive Directors, Independent directors and Woman directors. There is no institutional nominee on the Board.

**A) Composition of board of directors**

Presently, the composition of Board is as follows:

<b>Directors</b>	<b>Category</b>
Ramesh Arora	Managing Director
Ajay Kumar Arora	Whole Time Director
Aditya Arora	Whole Time Director & Chief Financial Officer
Geeta Arora	Whole Time Director
Anju Arora	Whole Time Director
Kiran Kumar Verma	Non Executive Independent Director
Pankaj Takkar	Non Executive Independent Director
Ravi Shanker Singh	Non Executive Independent Director

**B) Evaluation of Board, Committees and Directors:**

In compliance with the provisions of the Companies Act, 2013 ('the Act') and any other provisions, the Board has adopted a formal mechanism for evaluation of its performances as well as that of its committees and individual Directors, including the Chairman of the Board. A structured mechanism is prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority shareholders, etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Non-Independent Directors was carried out by the Independent Directors. The Directors expressed their satisfaction with the evaluation process.

**C) Number of Board Meetings in the year**

During the year 16 meetings of the Board of Directors were held. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.



Sr. No.	Date on which Board Meetings were held
1.	12.04.2019
2.	08.05.2019
3.	30.05.2019
4.	12.06.2019
5.	25.06.2019
6.	23.07.2019
7.	10.08.2019
8.	13.08.2019
9.	19.08.2019
10.	05.09.2019
11.	05.10.2019
12.	14.11.2019
13.	09.12.2019
14.	07.01.2020
15.	18.02.2020
16.	06.03.2020

**D) Attendance of Directors at Board meetings held in the previous year are as follows:**

Name of Director	Category of Director	No. of Board Meetings Attended	Attendance at the last AGM	No. of other Directorship in others companies as on 31-03-2020	No. of Committee/ membership in which he/she is a Member or Chairperson
Mr. Ramesh Arora (DIN: 00462656)	Managing Director	13	No	2	None
Mr. Ajay Kumar Arora (DIN: 00462664)	Whole Time Director	13	Yes	Nil	None
Mr. Aditya Arora (DIN: 07320410)	Whole Time Director & Chief Financial Officer	16	Yes	Nil	Member in two Committees
Mrs. Geeta Arora (DIN: 03155615)	Whole Time Director	16	Yes	Nil	Member in one Committee and Chairperson in one Committee
Mrs. Anju Arora (DIN: 03155641)	Whole Time Director	16	Yes	Nil	Member in one Committee
Mr. Kiran Kumar Verma (DIN: 07415375)	Non Executive Independent Director	4	Yes	Nil	Member in one Committee and Chairman in one Committee
Mr. Pankaj Takkar (DIN: 07414345)	Non Executive Independent Director	4	Yes	Nil	Member in two Committees and Chairman



					in one Committee
Mr. Ravi Shanker Singh (DIN: 02303588)	Non Executive Independent Director	4	No	1	Member in one Committee and Chairman in one Committee

**E) Shares held by Non-Executive Directors as at 31st March 2020:**

Name of the Director	Shares held
Kiran Kumar Verma	Nil
Pankaj Takkar	Nil
Ravi Shanker Singh	Nil

**F) Induction & Familiarization Programs for Independent Directors:**

On appointment, the concerned Director is issued a letter of Appointment setting out in detail, the terms of appointment, duties and responsibilities. Each newly appointed Independent Director is taken through a familiarization program. The program aims to familiarize the Directors with the Company, their role and responsibilities, business model of the Company etc.

**G) Independent Directors Meeting:**

In Compliance with the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015; the Independent Directors Meeting of the Company was held on 18-02-2020, without the presence of Non-Independent Directors and members of the Management. The Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole, performance of Chairman of the Company and assessed the quality, quantity and timelines of flow of information between the Company Management and the Board. All the Independent Directors of the Company were present in the meeting.

**COMMITTEES OF THE BOARD**

There are four Committees constituted as per Companies Act, 2013. They are:

- 1) **Audit Committee**
- 2) **Nomination & Remuneration Committee**
- 3) **Stakeholders Relationship Committee**
- 4) **Corporate Social Responsibility Committee**

The Board of directors of the company has constituted various committees of the members of the board. The terms of reference of these committees have determined by the board from time to time.

**1. AUDIT COMMITTEE**

The composition, procedure, role/ function of the committee complies with the requirements of the Companies Act, 2013 as well as SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

**\* Committee Constitution and Reconstitution**

Audit Committee was constituted on 14th March 2016.

**\* Number of Meetings held**



During the year, 5 Audit Committee meetings were held on the following dates 05-04-2019, 30-05-2019, 10-08-2019, 14-11-2019 and 18-02-2020.

**\* Composition & Attendance of Audit Committee**

<b>Sr. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Position in committee</b>	<b>No. of Meetings Attended</b>
1	Pankaj Takkar	Non-Executive Independent Director	Chairman	5
2	Kiran Kumar Verma	Non-Executive Independent Director	Member	5
3	Aditya Arora	Executive Non Independent Director	Member	5

The Company Secretary acts as the Secretary of the Committee.

**\* The terms of reference of the Audit Committee are given below:**

1. Oversight of the company's financial reporting process, examination of the financial statement and the auditors' report thereon and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Providing recommendation for appointment, re-appointment and replacement, remuneration and terms of appointment of auditors of the company and the fixation of audit fee;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - i. Matters required to be included in the 'Director's Responsibility Statement' to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013, as amended
  - ii. Changes, if any, in accounting policies and practices and reasons for the same;
  - iii. Major accounting entries involving estimates based on the exercise of judgment by management;
  - iv. Significant adjustments made in the financial statements arising out of audit findings;
  - v. Compliance with listing and other legal requirements relating to financial statements;
  - vi. Disclosure of any related party transactions; and
  - vii. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly and half-yearly financial statements before submission to the Board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the statutory auditor's independence and performance and effectiveness of audit process;
8. Approval or any subsequent modification of transaction of the Company with related parties;
9. Scrutiny of inter corporate loans and investments;
10. Valuation of undertakings or assets of the Company wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors any significant findings and follow up there on;



15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. Review the functioning of the whistle blower mechanism;
19. Approval of appointment of the chief financial officer (i.e., the whole time finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference;

All the recommendations of the Audit Committee during the year were accepted by the Board of Directors.

## **2. NOMINATION AND REMUNERATION COMMITTEE**

Our Company has constituted a Nomination & Remuneration committee ("**Nomination & Remuneration Committee**") pursuant to the provisions of section 178 of the Companies Act, 2013. The Committee was constituted vide resolution passed at the meeting of the Board of Directors held on 14<sup>th</sup> March, 2016.

### **\* Number of Meetings held**

During the year, 2 Nomination & Remuneration committee meetings were held on the following dates 10-08-2019 and 18-02-2020.

### **\* Composition & Attendance of Nomination and Remuneration Committee**

<b>Sr. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Position in committee</b>	<b>No. of Meetings Attended</b>
1	KIRAN KUMAR VERMA	Non-Executive Independent Director	Chairman	2
2	PANKAJ TAKKAR	Non-Executive Independent Director	Member	2
3	RAVI SHANKER SINGH	Non-Executive Independent Director	Member	2

The Company Secretary acts as the Secretary to Nomination & Remuneration Committee

The terms of reference of Nomination & Remuneration committee shall comply with the requirements of Regulation 19(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **Role & Responsibilities of Nomination & Remuneration committee are:**

- (a) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- (b) Formulation of criteria for evaluation of independent directors and the Board;
- (c) Devising a policy on Board diversity;
- (d) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. Our Company shall disclose the remuneration policy and the evaluation criteria in its Annual Report;
- (e) Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;



## Annual Report 2019-20

The Committee shall have powers to act in accordance with the provisions of the Articles of Association of the Company read with section 178 to the Companies Act, 2013.

### Decision & Voting powers:

All the decisions of the committee shall be taken by vote of majority. Members of the committee shall be entitled to vote. In case of equality, the Chairman shall have one additional casting vote.

### Tenure of the committee:

The Committee shall continue to be in function as a Committee of the Board until otherwise resolved by the Board.

### Meetings:

The Committee shall meet on the reference made by the Board to the Committee.

The Committee on any matter relating to the reference made to it shall submit a report along with the resolution passed by it to the Board from time to time.

The Chairman of the Committee shall attend the annual general meeting of the Company to provide any clarification on matter relating to the remuneration payable to the directors of the Company.

### Remuneration Policy

The remuneration policy of the Directors is aligned towards rewarding participation in meetings and is in consonance with industry benchmarks and provisions of the law. The objective of the policy is to attract and retain excellent talent while delivering optimal value to the business. The Nomination and Remuneration Policy provides for appropriate composition of Executive and Non-Executive Independent Directors on the Board of Directors of your Company along with criteria for appointment, remuneration including determination of qualifications, positive attributes, independence of Directors and other matters as provided under sub-section (3) of Section 178 of the Companies Act, 2013. The remuneration paid to the Directors is as per the terms laid out in the Nomination and Remuneration Policy of your Company. The Non-Executive Directors of the Company are being paid sitting fees for attending Board Meetings and Committee Meetings. Executives Directors are not being paid sitting fees for attending meetings of the Board of Directors/Committees. Other than sitting fees, there were no material pecuniary relationships or transactions by the Company with the Non-Executive and Independent Directors of the Company.

The Company pays remuneration to its Executive Directors by way of salary, in accordance with provision of the Schedule V read with other provisions of the Companies Act, 2013, as approved by the Members. The Board on the recommendation of the Nomination and Remuneration Committee approves the annual increments. The detailed policy is available at website of company i.e. <http://www.kwalitapharma.com>.

Remunerations paid during the Financial Year 2019-20 to Executive Directors are:

Name of Director	Designation	Yearly Remuneration (Rs.)
RAMESH ARORA	Managing Director	3300000
AJAY KUMAR ARORA	Whole Time Director	3300000
GEETA ARORA	Whole Time Director	840000
ANJU ARORA	Whole Time Director	840000
ADITYA ARORA	Whole Time Director & Chief Financial Officer	1800000

### 3. STAKEHOLDERS RELATIONSHIP COMMITTEE



## Annual Report 2019-20

The composition, procedure, role/ function of the committee complies with the requirements of the Companies Act, 2013 as well as SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015. This committee was constituted to resolve the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of annual report and non receipt of dividend, bonus, etc.

### \* Committee Constitution

Stakeholders Relationship Committee was constituted on 14th March 2016.

### \* Number of Meetings held

During the year 4 Stakeholder's Relationship Committee meetings were held on 05-04-2019, 10-08-2019, 14-11-2019 and 18-02-2020.

### \* Composition & Attendance of Stakeholders Relationship Committee

Sr. No.	Name	Designation	Position in committee	No. of Meetings Attended
1	Ravi Shanker Singh	Non-Executive Independent Director	Chairman	4
2	Geeta Arora	Executive Non Independent Director	Member	4
3	Anju Arora	Executive Non Independent Director	Member	4

The Company Secretary acts as the Secretary of the Committee.

### \* The Role of Stakeholder Relationship Committee is as under

1. Considering and resolving the grievances of security holders of the Company, including complaints related to transfer of shares, non-receipt of Annual Reports, non-receipt of declared dividends or any other documents or information to be sent by the Company to its shareholders etc.
2. Allotment, transfer of shares including transmission, splitting of shares, changing joint holding into single holding and vice versa, issue of duplicate shares in lieu of those torn, destroyed, lost or defaced or where the cages in the reverse for recording transfers have been fully utilized.
3. Issue of duplicate certificates and new certificates on split/consolidation/renewal, etc. and
4. Review the process and mechanism of redressal of shareholders/Investors grievance and suggest measures of improving the system of redressal of shareholders/Investors grievances.
5. Non-receipt of share certificate(s), non-receipt of declared dividends, non-receipt of interest/dividend warrants, non-receipt of annual report and any other grievance/complaints with company or any officer of the company arising out in discharge of his duties.
6. Oversee the performance of the Registrar & Share Transfer Agent and also review and take note of complaints directly received and resolved them.
7. Oversee the implementation and compliance of the code of conduct adopted by the company for prevention of Insider Trading for Listed Companies as specified in the SEBI (Prohibition of Insider Trading Regulations), 2015 as amended from time to time.
8. Any other power specifically assigned by the Board of Directors of the Company from time to time by way of resolution passed by it in a duly conducted meeting
9. Carrying out any other function contained in the Listing Regulations as and when amended from time to time.

The Stakeholder Relationship Committee shall act in accordance with the Regulation 20(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### \* Complaints



In the year 2019-20, no investor complaints have been received by the Company.

#### **4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Corporate Social Responsibility Committee was duly constituted in terms of the requirement of Companies Act, 2013 vide resolution passed at the meeting of board of directors held on 03-04-2017. During the financial year 2019-20, one meeting of the committee was held on 30-05-2019. The composition of Committee and attendance of members is as follows:

<b>Name</b>	<b>Category</b>	<b>Meeting held during 2019-20</b>	<b>No. of Meeting Attended</b>
Geeta Arora	Chairperson	1	1
Aditya Arora	Member	1	1
Pankaj Takkar	Member	1	1

#### **MEANS OF COMMUNICATION**

Financials, Shareholding Pattern, Notices and other information is regularly been updated on the website of the Company i.e. <http://www.kwalitypharma.com> and also on the BSE SME website.

Shareholders who are eligible to receive Notice of Annual General Meeting and Annual report have been provided with the same through electronic means (E-mail) and those whose E-mail is not registered have been provided physical copy.

#### **NO DISQUALIFICATION CERTIFICATE FROM COMPANY SECRETARY IN PRACTICE**

Certificate from M/s Rishi Mittal & Associates, Company Secretaries, Amritsar confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority, as stipulated under Regulation 34 of the Listing Regulations, is attached to this Report.

#### **CEO AND CFO CERTIFICATION**

The Managing Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Regulation 17(8) of the Listing Regulations, copy of which is attached to this Report.

#### **GENERAL BODY MEETINGS:**

**Location, date and time of Annual General Meetings held in the last three financial years:-**

<b>Financial Year</b>	<b>Date &amp; Time</b>	<b>Venue</b>	<b>Number of Special Resolutions Passed</b>
2016-17	September 30, 2017 at 11:30 A.M.	VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR.	6
2017-18	September 29, 2018 at 11:30 A.M.	VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR.	NIL



2018-19	September 30, 2019 at 11:30 A.M.	VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR.	5
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**DISCLOSURES**

1. None of the transactions with any of related parties were in conflict with the Company's interest. All related party transactions are negotiated on arm's length basis and are intended to further the Company's interests. Transactions with related parties are disclosed in Notes to the accounts in the Financial Statements for the financial year. The Company has formulated a policy on dealing with related party transactions and the same is available on the website of the Company.
2. There were no instances of non-compliances or penalty imposed on the company by Stock Exchanges or SEBI or any other statutory authority or any matter related to capital markets, during the last three years.
3. The financial statements have been prepared in compliance with the requirements of the Companies Act, 2013 and in conformity, in all material respects, with the generally accepted accounting principles and standards in India. The estimates/judgments made in preparation of these financial statement are consistent, reasonable and on prudent basis so as to reflect true and fair view of the state of affairs and results/operations of the Company.
4. The Company has formulated a Whistle Blower Policy to establish a Vigil Mechanism for directors and employees of the Company.
5. The Company has comprehensive guidelines on prohibiting Insider trading and the Company has adopted the code of internal procedures and conduct for listed Companies as mandated by SEBI.
6. The Company is complying with all mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements), Regulation, 2015.

**Subsidiary Companies**

The Company monitors performance of its subsidiary company, inter-alia, by the following means:

- i. The Audit Committee reviews financial statements of the subsidiary company, along with investments made.
- ii. The Board of Directors reviews all the significant transactions and arrangements, if any, of subsidiary company.

The Company has formulated a policy regarding determination of 'Material' Subsidiaries and the same is available on the website of the Company [www.kwalitypharma.com](http://www.kwalitypharma.com). The weblink for the same is: [http://www.kwalitypharma.com/pages/Policy\\_for\\_determining\\_Material\\_Subsiidiaries.pdf](http://www.kwalitypharma.com/pages/Policy_for_determining_Material_Subsiidiaries.pdf)

**GENERAL SHAREHOLDER INFORMATION:****ANNUAL GENERAL MEETING**

The ensuing Annual General Meeting ("the AGM") of the company will be held on **Monday 30<sup>th</sup> November, 2020** at 11:30 A.M., at the Registered Office of the Company at Village Nagkalan, Majitha Road, Amritsar – 143601.

**FINANCIAL CALENDAR**

The Financial year of the company is for period of 12 months from 1st April to 31st March. Tentative Financial calendar for the year F.Y. 2020-21 is:-

Half yearly un-audited results	Within 45 days from 30th September, 2020
Annual audited results	Within 60 days from 31st March, 2021

**DIVIDEND PAYMENT**



Your directors have decided to deployed back the profits earned during the year and therefore not recommended any dividend for the current financial year.

### BOOK CLOSURE

21.11.2020 to 30.11.2020 (both days inclusive)

### LISTING ON STOCK EXCHANGE

The Company got listed on Bombay Stock Exchange SME platform, w.e.f. 18th July, 2016.

**Scrip Code and Name:** 539997 – KPL

**DEMAT NUMBER FOR ISIN:** INE552U01010

### Corporate Identity Number (CIN):

Corporate Identity Number (CIN) of the company, allotted by the Ministry of Corporate Affairs, Government of India is L24232PB1983PLC005426.

### RECONCILIATION OF SHARE CAPITAL AUDIT

As stipulated by SEBI, a qualified practicing Company Secretary carries out the Reconciliation of Share Capital to reconcile the total capital held with the National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Audit is carried out every quarter and the report thereon is submitted to the Stock Exchange. The report, inter alia, confirms that the total listed and paid-up share capital of the Company is in agreement with the aggregate of the total dematerialized shares and those in physical mode.

### MARKET PRICE DATA OF EACH MONTH

Month	BSE SME Platform Kwality Pharmaceuticals Limited (inRs.)	
	High	Low
April, 2019	42.00	37.00
May, 2019	39.10	39.10
June, 2019	46.00	36.00
July, 2019	45.00	43.00
August, 2019	40.95	40.95
September, 2019	37.30	37.30
October, 2019	NOT TRADED	NOT TRADED
November, 2019	33.95	23.40
December, 2019	25.65	21.30
January, 2020	NOT TRADED	NOT TRADED
February, 2020	38.20	30.20
March, 2020	35.00	25.55

### DEMATERIALIZATION OF SHARES



## Annual Report 2019-20

As on March 31, 2020, 101,86,490 (i.e. 98.17 %) Equity Shares of the Company were held in dematerialised form & 1,89,708 were held in physical form. The breakup of the equity shares as on March 31, 2020 is as follows:

### SHARE HOLDING PATTERN AS ON 31<sup>ST</sup> MARCH, 2020

Category	No. of Shares held	% of Shareholding
1. Promoters and Promoter Group	5346148	51.52
2. Bodies Corporate	2002470	19.30
3. Clearing Members	NIL	0.00
4. Non-Resident Indians	192000	1.85
5. Indian Public	2835580	27.33
<b>TOTAL</b>	<b>10376198</b>	<b>100</b>

Distribution Schedule as on 31/03/2020  
(on the basis of value of shares held)

Nominal Shares Value (Rs.)	No. of Share holders	%age to total Share holders	No. of Shares held	%age to total shares held
10001-20000	2	1.25	3000	0.03
20001-30000	50	31.25	149950	1.45
50001-100000	38	23.75	255550	2.46
100001-9999999999	70	43.75	9967698	96.06
<b>TOTAL</b>	<b>160</b>	<b>100.00</b>	<b>10376198</b>	<b>100.00</b>

### Share Transfer System:

The share transfers which were received in physical form upto March 31, 2019 were processed and transferred by Registrar and Share Transfer Agents and the share certificates were returned within the stipulated period from the date of receipt, subject to the documents being valid and complete in all respects. As per SEBI notification effective from April 01, 2019 requests for Transfer of Securities held in physical form would be carried out in dematerialized form only except in case of transmission or transposition of securities. Therefore, Registrar and Share Transfer Agent and Company will not accept any request for transfer of shares in physical form.

### REGISTERED OFFICE:

Village Nagkalan, Majitha Road, Amritsar-143601, Punjab, India.

### CORPORATE OFFICE:

Village Nagkalan, Majitha Road, Amritsar-143601, Punjab, India.

### PLANT LOCATION:

1. Village Nagkalan, Majitha Road, Amritsar-143601, Punjab, India.
2. 1-A, Industrial Area, Raja Ka Bagh, Jassur, Teh. Nurpur, Dist. Kangra (HP) - 176201 INDIA.

### REGISTRAR AND TRANSFER AGENTS:

**Bigshare Services Private Limited**, 1st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri (East), Mumbai - 400059. **Tel No.:** +91 22 62638200 **Web:** [www.bigshareonline.com](http://www.bigshareonline.com)

### INVESTORS / SHAREHOLDERS CORRESPONDENCE:



**Annual Report 2019-20**

Investors / Shareholders may Correspond with the company at the Corporate/Registered Office of the company at Village Nagkalan, Majitha Road, Amritsar-143601, Punjab, India.

**Contact info.:**8558820862, **E-mail Id-** [cs@kwalitiypharma.com](mailto:cs@kwalitiypharma.com) **Web:** www.kwalitiypharma.com

On behalf of Board of Directors  
**KWALITY PHARMACEUTICALS LIMITED**

Sd/-  
RAMESH ARORA  
Managing Director  
DIN: **00462656**  
Amritsar, 05<sup>th</sup> November 2020

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

I, RAMESH ARORA (DIN: 00462656), Managing Director of **KWALITY PHARMACEUTICALS LIMITED**, hereby declare that all the members of the Board of Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended March 31, 2020.

Sd/-

**Place:-Amritsar**  
**Date:- 05<sup>th</sup> November 2020**

**RAMESH ARORA**  
**Managing Director**  
**(DIN: 00462656)**

**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

*(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)*

To  
The Members,  
**KWALITY PHARMACEUTICALS LIMITED.**

This certificate is issued pursuant to clause 10(i) of the Para C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We have examined the compliance of provisions of the aforesaid clause 10(i) of the Para C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and to the best of our information and according to the explanations given to us by the Company, and the declarations made by the Directors, we certify that none of the directors of **KWALITY PHARMACEUTICALS LIMITED ('the Company')** **CIN: L24232PB1983PLC005426** having its registered office at Village Nagkalan, Majitha Road, Amritsar-143601, have been debarred or disqualified as on March 31, 2020 from being appointed or continuing as directors of the Company by SEBI/Ministry of Corporate Affairs or any other statutory authority.

**For RISHI MITTAL & ASSOCIATES**  
**(Company Secretaries)**

Sd/-  
**(RISHI MITTAL)**  
**PROP.**

**Place : Amritsar**  
**Date : 05<sup>th</sup> November 2020**

**Membership No. 12613**



**CEO/CFO CERTIFICATION**

To,

**The Board of Directors  
KWALITY PHARMACEUTICALS LIMITED.**

I, RAMESH ARORA, the Managing Director (DIN:00462656) of the Company and I, ADITYA ARORA, the Chief Financial Officer (CFO) of the Company do hereby certify to the Board that:

1. We have reviewed the financial statements and the cash flow statement of the company for the year ending 31<sup>st</sup> March, 2020 and that to the best of our knowledge and belief:
  - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit committee
  - i. Significant changes, if any, in internal control over financial reporting during the year;
  - ii. Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, if any; and
  - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**FOR AND ON BEHALF OF BOARD OF DIRECTORS**

Place:-Amritsar  
Date:- 13<sup>th</sup> July, 2020

**Sd/-**  
**ADITYA ARORA**  
(Chief Financial Officer)  
DIN:- 07320410

**Sd/-**  
**RAMESH ARORA**  
(Managing Director)  
DIN:- 00462656



**AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Members,  
**KWALITY PHARMACEUTICALS LIMITED.**

We have examined the compliance of the conditions of Corporate Governance by **KWALITY PHARMACEUTICALS LIMITED**, for the financial year ended 31<sup>st</sup> March, 2020, as per SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For RISHI MITTAL & ASSOCIATES  
(Company Secretaries)**

**Sd/-  
(RISHI MITTAL)  
PROP.  
Membership No. 12613**

**Place : Amritsar  
Date : 05<sup>th</sup> November 2020**

**ANNEXURE 'F'****MANAGEMENT'S DISCUSSION AND ANALYSIS****INDUSTRY STRUCTURE & DEVELOPMENT**

Indian Pharma Industry has established themselves as leaders of the global pharmaceutical landscape while meeting domestic demands. Reportedly, India holds a fifth of all global manufacturing sites catering to US market. It is the only country with largest number of Pharma plants that are US-FDA compliant. Home to nearly 1400 WHO-GMP (Good Manufacturing Practices) approved Pharma Plants, with 253 European Directorate of Quality Medicines (EDQM) approved plants, it is the third largest in the world by volume. The Indian pharma industry, however, is still valued as the 14th largest with its exports contributing to only 3.5 of the total pharmaceutical exports globally.

Indian pharma industry did well in formulations and indigenous medicines sector but with the gradual liberalisation, the pharma market was flooded with imports from China. The country is heavily import dependent to fulfil its drug requirements. Around 70% of the pharmaceutical requirements are met by Chinese imports of some basic raw materials, particularly the APIs (Active Pharmaceutical Ingredients) – the bulk components to produce finished drug formulations. The highly subsidised pricing of Chinese APIs led to shutting down of domestic API manufacturing facilities in India. Indian firms gradually disengaged with the production of APIs as the capital investments on them did not yield higher returns.

**OPPORTUNITIES, RISKS, CONCERNS & THREATS**

The drug prices in India are considered the cheapest in the world. But the strict price control policies of the government neither allows the manufacturers to invest in R&D of new drug formulations, nor does it ensure universal accessibility. Unvetted manufacturing plants across the country, dependence on cheap imports, have increased the local capacity for drug formulations. However, this overproduction sometimes does not meet global standards, making it difficult for exporters procuring from third party manufacturers to explore newer markets.

The Company faces stiff competition from other pharmaceutical companies in India and across the world which can impact its market position and revenue. However, the Company is committed to improving the lives of people facilitated by its robust R&D, strong manufacturing facility and operational efficiencies.

The pharmaceutical industry undertakes several risky ventures that are a growing concern for pharmaceutical companies. Due to technological advancements, pharma companies take risks to have a competitive edge. Some of the risk exposure can affect the advancement of pharma companies. Patient advocacy groups are creating challenges for pharma companies.

Tax reform, U.S. pricing legislation and the repeal and replacement of the Affordable Care Act is posing a risk for M&A activity. Although, opportunistic deals will be evident in the future, pharma companies that have significant amounts of overseas cash will not take risk to overpay on taxes to engage in M&A acquisitions. Between the year 2017 and 2021, it is anticipated that US\$ 147 Billion of pharmaceutical sales are at risk due to expiring patents. This risk might potentially put a brake on the pharmaceutical industry's upward trajectory and could indicate a second patent cliff for pharma companies.

**OUTLOOK**

India's "Look East" policy aims at reducing trade dependencies on the US and the EU. In consonance with that policy, it is important for the government to work towards revamping the structure of the pharma industry. The government launched targeted financial incentives to promote manufacturing of raw materials, and to bring back a larger production of APIs to India. The Union Cabinet took a decisive step to establish three API parks with common utilities, identifying and reducing the dependencies on China for 53 APIs, introduced the Production Linked Incentive (PLI) scheme to further reiterate India's aim to be self-reliant.

Financial Year 2019-20 has been a challenging year with weakening macro-economic conditions, slowing market growths and finally, COVID-19 outbreak towards the end of the year. The COVID-19 pandemic has greatly affected the economic scenario in the country and around the world. The Company's products - Bulk Drugs / Medicines were declared as "Essential Commodities" by the Govt. of India and



## Annual Report 2019-20

consequently, the factory was permitted to operate throughout the lockdown period. Despite this, due to migration of labour, lack of raw materials, non-availability of goods transport, problems in movement of staff and labour, the operations of the Company were impacted. Thus, the ongoing pandemic is likely to have some impact on the business of the Company during the current year; but it is difficult to quantify or estimate the same presently. The company has invested significant resources over the past few years in building this business and now focusing on commercial execution to ensure that future cash flows justify these significant investments. Generics will continue to be an important part of the overall healthcare management globally. Key focus areas for the company will be employees protection & keeping workplace COVID-19 free, supply chain protection, ensuring optimum utilization of our factories and working closely with vendors to ensure continuity of supply, focus on cash collection and cash conservation in the business to ensure adequate liquidity, focus on cost optimisation and continue to invest in developing new technologies and innovative products.

### INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has an adequate internal control system commensurate with its size and the nature of its business in order to achieve efficiency in operation and optimum utilization of resources. These controls ensure safeguarding of assets, reduction and detection of fraud and error, adequacy and completeness of the accounting records and timely preparation of reliable financial information. Internal audits are conducted in the Company on regular basis. Reports of the internal auditor are reviewed by the senior management and are also placed before the Audit Committee of the Directors. The statutory auditors also review their findings with the senior management and the Audit Committee.

### FINANCIAL AND OPERATIONAL PERFORMANCE

(In Rupees Lacs)

Particulars	Current Year	Previous Year
Total Income	14260.43	16607.85
Profit before Tax (PBT)	1114.01	1089.64
Profit After Tax (PAT)	843.15	754.72

### HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The human resource plays a vital role in the growth and success of an organization. The Company has maintained cordial and harmonious relations with employees across various locations. During the year under review, various training and development workshops were conducted to improve the competency level of employees with an objective to improve the operational performance of individuals. The human resource policies of the Company are formulated with the objective of creating a safe, conducive and stimulating work environment for enhancing employee motivation and satisfaction. The Company is committed to attracting and retaining best talent in the industry and upgrading the skill-set and knowledge of existing employees. The Company has maintained cordial and harmonious relations with all employees.

### CAUTIONARY STATEMENT

Statement in this report describing the Company's objectives, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include economic conditions affecting demand / supply and price condition in the domestic markets in which the company operates, changes in the government regulations, tax laws and other statutes and other incidental factors.

For and on Behalf of the Board

Place: Amritsar  
Date: 05<sup>th</sup> November 2020

Sd/-  
(RAMESH ARORA)  
Managing Director  
DIN: 00462656

Sd/-  
(AJAY KUMAR ARORA)  
Whole Time Director  
DIN: 00462664



**Independent Auditor's Report for the Standalone Financial Statements of Kwaliti Pharmaceuticals Limited**

To

**The Members of  
Kwaliti Pharmaceuticals Limited.**

**Report on the Audit of the Standalone Financial Statements**

**Opinion**

We have audited the accompanying financial statements of **Kwaliti Pharmaceuticals Limited** (“the Company”), which comprise the Standalone Balance Sheet as at **31<sup>st</sup> March, 2020**, the Standalone Statement of Profit and Loss and the Standalone Cash Flow Statement (collectively referred as “Standalone Financial Statements”) for the year then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at **March 31, 2020**, and profit/loss, and its cash flows for the year ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Description of Key Audit Matter**

**Existence and condition of Inventory of Raw Material, Packing and Finished Goods as at Balance Sheet Date.**

The inventory of the company is located at its factories at Nagkalan Amritsar, Raja Ka Bagh Himachal Pradesh and its supplying locations at the Lucknow Uttar Pradesh and Ahmedabad, Gujarat. The company management undertakes physical verification of these inventories during the year at the reasonable intervals. The year end physical verification as per standard procedure was however not effected due to covid-19 related lockdowns and restrictions, whereby the company management carried out and completed subsequent to year end required physical verification and carried out other procedures to validate the existence and condition of the inventory at the Balance Sheet date. Due to Covid related movement restrictions we too were unable to attend subsequent to year end physical verification and counting of inventory, but however we took support of virtual media to participate in verification and undertook other audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventories at the balance sheet date and indentified it as a key Audit matter.

**How the matter was addressed in our Audit**

Covid-19 related lockdowns and physical movement restrictions impaired the procedures related to physical verification of inventories as at balance sheet date. As per the Standard on Auditing SA 501 “Audit Evidence – Specific Considerations for selected Items” if attendance at the physical counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of the inventory. Taking guidance from the SA 501, we participated and observed the physical verification and counting of inventories by the management through virtual media at various locations to verify the set procedure adopted for inventory verification. Also as an alternate procedure to arrive at the quantities at the balance sheet date, we carried out roll back procedures on sample basis by verifying post balance sheet records related to sales, stock transfers, production, purchases etc having impact on movement of inventory.

**Information other than the financial statements and auditors’ report thereon**

The Company’s board of directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board’s Report including Annexures to Board’s Report, Corporate Governance and Shareholder’s Information, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Managements Responsibility for the Standalone Financial Statements**

The Company’s Board of Directors is responsible for the matters stated in section 134(5) of the



Companies Act, 2013 with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

#### **Auditors Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are



inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 (the Order) issued by the Central Government in terms of Section 143(11) of the Act, we enclose in the **Annexure "A"** statement on matters specified in paragraph 3 & 4 of the said order.

#### **2. As required by Section 143(3) of the Act, we report that:**

a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e. On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".



**Annual Report 2019-20**

g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197 (16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act; and

h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i) The Financial statements disclose the impact of pending litigations on the financial position of the company. Refer note 40 of notes and disclosures forming part of standalone financial statements annexed with the standalone financial statements.

ii) The Company did not have any long-term contracts including derivative contracts as such the question of commenting on any material foreseeable losses thereon doesn't arise.

iii) There has not been an occasion in case of the company during the year under report to transfer any sums to the Investor Education and Protection Fund.

**For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)**

**Sd/-**

**CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347**

**Place:-Amritsar  
Date:-13-07-2020**



**ANNEXURE A – Report under the Companies (Auditor’s Report) Order, 2016 of the Standalone Financial Statements of Kquality Pharmaceuticals Limited**

**Referred to in of our report of even date**

In terms of the information and explanations sought by us and given by the company and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that: –

(i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to us, all the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the Company’s Registered Office and Manufacturing unit is situated at Village Nag kalan, Majitha Road, Amritsar, Punjab, is on leased premises. The same premises is owned by Mr. Ramesh Arora and Mr. Ajay Arora, Promoters of the Company and the lease is for initial period of 49 years. Similarly, another manufacturing unit is situated at Plot No. 1-A, industrial Area Raja Ka Bagh, Tehsil Nurpur, District Kangra, Jassur, Himachal Pradesh is on also on leased premises. The same premises is owned by Government of Himachal Pradesh and the lease is for long term.

(ii) (a) As explained to us, the inventory has been physically verified at reasonable intervals during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and on the basis of our examination of the records, the company is generally maintaining proper records of its inventories. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.

(iii) As explained to us, the company has granted loan to its subsidiary listed in register maintained under section 189 of The Companies Act, 2013 (Act). The subsidiary Company named Kquality Pharmaceuticals Africa Limitada incorporated on 20.09.2013 under the laws of Africa having identification number as 100428873. The registered office of the Company is located at Mozambique, Maputo Cidade, Distrito Urbano 1, Bairro de Central, Africa.

a) The subsidiary is incorporated with the intention of import export and marketing of pharmaceutical products of the company. The terms of the aforementioned loan are not prejudicial to the interest of the company.

b) The terms of the loan do not prescribe any schedule of repayment of principal and payment of interest.

c) As stated above the terms do not provide for schedule of repayment and thus comments on status of over dues can’t be made.

(iv) The company has not given any loans, investments, guarantees, and security according to the provisions of the section 185 and 186 of the Companies Act, 2013 during the year.

(v) The Company has not accepted any deposits from the public as per the provisions of section 73 to 76 of the Companies Act 2013.



(vi) The maintenance of cost records has been specified by the central government under sub section (1) of section 148 of the Companies Act, 2013 and such accounts and records have been so made and maintained by the company.

(vii) According to the information and explanations given to us and on the basis of our examination of the records of the Company,

(a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, Goods & Service Tax, Cess and other material statutory dues applicable to it. However, in few cases company has deposited TDS and GST after due dates and paid interest on late payments.

(b) The details of dues of Income Tax that have not been deposited on account of dispute is as under:

ACIT Circle IV – Amritsar vide an order U/s 143(3) of the Income Tax Act 1961 dated 28-09-2016 made certain additions and computed the total income of the Assessee company at Rs 4,04,00,070/- against the total income declared by the company at Rs 88,99,070/- for the Assessment year 2012-2013. The assessee company went in appeal against this order of the assessing officer with CIT (Appeals) Amritsar. CIT (Appeals) vide its order u/s 250(6) dated 26/10/2016 partly deleted additions amounting to Rs 2,00,00,000/- and confirmed the part additions amounting to Rs 1,15,01,000/-. The assessee Company has filed further appeal to Income Tax Appellate Tribunal on 25/11/2016 vide ITA 587/Asr/2016 for deleting the additions confirmed by the CIT (Appeals). Similarly the Income Tax Department has also filed a parallel appeal against CIT (Appeals) order deleting the additions of Rs 2,00,00,000/- on 05/12/2016 vide ITA 623/Asr/2016. The order of the ITAT is pending till date. And as per the information received the final hearings for both the appeals are on 25.08.2020.

The total additional tax demand of Rs 1,33,53,680/- created vide order of assessing officer stands reduced proportionately by deletion of additions amounting to Rs 2,00,00,000/- against total additions of Rs 3,15,01,000/-. The assessee company though filed appeal against that CIT (Appeals) order, as stated above, but however has already deposited in protest demand proportionately to the total assessment made.

(viii) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion, the company has not defaulted in repayment of dues to a financial institution, bank, Government or dues to debenture holders.

(ix) In our opinion and according to the information and explanations given to us, the money raised by way of term loans were applied for the purposes for which those were raised. The company has not raised money by way of Initial Public Offer/Further Public Offer during the year.

(x) Based upon the audit procedures performed and according to the information and explanations given to us, no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the course of our audit, that causes the financial statements to be materially misstated.

(xi) According to the information and explanations given to us, managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provision of Section 197 read with schedule 5 to the Companies Act, 2013.

(xii) The company is not a Nidhi Company hence this clause is not applicable.



(xiii) Based upon the audit procedures performed and according to the information and explanations given to us, all transactions with related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the Financial statements etc. as required by the applicable accounting standards.

(xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the company has not entered into any non-cash transactions with directors or persons connected with him and provisions of section 192 of the Act are not applicable.

(xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)**

**Sd/-**

**CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347**

**Place:-Amritsar  
Date:-13-07-2020**



**ANNEXURE B: To The Independent Auditor's Report of even date on the Standalone Financial Statements of Kwalita Pharmaceuticals Limited**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **Kwalita Pharmaceuticals Limited ("the Company")** as at **March 31, 2020** in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A



company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at **March 31, 2020**, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)**

Sd/-

**CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347**

**Place:-Amritsar  
Date:-13-07-2020**



**KWALITY PHARMACEUTICALS LIMITED**  
STANDALONE BALANCE SHEET AS AT 31ST MARCH, 2020

Particulars		Note	As at 31 March,2020 (Audited)	As at 31 March,2019 (Audited)
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
1	Shareholders' funds			
	(a) Share capital	1	1037.62	1037.62
	(b) Reserves and surplus	2	3671.87	2828.72
			4709.49	3866.34
2	Share application money pending allotment		-	-
3	Non-current liabilities			
	(a) Long-term borrowings	3	1017.65	701.26
	(b) Deferred tax liabilities (net)	4	-	11.98
	(c) Other long-term liabilities	5	918.04	-
	(d) Long-term provisions	5A	62.17	52.45
			1997.86	765.70
4	Current liabilities			
	(a) Short-term borrowings	6	2123.93	1872.75
	(b) Trade payables	7		
	(i) Total outstanding dues to Micro and Small enterprises		918.18	331.69
	(ii) Total outstanding dues other than Micro and Small enterprises		1378.36	1375.10
	(c) Other current liabilities	8	2040.22	2157.48
	(d) Short-term provisions	9	300.00	330.00
			6760.69	6067.02
	<b>TOTAL</b>		<b>13468.04</b>	<b>10699.05</b>
<b>B</b>	<b>ASSETS</b>			
1	Non-current assets			
	(a) Property Plant & Equipment			
	(i) Tangible	10	4162.74	2802.35
	(b) Non-current investments	11	420.21	463.73
	(c) Deferred Tax Assets(Net)	4	19.98	-
	(c) Long-term loans and advances	12	12.33	12.33
	(d) Other non-current assets	13	-	3.46
			4615.26	3281.87
2	Current assets			
	(a) Current investments	14	333.75	382.41
	(b) Inventories	15	2241.68	1124.24
	(c) Trade receivables	16	3034.52	3874.53
	(d) Cash and cash equivalents	17	114.65	28.00
	(e) Short-term loans and advances	18	3124.72	2004.54
	(f) Other current assets	19	3.46	3.46
			8852.78	7417.18
	<b>TOTAL</b>		<b>13468.04</b>	<b>10699.05</b>
	See accompanying notes forming part of the financial statements			

In terms of our Report Attached

For and on behalf of the Board of Directors

For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)

Sd/-

CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347

Place : Amritsar

Date : 13.07.2020

Sd/-  
(Ramesh Arora)  
Managing Director  
DIN: 00462656

Sd/-  
(Gurpreet Kaur)  
Company Secretary

Sd/-  
(Ajay Kumar Arora)  
Whole Time Director  
DIN: 00462664

Sd/-  
(Aditya Arora)  
Whole Time Director  
& CFO  
DIN: 07320410



KQUALITY PHARMACEUTICALS LIMITED  
STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2020

Particulars	Note	As at 31 March,2020 (Audited)	As at 31 March,2019 (Audited)
<b>A CONTINUING OPERATIONS</b>			
1 Revenue from operations (gross)	20	13868.38	16515.08
2 Other income	21	392.05	92.77
3 Total revenue (1+2)		14260.43	16607.85
4 Expenses			
(a) Cost of materials consumed	22	9191.93	11406.02
(b) Purchases of stock-in-trade		67.02	13.30
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	(551.68)	515.17
(d) Employee benefits expense	24	1168.61	842.67
(e) Finance Cost	25	249.88	221.16
(f) Depreciation and amortisation expense	10	439.46	305.70
(g) Other expenses	26	2581.20	2214.19
Total expenses		13146.42	15518.21
5 Profit/(Loss) from operations before Exceptional items (3-4)		1114.01	1089.64
6 Exceptional items		-	-
7 Profit / (Loss) before extraordinary items and tax (6-7)		1114.01	1089.64
8 Extraordinary items		-	-
9 Profit / (Loss) before tax (7± 8)		1114.01	1089.64
10 Tax expense:			
(a) Current Tax		300.00	330.00
(b) Deferred Tax		(31.96)	(8.97)
(c) Income Tax relating to earlier Years		2.82	13.89
11 Profit / (Loss) from continuing operations (9 ±10)		843.15	754.72
<b>B DISCONTINUING OPERATIONS</b>			
12 Profit / (Loss) from discontinuing operations		0.00	0.00
13 Profit / (Loss) for the year (11 ± 12)		843.15	754.72
14 Paid up equity share capital (Face value of Rs.10 per share)		1037.62	1037.62
15 Earning Per Share (EPS) (Not Annualised)			
(a) Basic (Rs.)		8.13	7.27
(b) Diluted (Rs.)		8.13	7.27
(c) Adjusted (Rs.)		-	-
See accompanying notes forming part of the financial			

In terms of our Report Attached  
For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)

Sd/-  
CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347

Place : Amritsar  
Date : 13.07.2020

For and on behalf of the Board of Directors

Sd/-  
(Ramesh Arora)  
Managing Director  
DIN: 00462656

Sd/-  
(Gurpreet Kaur)  
Company Secretary

Sd/-  
(Ajay Kumar Arora)  
Whole Time Director  
DIN: 00462664

Sd/-  
(Aditya Arora)  
Whole Time Director & CFO  
DIN: 07320410



KWALITY PHARMACEUTICALS LIMITED

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 1 SHARE CAPITAL**

	As at 31 March,2020		As at 31 March,2019	
	Number of shares	Rs. In Lakhs	Number of shares	Rs. In Lakhs
(a) Authorised				
Equity shares of Rs. 10 each with voting rights	16000000	1600.00	16000000	1600.00
(b) Issued				
Equity shares of Rs. 10 each with voting rights	10376198	1037.62	10376198	1037.62
(c) Subscribed and fully paid up				
Equity shares of Rs. 10 each with voting rights	10376198	1037.62	10376198	1037.62
(d) Subscribed but not fully paid up	-	-	-	-
<b>Total</b>	<b>10376198</b>	<b>1037.62</b>	<b>10376198</b>	<b>1037.62</b>

**Note 2 RESERVES AND SURPLUS**

	As at 31 March,2020		As at 31 March,2019	
	(a) Securities premium account			
Opening balance	846.77		846.77	
Add : Premium on calls paid	-		-	
Closing balance		846.77		846.77
(b) Investment Allowance Reserve		0.21		0.21
(c) Land & Building Revaluation Reserve		80.00		80.00
(d) Capital Reserve		8.00		8.00
(e) Surplus / (Deficit) in Statement of Profit and Loss				
Opening balance	1893.75		1139.02	
Add: Profit / (Loss) for the year	843.15		754.72	
Less :Appropriations				
Less: Bonus Issue	-		-	
Interim Dividend	-		-	
Dividend Distribution Tax	-		-	
Closing balance		2736.89		1893.75
<b>Total</b>		<b>3671.87</b>		<b>2828.72</b>

**Note 3 LONG TERM BORROWINGS**

	As at 31 March,2020		As at 31 March,2019	
	(a) Term loans			
From Banks (Secured)		808.02		530.72
From other parties				
Secured	9.63		170.55	
Unsecured	200.00			
		209.63		170.55
(b) For the current Maturities of Long Term debt refer Note Other Current Liabilities				
<b>Total</b>		<b>1017.65</b>		<b>701.26</b>

**Note 4 DEFERRED TAX LIABILITY/ ASSET**

	As at 31 March,2020		As at 31 March,2019	
	Deferred tax Liability/Assets			
Tax effect of items constituting deferred tax liability				
On difference between book balance and tax balance of fixed assets, as restated with respect to previous years		11.98		20.95
Current Year Adjustment of deferred Tax Asset		(31.96)		(8.97)
Net deferred tax liability / (asset)		(19.98)		11.98

**Note 5 OTHER LONG-TERM LIABILITIES**

	As at 31 March,2020		As at 31 March,2019	
	Security Deposits against Supply /Sale of Goods		918.04	
<b>Total</b>		<b>918.04</b>		<b>0.00</b>



Note 5A LONG TERM PROVISIONS

	As at 31 March,2020	As at 31 March,2019
Provision for Gratuity	62.17	52.45
<b>Total</b>	<b>62.17</b>	<b>52.45</b>

Note 6 SHORT TERM BORROWINGS

	As at 31 March,2020	As at 31 March,2019
Loans repayable on demand		
From Banks		
(a) Cash Credit Facility	1108.21	768.24
(b) Packing Credit Facility	1015.73	1104.51
Loans from Banks are secured against Inventory, Book Debts and Collateral securities in Immovable Properties	2123.93	1872.75
<b>Total</b>	<b>2123.93</b>	<b>1872.75</b>

Note 7 TRADE PAYABLES

	As at 31 March,2020	As at 31 March,2019
Trade payables:		
(a) Total outstanding dues of Micro Enterprises and Small Enterprises	918.18	331.69
(b) Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	1378.36	1375.10
<b>Total</b>	<b>2296.53</b>	<b>1706.79</b>

Note 8 OTHER CURRENT LIABILITIES

	As at 31 March,2020	As at 31 March,2019
(a) Current Maturities of Long-Term Debts	355.18	241.90
(b) Interest Accrued but not due on borrowings	4.75	5.44
(c) Other payables	-	-
Statutory Remittances	15.72	22.12
Security Deposits Received	4.50	4.50
Credit balances in Directors Salary A/c	103.63	50.69
Other Expenses Payable	128.85	120.04
Advances from customers	1427.59	1712.78
	2040.22	2157.48
<b>Total</b>	<b>2040.22</b>	<b>2157.48</b>

Note 9 SHORT TERM PROVISIONS

	As at 31 March,2020	As at 31 March,2019
Provision for Taxation	300.00	330.00
<b>Total</b>	<b>300.00</b>	<b>330.00</b>

Note 11 NON CURRENT INVESTMENTS

	As at 31 March,2020	As at 31 March,2019
Investment in equity instruments		
Gold Coins	2.88	2.88
Trustline Securities Ltd.	0.38	23.45
Gratuity Fund Investments	62.17	52.45
Investment in Subsidiary		
Kwality Pharmaceuticals Africa Lda (Mozambique)	354.78	384.94
<b>Total</b>	<b>420.21</b>	<b>463.73</b>



Note 12 LONG TERM LOANS AND ADVANCES

	As at 31 March,2020		As at 31 March,2019	
Security Deposits		12.33		12.33
<b>Total</b>		<b>12.33</b>		<b>12.33</b>

Note 13 OTHER NON CURRENT ASSETS

	As at 31 March,2020		As at 31 March,2019	
Unamortised Share Issue Expenses		0.00		3.46
<b>Total</b>		<b>0.00</b>		<b>3.46</b>

Note 14 CURRENT INVESTMENTS

	As at 31 March,2020		As at 31 March,2019	
Fixed Deposits including deposits towards Margin Money Against Guarantees		333.75		382.41
<b>Total</b>		<b>333.75</b>		<b>382.41</b>

Note 15 INVENTORIES

(As taken valued and certified by the Directors)

	As at 31 March,2020		As at 31 March,2019	
(a) Raw materials at cost		1108.61		597.88
(b) Finished goods at cost or net realisable value which ever is lower		593.71		132.94
(c) Packing Material at Cost		539.37		393.42
<b>Total</b>		<b>2241.68</b>		<b>1124.24</b>

Note 16 TRADE RECEIVABLES

	As at 31 March,2020		As at 31 March,2019	
Trade receivables outstanding for a period exceeding six months from the date they were due for payment				
Secured, considered good	-		-	
Unsecured, considered good	685.55		712.14	
Doubtful	-		-	
Less: Provision for doubtful trade receivables	-		-	
		685.55		712.14
Other Trade receivables				
Unsecured, considered good	2348.97		3162.40	
Less: Provision for doubtful trade receivables	-		-	
		2348.97		3162.40
<b>Total</b>		<b>3034.52</b>		<b>3874.53</b>

Note 17 CASH AND CASH EQUIVALENTS

	As at 31 March,2020		As at 31 March,2019	
(a) Cash on hand		18.69		7.83
(b) Balances with banks				
(i) In current accounts		95.95		20.18
<b>Total</b>		<b>114.65</b>		<b>28.00</b>

Note 18 SHORT TERM LOANS AND ADVANCES

	As at 31 March,2020		As at 31 March,2019	
(a) Security deposits		263.73		267.73
(b) Prepaid expenses		8.27		2.58
(c) Balances with government authorities		2201.39		1337.58
(d) Advances for supply of goods and services		651.33		396.66
<b>Total</b>		<b>3124.72</b>		<b>2004.54</b>



Note 19 OTHER CURRENT ASSETS

	As at 31 March,2020		As at 31 March,2019	
Deferred Revenue Expenditure:				
(a) Share Issue expenses		3.46		3.46
<b>Total</b>		<b>3.46</b>		<b>3.46</b>

Note 20 REVENUE FROM OPERATIONS

	As at 31 March,2020		As at 31 March,2019	
Sale of products				
Domestic		5986.45		8158.29
Export Sales		7881.94		8356.79
<b>Total</b>		<b>13868.38</b>		<b>16515.08</b>

Note 21 OTHER INCOME

	As at 31 March,2020		As at 31 March,2019	
Interest on:				
Interest on FDR	17.91		16.55	
Interest on loan,Mozambique	36.99		36.99	
Interest on Electricity	1.06			
		55.96		53.54
D.E.P.B and Duty Drawback Export Incentives		304.43		32.97
Profit on Sale of Assets		10.58		0.00
Foreign Currency Adjustment		15.30		0.61
Rebate and Discount		0.35		3.39
Other Income		5.43		2.27
<b>Total</b>		<b>392.05</b>		<b>92.77</b>

Note 22 COST OF MATERIAL CONSUMED

	As at 31 March,2020		As at 31 March,2019	
Opening stock Raw material and Packing material	1081.51		843.21	
Add: Purchases Raw material and Packing material	9757.69		11554.11	
	10839.20		12397.32	
Less: Purchase return		10839.20		12397.32
Less: Closing stock Raw material and Packing material		1647.27		991.30
<b>Total</b>		<b>9191.93</b>		<b>11406.02</b>

Note 23 CHANGES IN INVENTORY OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE

	As at 31 March,2020		As at 31 March,2019	
Opening stock Finished Goods	42.73		637.11	
Stock in Trade (Transfer)	-		10.99	
Less: Closing stock of Finished Goods	594.41		132.94	
		(551.68)		515.17
<b>Total</b>		<b>(551.68)</b>		<b>515.17</b>

Note 24 EMPLOYEE BENEFITS EXPENSE

	As at 31 March,2020		As at 31 March,2019	
Salaries and wages		917.94		671.08
Directors Remuneration		100.80		81.60
Provision for gratuity		0.50		2.92
Contributions to provident and other funds		73.36		39.18
Staff welfare expenses		76.01		47.88
<b>Total</b>		<b>1168.61</b>		<b>842.67</b>



Note 25 FINANCE COSTS

	As at 31 March,2020		As at 31 March,2019	
(a) Interest expense on:				
(i) Bank Borrowings		232.52		202.20
(iii) Interest & financial chgs on vehicle & other loa		12.62		13.52
(iv) Interest Accrued but not due on borrowings		4.75		5.44
<b>Total</b>		<b>249.88</b>		<b>221.16</b>

Note 26 OTHER EXPENSES

	As at 31 March,2020		As at 31 March,2019	
Director's Sitting Fees		0.36		0.36
Bank Rating Charges		2.20		0.90
Commision on Purchase		0.00		0.70
Communication		4.79		8.31
Customs Duty Charges		18.38		41.98
CSR Expenditure		17.62		11.83
Export Ocean Freight		98.11		139.35
Exports Agency Charges		6.34		5.77
Exports Clearing Charges		4.14		4.73
Factory Exp.		118.43		73.08
Fees and taxes		10.84		8.56
Freight and forwarding		599.12		614.64
Insurance		93.38		26.14
Import Clearing Charges		5.56		1.41
Inward expenses		0.63		0.71
Legal and professional		106.43		31.71
Management & Consultancy expenses		10.96		12.56
Miscellaneous expenses		6.63		3.86
Office Expenditure		27.95		13.07
Payments to auditors :				
As Auditors	4.00		4.00	
For other Services	-		2.30	
		4.00		6.30
Postage & Telegram		19.56		18.98
Power, Fuel , Gases & Electricity		418.82		369.79
Printing and stationery		78.37		6.95
Rent including lease rentals		305.84		3.72
Repairs and maintenance		3.17		291.71
Sales commission		308.08		276.84
Tender Expenses		1.40		1.23
Testing, Laboratory charges		176.00		147.48
Travelling and conveyance		45.48		25.89
Festival Expense		4.84		-
Fine & Penalty		0.39		2.53
Share Issue Expense & Other Deferred Revenue Expenses		3.46		3.46
Consumable Stores & Spares		40.61		24.07
Advertisement & Publicity		2.92		2.96
Interest & Late Fees on TDS Defaults		0.37		-
Sales Promotion		36.02		32.63
<b>Total</b>		<b>2581.20</b>		<b>2214.19</b>



KWALITY PHARMACEUTICALS LIMITED (erstwhile M/s Kwaliti Pharmaceuticals Private Limited)			
Standalone Cash Flow Statement for the year ended 31st March 2020			
	Year ended 31st March 2020	Year ended 31st March 2019	
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	1114.01		1089.64
Adjustments for:			
Depreciation	439.46	305.70	
(Profit)/loss on sale of Assets	(10.58)	-	
Long-term Provision for Gratuity	0.50	(2.59)	
Amortisation of Share Capital Expenses	3.46	3.46	
Interest & Finance Charges	249.88	221.15	
Interest on FDR	(17.91)	(16.55)	
Interest on Investment, deposits and advances	(38.05)	(36.99)	
Investment in shares written off	-	-	
	626.76		474.19
Operating Profit before Working Capital Changes	1,740.77		1,563.83
Adjustments for:			
Decrease/(Increase) in Receivables	840.01	(158.49)	
Decrease/(Increase) in Short Term Loans & advances	(1,120.17)	(351.13)	
Decrease/(Increase) in Inventories	(1,117.44)	368.39	
Decrease/(Increase) in Other Current Assets	-	-	
Decrease/(Increase) in Current Investments	48.66	60.61	
Increase/(Decrease) in Other current Liabilities	(117.27)	569.16	
Increase/(Decrease) in Short Term Provisions	(30.00)	70.00	
Increase/(Decrease) in Payables	589.74	(482.18)	
	(906.47)		76.37
Cash generated from operations	834.30		1,640.20
Less: Income Tax	270.86		343.89
Net Cash flow from Operating activities (A)	563.44		1,296.31
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(2,073.85)	(1,181.39)	
Sale of Fixed Assets	284.58	0.00	
Decrease in Investment	52.75	(52.39)	
Interest on Investment	36.99	36.99	
Interest on Electricity Deposit	1.06	0.00	
Interest on FDR	17.91	16.55	
Decrease in Other Non Current Assets	(31.96)		
Net Cash used in Investing activities (B)	(1,712.52)		(1,180.24)
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long term Borrowings	706.91	714.79	
Proceeds from Short term Borrowings	25,045.50	24165.04	
Repayment of Long Term Borrowings	(390.53)	(424.82)	
Repayment of Short Term Borrowings	(24,794.31)	(24,425.14)	
Interest paid	(249.88)	(221.15)	
Increase in Long term Liabilities	918.04		
Share Issue Expenses	-	-	
Net Cash from financing activities (C)	1,235.73		(191.28)
Net increase in cash & Cash Equivalents (A+B+C)	86.64		(75.22)
Opening Cash and Cash equivalents	28.00		103.22
Closing Cash and Cash equivalents	114.64		28.00
Cash & Cash Equivalents		As on	As on
		31.03.2020	31.03.2019
Cash in Hand		18.69	7.83
Cash at Bank		95.95	20.18
Cash & Cash equivalents as stated in Financial Statements		114.65	28.00

In terms of our Report Attached  
For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)

For and on behalf of the Board of Directors

Sd/-  
CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347

Place : Amritsar  
Date : 13.07.2020

Sd/-  
(Ramesh Arora)  
Managing Director  
DIN: 00462656

Sd/-  
(Gurpreet Kaur)  
Company Secretary

Sd/-  
(Ajay Kumar Arora)  
Whole Time Director  
DIN: 00462664

Sd/-  
(Aditya Arora)  
Whole Time Director  
& CFO  
DIN: 07320410



Note 10 FIXED ASSETS

Description of Assets	Gross Block (At Cost)			Accumulated Depreciation			Net Block		
	As at 01.04.19	Additions during the year	Sale/ Deductions during the year	As at 31.03.2020	Upto 31.03.2019	Dep on asset sold	For the year ended 31.03.2020	As at 31.03.2020	As at 01.04.19
Plant & Machinery	1811.83	705.74	580.12	1937.46	728.03	308.53	178.52	598.02	1083.81
Plant & Machinery WIP	0.00	610.82	0.00	610.82	0.00	0.00	0.00	0.00	0.00
Building	732.79	146.33	0.89	878.23	419.35	0.00	22.86	442.21	313.45
New Building under Construction	648.46	259.44	1.52	906.38	0.00	0.00	0.00	0.00	648.46
Furniture	58.66	50.81	0.00	109.47	30.89	0.00	14.46	45.36	27.77
Vehicles	552.05	17.95	0.00	570.00	311.22	0.00	82.51	393.73	240.83
Computer Equipment	132.19	55.01	0.00	187.19	103.91	0.00	38.45	142.36	28.27
Laboratory Equipment	482.73	200.12	0.00	682.85	172.55	0.00	81.46	254.01	310.18
Office Equipment	24.38	3.48	0.00	27.87	16.96	0.00	6.28	23.24	7.43
Lit. A/c.	31.17	0.00	0.00	31.17	12.07	0.00	5.96	18.03	19.10
Electric Fittings	46.14	24.15	0.00	70.29	28.88	0.00	8.96	37.85	17.26
Land	105.80	0.00	0.00	105.80	0.00	0.00	0.00	0.00	105.80
Total	4626.21	2073.85	582.53	6117.54	1823.86	308.53	439.46	1954.80	2802.35
Previous Year Figure	3444.83	1181.39	0.00	4626.21	1518.16	0.00	305.70	1823.86	1926.67

**KWALITY PHARMACEUTICALS LIMITED****NOTES & DISCLOSURES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2020****27. DISCLOSURES RELATING TO SHARE CAPITAL**

Reference: **Note 1** of the Standalone Financial Statements in relation to **“Share Capital”**

**i) *Rights, Preferences and Restrictions attached to Equity Shares***

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share however no shareholder who has not paid call money on his/her shares shall be entitled to vote either personally or by proxy in respect of any of such partly paid shares.

**ii) *Equity Shares held by each shareholder holding more than 5 percent Equity Shares in the company are as follows:***

Name of Shareholder	As at 31 <sup>st</sup> March 2020		As at 31 <sup>st</sup> March 2019	
	No. of Equity Shares held	% Holding	No. of Equity Shares held	% Holding
Ramesh Arora	3202484	30.86%	2966016	28.58%
Ajay Arora	1395628	13.45%	1395628	13.45%
T R Metals Private Ltd.	-	-	1381470	13.31%
RKK PORTFOLIO PRIVATE LIMITED	1381470	13.31%	-	-
DEEPAK BANSAL	637878	6.15%	-	-
Ways Vinimay Private Ltd.	563994	5.43%	563994	5.43%

**iii) *Reconciliation of the number of equity shares and amount outstanding at the beginning and at the end of the reporting period.***

Particulars	As at 31 <sup>st</sup> March 2020		As at 31 <sup>st</sup> March 2019	
	No. of Equity Shares held	Amount in Rupees	No. of Equity Shares held	Amount in Rupees
Opening Balance	10376198	10,37,61,980	10376198	10,37,61,980
Add: Fresh Issue	-	-	-	-
Add: Bonus Share Issue	-	-	-	-
Closing Balance	10376198	10,37,61,980	10376198	10,37,61,980

**28. TERMS OF BORROWINGS AND NATURE OF SECURITIES**

Reference: **Note 3** and **Note 6** of the Standalone Financial Statements in relation to **“Long Term Borrowings”** and **“Short Term Borrowings”** respectively

The natures of security along with terms of repayment are as per details given below:



<b>S.No.</b>	<b>Nature of Security</b>	<b>Terms of Repayment</b>
1.	<b>I 20 Car</b>	The loan is repayable in 60 instalments of Rs. <b>15,700/-</b> each starting from June 2015
2.	<b>Chevrolet Cruze Car</b>	The loan is repayable in 60 installments of Rs. <b>28,992/-</b> each starting from December 2015
3.	<b>Jaguar</b>	The loan is repayable in 60 installments of Rs. <b>1,17,010/-</b> each starting from April 2016
4.	<b>Mercedes Car</b>	The loan is repayable in 60 installments of Rs. <b>1,09,493/-</b> each starting from May 2017
5.	<b>Skoda Car</b>	The loan is repayable in 60 installments of Rs. <b>20,914/-</b> each starting from November 2016
6.	<b>Skoda Car</b>	The loan is repayable in 60 installments of Rs. <b>20,914/-</b> each starting from November 2016
7.	<b>Innova Car</b>	The loan is repayable in 60 installments of Rs. <b>31,065/-</b> each starting from April 2018
8.	<b>Swift Car</b>	The loan is repayable in 36 installments of Rs. <b>25,410/-</b> each starting from April 2018
9.	<b>Truck</b>	The loan is repayable in 59 installments of Rs. <b>33,153/-</b> each starting from February 2018
10.	<b>BBG-WC Term Loan</b>	The loan is repayable in 48 installments of Rs. <b>10,26,654/-</b> each starting from February 2019
11.	<b>BMW 6 SERIES</b>	The loan is repayable in 60 installments of Rs. <b>1,38,932/-</b> each starting from December 2018
12.	<b>BMW X3</b>	The loan is repayable in 60 installments of Rs. <b>1,07,926/-</b> each starting from February 2019
13.	<b>Maruti Suzuki eeco 5 seated</b>	The loan is repayable in 60 installments of Rs. <b>6,851/-</b> each starting from September 2018
14.	<b>BBG- WC Term Loan</b>	The loan is repayable in 59 installments of Rs. <b>4,62,734/-</b> each starting from November 2015
15.	<b>BBG- WC Term Loan</b>	The loan is repayable in 61 installments of Rs. <b>8,93,845/-</b> each starting from June 2018
16.	<b>Breeza Car</b>	The loan is repayable in 36 installments of Rs. <b>30,124/-</b> each starting from July 2019
17.	<b>EECO Car</b>	The loan is repayable in 36 installments of Rs. <b>12,815/-</b> each starting from December 2019
18.	<b>TATA Yodha (Truck)</b>	The loan is repayable in 36 installments of Rs. <b>17,320/-</b> each starting from July 2019
19.	<b>BBG- WC Term Loan</b>	The loan is repayable in 60 installments of Rs. <b>8,77,479/-</b> each starting from June 2019

Vehicle Loans are secured by hypothecation of vehicles in favor of the Bank. Similarly, machinery term loans are secured by hypothecation of machinery in favor of the Bank.



Cash Credit, Term Loan, Pre shipment, Post Shipment, FLC, PSL, PCFC and BG are secured by hypothecation of all types of stocks and other material at factory/godown or at other places as approved by the bank from time to time including goods in transit and receivables, i.e. stock and book debts; hypothecation of plant and machinery and FDR margin.

All the Loans and Advances from the bank, including Working Capital limits and other credit facilities from the Bank are collaterally secured by equitable mortgage of the following properties:

- i) Industrial Property bearing killa no. 152/5 (6-17), 152 (8-0), KhewatKhatoni No. 368/435, 581/761, Rakba 14K, 17M situated at Nag Kalan Amritsar, owned by Mr. Ramesh Arora and Mr. Ajay Arora, directors of the Company.
- ii) Industrial Property at Noorpur, Himachal Pradesh on long term lease from government of Himachal Pradesh.

**29. RECLASSIFICATION OF LIABILITES INTO CURRENT AND NON-CURRENT**

Reference: **Note 3**, **Note 8** and **Note 25** of the Standalone Financial Statements in relation to **“Long Term Borrowings”**, **“Other Current Liabilities”** and **“Finance Costs”** respectively Repayment of long term borrowings that are due within a year have been reclassified as current maturities of the long term borrowings, depicted under the head Other Current Liabilities in order to facilitate fair comparison between previous year and current year figures. Interest accrued but not due on long term borrowings has been shown in Finance Costs and depicted under the head “Other Current Liabilities” in the Balance Sheet.

**30. TAXES ON INCOME AND TIMING DIFFERENCES**

Reference: **Note 4** of the Standalone Financial Statements in relation to **“Deferred Tax Liabilities”**

The timing difference mainly relates to difference in depreciation rates & methods as per Companies Act, 2013 and Income Tax Act, 1961, resulting in deferred tax asset as per Accounting Standard 22 on “Accounting for Taxes on Income”

In accordance with the Accounting Standard 22 “Accounting for Taxes on Income issued by the ICAI, the company has accounted for deferred taxes during the year.

Component	DTA/(DTL) as on 31.03.2019	DTA/(DTL) for the year 2019-20	DTA/(DTL) as on 31.03.2020
Opening balance of Deferred Tax Liability	(11.98)		
On Account of Difference between depreciation as per books of accounts and Income Tax Act, 1961		31.96	
Closing Balance of Deferred Tax			19.98



(Liability)/Asset			
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### **31. ACCOUNTING STANDARD (AS-15) ON EMPLOYEE BENEFITS**

Reference **Note 24** of the Standalone Financial Statements in relation to **“Employee Benefit Expenses”**

The Company has incurred following Employee Benefit Expenses during the year:

	Year ended 31 <sup>st</sup> March 2020 (in Rs.)	Year ended 31 <sup>st</sup> March 2019 (in Rs.)
Contribution to Provident Fund	49,86,600/-	23,79,148/-
Contribution to Employee State Insurance Scheme	23,48,996/-	15,39,295/-
Provision for Gratuity	50,000/-	2,91,869/-

### **32. TRADE PAYABLES AND MICRO AND SMALL ENTERPRISES' DUES**

Reference: **Note 7** of the Standalone Financial Statements in relation to **“Trade Payables”**

Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. There are total Rs.918.18 Lakhs of dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development, 2006. Total Outstanding Trade Payables as on March 31<sup>st</sup>, 2020 are Rs. 2296.54 Lakhs and March 31<sup>st</sup>, 2019 are Rs. 1706.79 Lakhs.

### **33. SHORT-TERM PROVISIONS**

Reference: **Note 9** of the Standalone Financial Statements in relation to **“Short-term Provisions”**

As per the best estimates and projections of the management, provision for income tax amounting to Rs. 300.00 Lakhs (Previous Year Rs. 330.00 Lakhs) has been made as per Accounting Standard 29 on “Provisions, Contingent Liabilities and Contingent Assets.”

### **34. INVESTMENT IN FOREIGN SUBSIDIARY**

Reference: **Note 11** and **Note 21** of the Standalone Financial Statements in relation to **“Non-Current Investments”** and **“Other income”**

The Company has a foreign subsidiary in which the company holds 51% of share capital. The subsidiary Company named Kwality Pharmaceuticals Africa Limitada incorporated on 20.9.2013 under the laws of Africa have identification number as 100428873. The registered office of the Company is located at Mozambique, Maputo Cidade, Distrito Urbano 1, Bairro de Central, Africa. The company has invested in the share capital and granted loans to the foreign subsidiary. The subsidiary is incorporated with the intention of import export and marketing of pharmaceutical products of the company.



During the year, pharmaceutical products amounting to Rs.91.62 Lakhs have been exported by the company to its foreign subsidiary in Mozambique. Further, interest on loan given to the subsidiary amounting to Rs. 36.99 Lakhs has been accrued and depicted under the head Other Income in the Statement of Profit & Loss.

**35. TANGIBLE ASSETS AND DEPRECIATION**

Reference: **Note 10** of the Standalone Financial Statements in relation to **“Tangible Assets”**, and **“Depreciation and Amortization Expenses”**

Depreciation on fixed assets is calculated on written down value basis using the rates arrived at based on the useful life of the assets prescribed under Schedule II of the Companies Act, 2013 for the year ended on March 31, 2020.

**36. SHARE ISSUE EXPENSES**

Reference: **Note 13** and **Note 19** of the Standalone Financial Statements in relation to **“Other Non-Current Assets”** and **“Other Current Assets”**

The Company has incurred share issue expenses amounting to Rs. 17.30 Lakhs during the year ended 31.03.2017 for the purpose of bringing an Initial Public Offer in the stock market. Expenses incurred during the year in connection with issue of shares is accumulated and amortized over a period of five years from the year of issue of shares. Share issue expenses amortized in the current year have been depicted under the head “Other Expenses” and balance amount has been shown under the head “Non-Current Assets and other current assets”.

**37. TRADE RECEIVABLES**

Reference: **Note 16** of the Standalone Financial Statements in relation to **“Trade Receivables”**

Outstanding Trade Receivables as on March 31<sup>st</sup>, 2020 i.e. Rs. 3034.52 Lakhs and March 31<sup>st</sup>, 2019 i.e. Rs. 3874.53 Lakhs do include Trade Receivables in foreign currency to such extent as depicted as under:

CURRENCY	As at 31 <sup>st</sup> March 2020		As at 31 <sup>st</sup> March, 2019	
	Foreign Currency (in USD) in Lakhs	Amount in Rs. In Lakhs	Foreign Currency (in USD) in Lakhs	Amount in Rs. In Lakhs
Amount Receivable in Foreign Currency	11.28	850.10	16.42	1141.32

The closing rate of exchange has been taken for the conversion purposes for both the years.

**38. COST OF MATERIALS CONSUMED**



Reference: **Note 22** of the Standalone Financial Statements in relation to **“Cost of Materials Consumed”**

The following is the information in relation to cost of materials consumed and percentage of consumption:

Particulars	As at 31 <sup>st</sup> March 2020		As at 31 <sup>st</sup> March 2019	
	% Consumption	Rs. In Lakhs	% Consumption	Rs. In Lakhs
<b>Imported and Indigenous</b>				
Imported	10.09	992.22	6.61	754.04
Indigenous	89.91	8832.49	93.39	10652.35
<b>TOTAL</b>	<b>100.00</b>	<b>9824.71</b>	<b>100.00</b>	<b>11406.39</b>

### 39. **EXCHANGE GAIN/(LOSS)**

Reference: **Note 21** of the Standalone Financial Statements in relation to **“Other Income”**

The net exchange gain/(loss) included under Revenue from Operations, Other income, Cost of Materials consumed and other expenses in the Statement of Profit and Loss Account aggregates to Rs. 15,29,604.32/- [Previous Year Rs. (60,809/-)].

### 40. **CONTINGENT LIABILITIES AND PENDING LITIGATIONS**

#### ❖ **Contingent Liabilities**

Particulars	As at 31 <sup>st</sup> March 2020 (Rs. In Lakhs)	As at 31 <sup>st</sup> March 2019 (Rs. In Lakhs)
<b>i Contingent Liabilities</b>		
a) Corporate Guarantee given on behalf of related parties	Nil	Nil
b) Disputed Demands by Income Tax Authorities	As per Note Below*	
c) Guarantees given by bankers against Government tenders	126.83	528.80

Future cash outflows in respect of the above matters are determinable only on receipt of judgements/decisions pending at various forums/authorities. The Company does not expect the outcome of the matters stated above to have material adverse impact on the Company's financial condition, results of operation or cash flows.

\* ACIT Circle IV – Amritsar vide an order U/s 143(3) of the Income Tax Act 1961 dated 28-09-2016 made certain additions and computed the total income of the Assessee company at Rs 4,04,00,070/- against the total income declared by the company at Rs 88,99,070/- for the Assessment year 2012-2013. The assessee company went in appeal against this order of the assessing officer with CIT (Appeals) Amritsar. CIT (Appeals) vide its order u/s 250(6) dated 26/10/2016 partly deleted additions amounting to Rs 2,00,00,000/- and confirmed the part



additions amounting to Rs 1,15,01,000/-. The assessee Company has filed further appeal to Income Tax Appellate Tribunal on 25/11/2016 vide ITA 587/Asr/2016 for deleting the additions confirmed by the CIT(Appeals). Similarly the Income Tax Department has also filed a parallel appeal against CIT (Appeals) order deleting the additions of Rs 2,00,00,000/- on 05/12/2016 vide ITA 623/Asr/2016. The order of the ITAT is pending till date and as per the information received the final hearings for both the appeals are on 25.08.2020.

The total additional tax demand of Rs 1,33,53,680/- created vide order of assessing officer stands reduced proportionately by deletion of additions amounting to Rs 2,00,00,000/- against total additions of Rs 3,15,01,000/-. The assessee company though filed appeal against that CIT (Appeals) order, as stated above, but however has already deposited in protest demand proportionately to the total assessment made.

❖ **Pending Litigations**

The Company has certain pending litigations against it with respect to marketing and quality of its products. The litigations are pending in various forums. As per management representation, the financial impact of these litigations cannot be ascertained.

**41. SIGNIFICANT ACCOUNTING POLICIES**

**Corporate Information**

The company was incorporated as private limited company on 04/05/1983 under the Companies Act, 1956, in the state of Punjab at Amritsar. The company was then converted into public limited company on 28/12/2015, subsequently name changed to Kwalita Pharmaceuticals Limited. Thereafter, the company obtained listing status on the SME platform of Bombay Stock Exchange by making the Initial Public Offer and the shares of the company were listed on the SME platform of BSE on 18<sup>th</sup> of July, 2016. The company is engaged in the business of manufacturers, buyers and sellers of and dealers in all kinds of drugs intermediates, chemicals, extracts, alkaloids and other pharmaceutical goods, toilet requisites, medicines, beverages and other medical preparations.

**i) Basis of preparation of Financial Statements:**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The financial statements are presented in Indian Rupees in Lakhs and rounded off upto two decimal places.

**ii) Use of Estimates:**

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions to



be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. The difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

**iii) Current and Non-Current Classification:**

All the Assets and Liabilities have been classified as current and non-current based on the normal operating cycle of the Company and other criteria laid down in Schedule III of the Companies Act, 2013. Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

**iv) Fixed Assets and Depreciation:**

Fixed assets are carried at cost of acquisition or construction, less accumulated depreciation and adjusted for revaluation/impairment loss, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use.

Depreciation on fixed assets is calculated on written down value basis using the rates arrived at based on the useful life of the assets prescribed under Schedule II of the Companies Act, 2013 for the year ended on March 31, 2020.

**v) Leases:**

The Company's Registered Office and Manufacturing unit is situated at Village Nagkalan, Majitha Road, Amritsar, Punjab, is on leased premises. The same premises is owned by Mr. Ramesh Arora & Mr. Ajay Arora, Promoters of the Company and the lease is for initial period of 49 years. Similarly, another manufacturing unit is situated at Plot No. 1-A, industrial Area Raja KaBagh, Tehsil Nurpur, District Kangra, Jassur, Himachal Pradesh is on also on leased premises. The same premise is owned by Government of Himachal Pradesh and the lease is for long term. Lease Rentals are for the assets taken on lease paid to the lessors are recognized as expense in the Statement of Profit and Loss.

**vi) Revenue Recognition:**

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated cost can be estimated reliably, there is no continuing effective control or managerial involvement with the goods, and the amount of revenue can be measured reliably.



Revenue from operations is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

**vii) Inventories:**

Inventories of finished goods are valued at lower of the cost or net realizable value (NRV). Raw Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

However, when there has been a decline in the price of materials and it is estimated that the cost of the finished products will exceed net realisable value, the materials are written down to net realisable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realisable value.

**viii) Impairment of Assets:**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount. However, no such instance is present in the financial statements for the year ended 31 March, 2020.

**ix) Research and Development Cost:**

Presently, company's R&D Centre situated at Amritsar for the identification and development of potential products. The Company intends to continue its initiatives in research and development in order to enhance its differentiated product portfolio in both the Domestic Market and international markets. Expenditure incurred on research and development is neither recognised nor treated separately in the books of accounts.

**x) Investments:**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current Investments are carried at the lower of cost or quoted / fair value computed scrip wise, Long Term Investments are stated at cost. Provision for diminution in the value of long term investments is made only if such decline is other than temporary.

**xi) Foreign Currency Transactions and Translation:**

Foreign Currency Transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies at the year-end are



adjusted at the year-end exchange rates. Any gain or loss arising on account of exchange difference either on settlement or on translation is recognized in the Statement of Profit and Loss except in case of Long Term Liabilities and assets. Non-monetary items are carried at historical cost.

**xii) Government Grants and Subsidies:**

Government grants are accounted when there is reasonable assurance that the Company will comply with the conditions attached to them and it is reasonably certain that the ultimate collection will be made. Capital subsidy in nature of Government Grants related to specific fixed assets is accounted for where collection is reasonably certain and the same is shown as a deduction from the gross value of the asset concerned in arriving at its book value and accordingly the depreciation is provided on the reduced book value.

**xiii) Provision for Current Tax and Deferred Tax:**

Tax expenses comprises of Current tax and Deferred tax. Current Tax provision, if any, has been made on the basis of reliefs and deductions available under the Income Tax Act, 1961. Deferred tax resulting from “timing differences” between taxable and accounting income that originate in one period and are capable of being reversed in one or more subsequent period is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets can be realised in future. However, where there is unabsorbed capital expenditure or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date.

**xiv) Employee Benefits:**

Short-term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which the related service is rendered. Post employment and other long term employee benefits are recognized by creating provisions against the expected payout and by contributions to the retirement funds such as provident fund contribution.

**xv) Contingent Liabilities / Provisions:**

Contingent liabilities are not provided in the accounts and are disclosed separately in notes on accounts. Provision is made in the accounts in respect of contingent liabilities which is likely to materialize into liabilities after the year end, till the finalization of accounts and which have material effect on the position stated in the Balance Sheet.

**xvi) Revaluation of Assets:**

The company assesses at each balance sheet date whether there is any indication due to external factors that an asset or group of assets comprising a cash generating unit (CGU) may be revalued. If any such indication exists, then the revaluation of the value of assets is done by certified valuer. If such recoverable amount of the asset or the recoverable amount of the CGU, to which the asset belongs is more than the carrying amount of the asset or the CGU as the case may be, the carrying amount is increased to its recoverable amount and the addition is treated as addition in the value of asset and is recognized in the Revaluation reserve under Reserves and Surplus. If at any subsequent balance sheet date, there is an indication that a previously assessed revaluation no longer exists, the recoverable amount is re assessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the statement of profit and loss.

**xvii) Earnings Per Share:**

Basic earnings per share is computed by dividing the net profit for the year after prior period adjustments attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, profit after tax for the year and weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**42. INCOME/EXPENDITURE IN FOREIGN CURRENCY**

Particulars	Year ended 31 <sup>st</sup> March 2020 (Rs. In Lakhs)	Year Ended 31 <sup>st</sup> March 2019 (Rs. In Lakhs)
<b>Income</b>		
Sale of Products	7881.94	8356.79
<b>Expenditure</b>		
Capital Goods	133.96	85.65
Raw Materials	1050.28	759.49



**43. ACCOUNTING STANDARD (AS-18) ON RELATED PARTY DISCLOSURES**

Name	Relationship	Nature of Transactions	Amount of Transactions for the year 2019-20 (Rs. In Lakhs)	Amount of Transactions for the year 2018-19 (Rs. In Lakhs)
Ajay Kumar Arora	Director	Remuneration	33.00	30.00
		Rent	1.08	1.08
Anju Arora	Director	Remuneration	8.40	4.80
Geeta Arora	Director	Remuneration	8.40	4.80
Jugal Kishore HUF	Relative of director	Interest	-	-
Ramesh Arora	Director	Remuneration	33.00	30.00
		Rent	1.08	1.08
		Loan Taken	200.00	---
Aditya Arora	Director	Remuneration	18.00	12.00
Kanika Arora	Daughter of Director	Salary	2.82	2.64
Kwality Pharmaceuticals Africa Lda	Subsidiary	Interest Accrued	36.99	36.99
		Sale of Products	91.62	408.50
Aastha Seth	Director's Wife	Salary	4.20	3.70
Geetika Arora	Director's daughter in law	Salary	6.00	6.00

**44. ACCOUNTING STANDARD (AS-20) ON EARNINGS PER SHARE**

	Year ended 31 <sup>st</sup> March 2020 (In Lakhs)	Year ended 31 <sup>st</sup> March 2019 (In Lakhs)
Profit used as numerator for calculating EPS	843.15	754.72
Weighted Average Number of shares used in computing basic and diluted earnings per share ( Including Bonus Share issue)	103.76	103.76
Nominal/Face Value per share	10	10
Basic and Diluted Earnings per share (in Rs.)	8.13	7.27
Adjusted Earnings as per AS -20 (in Rs.)	8.13	7.27

**For ARORA AGGARWAL & CO.**  
Chartered Accountants  
(Firm Registration No. 021086N)

Sd/-  
**Gaurav Aggarwal**  
Partner  
Membership Number: **098347**

Place: Amritsar  
Date: 13-07-2020

**For and on behalf of the Board of Directors**

Sd/-  
(Ramesh Arora)  
**Managing Director**  
DIN: 00462656

Sd/-  
(Gurpreet Kaur)  
**Company Secretary**

Sd/-  
(Ajay Kumar Arora)  
**Whole Time Director**  
DIN: 00462664

Sd/-  
(Aditya Arora)  
**Whole Time Director & CFO**



**INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

To

**The Members of  
Kwalita Pharmaceuticals Limited.**

**Opinion**

We have audited the accompanying consolidated financial statements of **KWALITY PHARMACEUTICALS LIMITED** (hereinafter referred to as "the Holding Company") and its foreign subsidiary (the Holding Company and its foreign subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at **31<sup>st</sup> March, 2020**, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at **31<sup>st</sup> March 2020**, the consolidated profit and its consolidated cash flows for the year ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditors Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Description of Key Audit Matter****Existence and condition of Inventory of Raw Material, Packing and Finished Goods as at Balance Sheet Date.**

The inventory of the company is located at its factories at Nagkalan Amritsar, Raja Ka Bagh Himachal Pradesh and its supplying locations at the Lucknow Uttar Pradesh and Ahmedabad, Gujarat. The company management undertakes physical verification of these inventories during the year at the reasonable intervals. The year end physical verification as per standard procedure was however got effected due to covid-19 related lockdowns and restrictions, whereby the company management carried out and completed subsequent to year end required physical verification and carried out other procedures to validate the existence and condition of the inventory at the Balance Sheet date.

Due to Covid related movement restrictions we too were unable to attend subsequent to year end physical verification and counting of inventory, but however we took support of virtual media to participate in verification and undertook other audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventories at the balance sheet date and indentified it as a key Audit matter.

**How the matter was addressed in our Audit**

Covid-19 related lockdowns and physical movement restrictions impaired the procedures related to physical verification of inventories as at balance sheet date. As per the Standard on Auditing SA 501 “Audit Evidence – Specific Considerations for selected Items” if attendance at the physical counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of the inventory. Taking guidance from the SA 501, we participated and observed the physical verification and counting of inventories by the management through virtual media at various locations to verify the set procedure adopted for inventory verification. Also as an alternate procedure to arrive at the quantities at the balance sheet date, we carried out roll back procedures on sample basis by verifying post balance sheet records related to sales, stock transfers, production, purchases etc having impact on movement of inventory.

**Information other than the financial statements and auditors’ report thereon**

The Company’s board of directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board’s Report including Annexures to Board’s Report, Corporate Governance and Shareholder’s Information, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the Consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility for the Consolidated Financial Statements**



The Holding Company's Board of Directors is responsible for the preparation of these Consolidated financial statements in terms of the requirement of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of the appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and fair presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

### **Auditors Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system in place and the operating effectiveness of such controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Other Matters

We did not audit the financial statements of the foreign subsidiary, **KWALITY PHARMACEUTICALS AFRICA LIMITADA**, whose financial statements reflect total assets of Rs. 362.29 Lakhs as at 31<sup>st</sup> March, 2020 and total revenues of Rs. 163.88 Lakhs for the year ended on that date, as considered in the consolidated financial statements. The financial statements of these entities have been furnished to us by the Board of Directors and our opinion on the consolidated Financial Results, in so far as it relates to the amounts and disclosures included in respect of these entities, is based solely on such financial statements. In our Opinion and according to the information and explanations given to us by the Board of Directors, these financial statements are not material to the group.

Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely, on the financial statements of the subsidiary provided to us by the Management.



Our opinion on the consolidated financial statements and our report on, the Other Legal and Regulatory Requirements below is not modified in respect of the above matter with respect to our reliance on the financial statements of the subsidiary provided by the management.

**Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Company so far as appears from our examination of those books.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement dealt with by this report are in agreement with the relevant books of account and records maintained by the Holding Company and its subsidiaries included in the Group for the purpose of preparation of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors of the Holding Company as on 31<sup>st</sup> March 2020 taken on record by the Board of Directors of the Holding Company none of the Directors of the company is disqualified as on 31<sup>st</sup> March, 2020, from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the Internal Financial Controls over financial reporting of the Group and its associate and the operating effectiveness of such controls, refer to our Separate Report in “**Annexure A**”.
- g) With respect to the matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:
  - i The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the group. Refer Notes to Accounts of the Consolidated Financial Statements in case of Contingent Liabilities.
  - ii The group did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii There are no amounts which required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its foreign subsidiary.

**For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm’s Registration No. 021086N)**

Sd/-

**CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347**

**Place:-Amritsar  
Date:-13-07-2020**



**"Annexure A" to the Independent Auditor's Report**

(Referred to in paragraph 1(f) under “Report on other legal and regulatory requirements” of our audit report of even date)

**Report on the Internal Financial Controls under Clause (i) of Sub section 3, of Section 143 of the Companies Act, 2013 ('the Act')**

We have audited the Internal Financial Controls over financial reporting of **KQUALITY PHARMACEUTICALS LIMITED** (“the Holding Company”) as of **31<sup>st</sup> March, 2020** in conjunction with our audit of the consolidated financial statements of the Holding Company and its subsidiary company incorporated outside India as of that date, of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI).

**Management’s Responsibility for Internal Financial Controls**

The respective Board of Directors of the Holding Company and its subsidiaries are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective entities considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company's internal financial control over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note"), and the Standards on Auditing, issued by ICAI and prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting with reference to these consolidated financial statements.



## Meaning of Internal Financial Controls over Financial Reporting with reference to these Consolidated Financial Statements

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance, with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflected transaction and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statement in accordance with generally accepted accounting principles, and receipts and the expenditure of the company are being made only in accordance with authorization of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have material effect on consolidated financial statements.

### Inherent limitation of internal financial control over financial reporting

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these consolidated financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the holding company has, in all material respects, an adequate internal financial control system over financial reporting and such internal financial control over financial reporting were operating effectively as at **31<sup>st</sup> March, 2020** based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Control over financial reporting issued by the ICAI.

**For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)**

Sd/-

**CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347**

**Place:-Amritsar  
Date:-13-07-2020**



KWALITI PHARMACEUTICALS LIMITED  
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2020

Particulars		Note	As at 31 March, 2020 (Audited)	As at 31 March, 2019 (Audited)
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
1	Shareholders' funds			
	(a) Share capital	1	1037.62	1037.62
	(b) Reserves and surplus	2	3563.05	2692.38
			4600.67	3730.00
2	Minority Interest in Subsidiary		(104.35)	(98.45)
3	Non-current liabilities			
	(a) Long-term borrowings	3	1017.65	759.03
	(b) Deferred tax liabilities (net)	4	-	11.98
	(c) Other long-term liabilities	5	918.04	-
	(d) Long-term provisions	5A	62.17	52.45
			1997.86	823.46
4	Current liabilities			
	(a) Short-term borrowings	6	2123.93	1872.75
	(b) Trade payables	7		
	(i) Total outstanding dues to Micro and Small enterprises		918.18	331.69
	(ii) Total outstanding dues other than Micro and Small enterprises		1378.36	1375.10
	(c) Other current liabilities	8	2054.78	2173.11
	(d) Short-term provisions	9	300.00	330.42
			6775.25	6083.07
	<b>TOTAL</b>		<b>13269.43</b>	<b>10538.08</b>
<b>B</b>	<b>ASSETS</b>			
1	Non-current assets			
	(a) Property Plant & Equipment			
	(i) Tangible	10	4268.63	2908.12
	(b) Non-current investments	11	65.44	78.79
	(c) Deferred Tax Assets(Net)	4	19.98	-
	(c) Long-term loans and advances	12	12.33	12.33
	(d) Other non-current assets	13	-	3.46
			4366.38	3002.70
2	Current assets			
	(a) Current investments	14	333.75	403.68
	(b) Inventories	15	2241.68	1124.70
	(c) Trade receivables	16	3033.11	3842.76
	(d) Cash and cash equivalents	17	153.84	140.03
	(e) Short-term loans and advances	18	3137.21	2020.75
	(f) Other current assets	19	3.46	3.46
			8903.05	7535.38
	<b>TOTAL</b>		<b>13269.43</b>	<b>10538.08</b>
	See accompanying notes forming part of the financial statements			

In terms of our Report Attached  
For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)

For and on behalf of the Board of Directors

Sd/-  
CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347

Place : Amritsar  
Date : 13.07.2020

Sd/-  
(Ramesh Arora)  
Managing Director  
DIN: 00462656

Sd/-  
(Gurpreet Kaur)  
Company Secretary

Sd/-  
(Ajay Kumar Arora)  
Whole Time Director  
DIN: 00462664

Sd/-  
(Aditya Arora)  
Whole Time Director  
& CFO  
DIN: 07320410



KQUALITY PHARMACEUTICALS LIMITED  
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2020

Particulars	Note	As at 31 March,2020 (Audited)	As at 31 March,2019 (Audited)
<b>A CONTINUING OPERATIONS</b>			
1 Revenue from operations (gross)	20	13929.75	16629.30
2 Other income	21	365.96	60.64
3 Total revenue (1+2)		14295.71	16689.94
4 Expenses			
(a) Cost of materials consumed	22	9191.93	11406.02
(b) Purchases of stock-in-trade		67.02	13.30
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	(551.22)	525.28
(d) Employee benefits expense	24	1193.16	855.72
(e) Finance Cost	25	249.88	228.34
(f) Depreciation and amortisation expense	10	443.39	311.89
(g) Other expenses	26	2609.83	2258.36
Total expenses		13203.99	15598.91
5 Profit/(Loss) from operations before Exceptional items (3-4)		1091.72	1091.03
6 Exceptional items		-	-
7 Profit / (Loss) before extraordinary items and tax (6-7)		1091.72	1091.03
8 Extraordinary items		-	-
9 Profit / (Loss) before tax (7± 8)		1091.72	1091.03
10 Tax expense:			
(a) Current Tax		300.17	330.42
(b) Deferred Tax		(31.96)	(8.87)
(c) Income Tax relating to earlier Years		2.82	13.89
11 Profit / (Loss) from continuing operations (9 ±10)		820.69	755.69
<b>B DISCONTINUING OPERATIONS</b>			
12 Profit / (Loss) from discontinuing operations		0.00	0.00
13 Profit / (Loss) for the year (11 ± 12)		820.69	755.69
14 Add/(Less) Minority interest in Subsidiary profits		11.01	0.47
15 Profit / (Loss) for the year (13 ± 14)		831.70	755.22
15 Paid up equity share capital (Face value of Rs.10 per share)		1037.62	1037.62
16 Earning Per Share (EPS) (Not Annualised)			
(a) Basic (Rs.)		8.02	7.28
(b) Diluted (Rs.)		8.02	7.28
(c) Adjusted (Rs.)		-	-
See accompanying notes forming part of the financial			

In terms of our Report Attached  
For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)

For and on behalf of the Board of Directors

Sd/-  
CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347

Place : Amritsar  
Date : 13.07.2020

Sd/-  
(Ramesh Arora)  
Managing Director  
DIN: 00462656

Sd/-  
(Gurpreet Kaur)  
Company Secretary

Sd/-  
(Ajay Kumar Arora)  
Whole Time Director  
DIN: 00462664

Sd/-  
(Aditya Arora)  
Whole Time Director & CFO  
DIN: 07320410



KWALITY PHARMACEUTICALS LIMITED

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**Note1 SHARE CAPITAL**

	As at 31 March,2020		As at 31 March,2019	
	Number of shares	Rs. In Lakhs	Number of shares	Rs. In Lakhs
(a) Authorised				
Equity shares of Rs. 10 each with voting rights	16000000	1600.00	16000000	1600.00
(b) Issued				
Equity shares of Rs. 10 each with voting rights	10376198	1037.62	10376198	1037.62
(c) Subscribed and fully paid up				
Equity shares of Rs. 10 each with voting rights	10376198	1037.62	10376198	1037.62
(d) Subscribed but not fully paid up	-	-	-	-
<b>Total</b>	<b>10376198</b>	<b>1037.62</b>	<b>10376198</b>	<b>1037.62</b>

**Note 2 RESERVES AND SURPLUS**

	As at 31 March,2020		As at 31 March,2019	
	(a) Securities premium account			
Opening balance	846.77		846.77	
Add : Premium on calls paid	0.00		0.00	
Closing balance		846.77		846.77
(b) Investment Allowance Reserve		0.21		0.21
(c) Land & Building Revaluation Reserve		80.00		80.00
(d) Capital Reserve		8.00		8.00
(e) Surplus / (Deficit) in Statement of Profit and Loss				
Opening balance	1757.40		1002.19	
Add: Profit / (Loss) for the year	831.70		755.22	
Add: Revaluation Adjustments	38.96		-	
Less :Appropriations	-		-	
Less: Bonus Issue	-		-	
Interim Dividend	-		-	
Dividend Distribution Tax	-		-	
Closing balance		2628.06		1757.40
<b>Total</b>		<b>3563.05</b>		<b>2692.38</b>

**Note 3 LONG TERM BORROWINGS**

	As at 31 March,2020		As at 31 March,2019	
	(a) Term loans			
From Banks (Secured)		808.02		530.72
From other parties				
Secured	9.63		170.55	
Unsecured	200.00		57.77	
		209.63		
(b) For the current Maturities of Long Term debt refer Note Other Current Liabilities		-		228.32
<b>Total</b>		<b>1017.65</b>		<b>759.03</b>

**Note 4 DEFERRED TAX LIABILITY/ ASSET**

	As at 31 March,2020		As at 31 March,2019	
	Deferred tax Liability/Assets			
<u>Tax effect of items constituting deferred tax liability</u>				
On difference between book balance and tax balance of fixed assets, as restated with respect to previous years		11.98		20.95
Current Year Adjustment of deferred Tax Asset		(31.96)		(8.97)
<b>Net deferred tax liability / (Asset)</b>		<b>(19.98)</b>		<b>11.98</b>

**Note 5 OTHER LONG-TERM LIABILITIES**

	As at 31 March,2020		As at 31 March,2019	
	Security Deposits against Supply /Sale of Goods		918.04	
<b>Total</b>		<b>918.04</b>		<b>0.00</b>



## Note 5A LONG TERM PROVISIONS

	As at 31 March,2020	As at 31 March,2019
Provision for Gratuity	62.17	52.45
<b>Total</b>	<b>62.17</b>	<b>52.45</b>

## Note 6 SHORT TERM BORROWINGS

	As at 31 March,2020	As at 31 March,2019
Loans repayable on demand		
From Banks		
(a) Cash Credit Facility	1108.21	768.24
(b) Packing Credit Facility	1015.73	1104.51
Loans from Banks are secured against Inventory, Book Debts and Collateral securities in Immovable Properties	2123.93	1872.75
<b>Total</b>	<b>2123.93</b>	<b>1872.75</b>

## Note 7 TRADE PAYABLES

	As at 31 March,2020	As at 31 March,2019
Trade payables:		
(a) Total outstanding dues of Micro Enterprises and Small Enterprises	918.18	331.69
(b) Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	1378.36	1375.10
(c) Trade Payable Mozambique	-	-
<b>Total</b>	<b>2296.53</b>	<b>1706.79</b>

## Note 8 OTHER CURRENT LIABILITIES

	As at 31 March,2020	As at 31 March,2019
(a) Current Maturities of Long-Term Debts	355.18	241.90
(b) Interest Accrued but not due on borrowings	4.75	5.44
(c) Other payables		
Statutory Remittances	15.72	22.12
Security Deposits Received	4.50	4.50
Credit balances in Directors Salary A/c	103.63	50.69
Other Expenses Payable	128.85	120.04
Advances from customers	1427.59	1712.78
Payables at Mozambique	14.55	15.63
	1694.84	1925.76
<b>Total</b>	<b>2054.78</b>	<b>2173.11</b>

## Note 9 SHORT TERM PROVISIONS

	As at 31 March,2020	As at 31 March,2019
Provision for Taxation	300.00	330.42
<b>Total</b>	<b>300.00</b>	<b>330.42</b>

## Note 11 NON CURRENT INVESTMENTS

	As at 31 March,2020	As at 31 March,2019
Gold Coins	2.88	2.88
Trustline Securities Ltd.	0.38	23.45
Gratuity Fund Investments	62.17	52.45
<b>Total</b>	<b>65.44</b>	<b>78.79</b>

## Note 12 LONG TERM LOANS AND ADVANCES

	As at 31 March,2020	As at 31 March,2019
Security Deposits	12.33	12.33
<b>Total</b>	<b>12.33</b>	<b>12.33</b>

## Note 13 OTHER NON CURRENT ASSETS

	As at 31 March,2020	As at 31 March,2019
Unamortised Share Issue Expenses	-	3.46
<b>Total</b>	<b>-</b>	<b>3.46</b>



Note 14 CURRENT INVESTMENTS

	As at 31 March,2020	As at 31 March,2019
Fixed Deposits including deposits towards Margin Money Against Guarantees	333.75	382.41
Fixed deposit at Mozambique	-	21.27
<b>Total</b>	<b>333.75</b>	<b>403.68</b>

Note 15 INVENTORIES

(As taken valued and certified by the Directors)

	As at 31 March,2020	As at 31 March,2019
(a) Raw materials at cost	1108.61	597.88
(b) Finished goods at cost or net realisable value which	593.71	133.40
(c) Packing Material at Cost	539.37	393.42
<b>Total</b>	<b>2241.68</b>	<b>1124.70</b>

Note 16 TRADE RECEIVABLES

	As at 31 March,2020	As at 31 March,2019
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Secured, considered good	-	-
Unsecured, considered good	685.55	712.14
Doubtful	-	-
Less: Provision for doubtful trade receivables	-	-
	685.55	712.14
Other Trade receivables		
Unsecured, considered good	2347.55	3130.63
Less: Provision for doubtful trade receivables	-	-
	2347.55	3130.63
<b>Total</b>	<b>3033.11</b>	<b>3842.76</b>

Note 17 CASH AND CASH EQUIVALENTS

	As at 31 March,2020	As at 31 March,2019
(a) Cash on hand	18.69	7.83
(b) Balances with banks		
(i) In current accounts	95.95	20.18
(c) Balances in Mozambique		
Cash on Hand	-	1.71
Bank balance	39.19	110.31
<b>Total</b>	<b>153.84</b>	<b>140.03</b>

Note 18 SHORT TERM LOANS AND ADVANCES

	As at 31 March,2020	As at 31 March,2019
(a) Security deposits	263.73	267.73
(b) Prepaid expenses	8.27	2.58
(c) Balances with government authorities	2201.39	1337.58
(d) Advances for supply of goods and services	651.33	396.66
(e) Mozambique Balances with government authorities	12.49	16.20
<b>Total</b>	<b>3137.21</b>	<b>2020.75</b>

Note 19 OTHER CURRENT ASSETS

	As at 31 March,2020	As at 31 March,2019
Deferred Revenue Expenditure:		
(a) Share Issue expenses	3.46	3.46
<b>Total</b>	<b>3.46</b>	<b>3.46</b>



Note 20 REVENUE FROM OPERATIONS

	As at 31 March,2020		As at 31 March,2019	
Sale of products				
Domestic		5986.45		8158.29
Export Sales		7790.31		7948.28
Mozambique Sales		152.99		522.73
<b>Total</b>		<b>13929.75</b>		<b>16629.30</b>

Note 21 OTHER INCOME

	As at 31 March,2020		As at 31 March,2019	
Interest on:				
Interest on FDR	17.91		16.55	
Interest on loan,Mozambique	3.89		2.59	
Interest on Electricity	1.06		-	
		22.86		19.14
D.E.P.B Income		304.43		32.97
Profit on Sale of Assets		10.58		-
Foreign Currency Adjustment		15.30		0.61
Rebate and Discount		0.35		3.39
Miscellaneous Income		5.43		2.27
Mozambique other income		7.01		2.28
<b>Total</b>		<b>365.96</b>		<b>60.64</b>

Note 22 COST OF MATERIAL CONSUMED

	As at 31 March,2020		As at 31 March,2019	
Opening stock Raw material and Packing material	1081.51		843.21	
Add: Purchases Raw material and Packing material	9757.69		11554.11	
	10839.20		12397.32	
Less: Purchase return		10839.20		12397.32
Less: Closing stock Raw material and Packing material		1647.27		991.30
<b>Total</b>		<b>9191.93</b>		<b>11406.02</b>

Note 23 CHANGES IN INVENTORY OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TR/

	As at 31 March,2020		As at 31 March,2019	
Opening stock Finished Goods	43.19		647.69	
Stock in Trade (Transfer)	-		10.99	
Less: Closing stock of Finised Goods	594.41		133.40	
		(551.22)		525.28
<b>Total</b>		<b>(551.22)</b>		<b>525.28</b>

Note 24 EMPLOYEE BENEFITS EXPENSE

	As at 31 March,2020		As at 31 March,2019	
Salaries and wages		917.94		671.08
Directors Remuneration		100.80		81.60
Provision for gratuity		0.50		2.92
Contributions to provident and other funds		73.36		39.18
Staff welfare expenses		76.01		47.88
Mozambique Staff Expense:				
Staff Salary		24.55		13.04
<b>Total</b>		<b>1193.16</b>		<b>855.72</b>

Note 25 FINANCE COSTS

	As at 31 March,2020		As at 31 March,2019	
(a) Interest expense on:				
(i) Bank Borrowings		232.52		187.54
(ii) Interest on deposits		-		21.85
(iii) Interest & financial chgs on vehicle & other loan		12.62		13.52
(iv) Interest Accrued but not due on borrowings		4.75		5.44
<b>Total</b>		<b>249.88</b>		<b>228.34</b>



Note 26 OTHER EXPENSES

	As at 31 March,2020		As at 31 March,2019	
Director's Sitting Fees		0.36		0.36
Bank Rating Charges		2.20		0.90
Commission on Purchase		0.00		0.70
Communication		4.79		8.31
Customs Duty Charges		18.38		41.98
CSR Expenditure		17.62		11.83
Export Ocean Freight		98.11		139.35
Exports Agency Charges		6.34		5.77
Exports Clearing Charges		4.14		4.73
Factory Exp.		118.43		73.08
Fees and taxes		10.84		8.56
Freight and forwarding		599.12		614.64
Insurance		93.38		26.14
Import Clearing Charges		5.56		1.41
Inward expenses		0.63		0.71
Legal and professional		106.43		31.71
Management & Consultancy expenses		10.96		12.56
Miscellaneous expenses		6.63		3.86
Office Expenditure		27.95		13.07
Payments to auditors :				
As Auditors	4.00		4.00	
For other Services	-		2.30	
		4.00		6.30
Postage & Telegram		19.56		18.98
Power, Fuel , Gases & Electricity		418.82		369.79
Printing and stationery		78.37		6.95
Rent including lease rentals		305.84		3.72
Repairs and maintenance		3.17		291.71
Sales commission		308.08		276.84
Tender Expenses		1.40		1.23
Testing, Laboratory charges		176.00		147.48
Travelling and conveyance		45.48		25.89
Festival Expense		4.84		-
Fine & Penalty		0.39		2.53
Share Issue Expense & Other Deferred Revenue Expenses		3.46		3.46
Consumable Stores & Spares		40.61		24.07
Advertisement & Publicity		2.92		2.96
Interest & Late Fees on TDS Defaults		0.37		-
Sales Promotion		36.02		32.63
Mozambique Subsidiary Expenditure:				
Office Expenses		-		0.98
Travelling		2.58		12.56
Stationary		2.14		1.40
Professional fee		4.91		3.09
Fuel and electricity		1.57		1.29
Communication		1.61		0.57
Other Expenses		10.40		23.68
Fees and taxes		5.42		0.61
<b>Total</b>		<b>2609.83</b>		<b>2258.36</b>



Note 10 FIXED ASSETS

Description of Assets	Gross Block (At Cost)		Accumulated Depreciation			Net Block				
	As at 01.04.19	Additions during the year	Sale/ Deductions during the year	As at 31.03.2020	Upto 31.03.2019	Dep on asset sold	For the year ended 31.03.2020	As at 31.03.2020	As at 01.04.19	
Plant & Machinery	1811.83	705.74	580.12	1937.46	728.03	308.53	178.52	598.02	1339.44	1083.81
Plant & Machinery Capital WIP	0.00	610.82	0.00	610.82	0.00	0.00	0.00	0.00	610.82	0.00
Building	732.79	146.33	0.89	878.23	419.35	0.00	22.86	442.21	436.02	313.45
New Building under Construction	648.46	259.44	1.52	906.38	0.00	0.00	0.00	0.00	906.38	648.46
Furniture	58.66	50.81	0.00	109.47	30.89	0.00	14.46	45.36	64.12	27.77
Vehicles	552.05	17.95	0.00	570.00	311.22	0.00	82.51	393.73	176.27	240.83
Computer Equipment	132.19	55.01	0.00	187.19	103.91	0.00	38.45	142.36	44.83	28.28
Laboratory Equipment	482.73	200.12	0.00	682.85	172.55	0.00	81.46	254.01	428.84	310.18
Office Equipment	24.38	3.48	0.00	27.87	16.96	0.00	6.28	23.24	4.63	7.43
Lift A/c.	31.17	0.00	0.00	31.17	12.07	0.00	5.96	18.03	13.14	19.10
Electric Fittings	46.14	24.15	0.00	70.29	28.88	0.00	8.96	37.85	32.45	17.26
Land	105.80	0.00	0.00	105.80	0.00	0.00	0.00	0.00	105.80	105.80
Property and furniture at Mozambique	138.15	4.05	0.00	142.20	32.38	0.00	3.93	36.31	105.89	105.77
Total	4764.36	2077.90	582.53	6259.74	1856.23	308.53	443.39	1991.11	4268.63	2908.12
Previous Year Figure	3582.31	1182.05	0.00	4764.36	1544.35	0.00	311.89	1856.23	2908.12	2037.95



KWALITY PHARMACEUTICALS LIMITED (erstwhile M/s Kwaliti Pharmaceuticals Private Limited)				
Consolidated Cash Flow Statement for the year ended 31st March 2020				
	Year ended 31st March 2020		Year ended 31st March 2019	
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit Before Tax	1091.72	1091.72	1091.03	1091.03
Adjustments for:				
Depreciation	443.39		311.89	
(Profit)/loss on sale of Assets	(10.58)		-	
Long-term Provision for Gratuity	0.50		(2.59)	
Amortisation of Share Capital Expenses	3.46		3.46	
Interest & Finance Charges	249.88		228.34	
Interest on FDR	(17.91)		(19.14)	
Interest on Investment, deposits and advances	(4.95)		-	
Investment in shares written off	-		-	
Minority Interest Adjustments	5.90		-	
Assets Revaluation	38.96		-	
		708.65		521.96
Operating Profit before Working Capital Changes		1,800.37		1,612.99
Adjustments for:				
Decrease/(Increase) in Receivables	809.66		(139.47)	
Decrease/(Increase) in Short Term Loans & advances	(1,116.47)		(363.04)	
Decrease/(Increase) in Inventories	(1,116.98)		378.51	
Decrease/(Increase) in Other Current Assets	-		-	
Decrease/(Increase) in Current Investments	69.92		67.33	
Increase/(Decrease) in Other current Liabilities	(118.33)		582.03	
Increase/(Decrease) in Short Term Provisions	(30.42)		70.42	
Increase/(Decrease) in Payables	589.74		(506.88)	
		(912.88)		88.90
Cash generated from operations		887.49		1,701.89
Less: Income Tax		271.03		344.31
Net Cash flow from Operating activities (A)		616.47		1,357.58
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(2,077.90)		(1,182.05)	
Sale of Fixed Assets	284.58		-	
Decrease in Investment	22.58		(15.41)	
Interest on Investment	3.89		0.00	
Interest on Electricity Deposit	1.06		0.00	
Interest on FDR	17.91		19.14	
Decrease in Other Non Current Assets	(31.96)		-	
Net Cash used in Investing activities (B)		(1,779.84)		(1,178.32)
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Long term Borrowings	706.91		714.79	
Proceeds from Short term Borrowings	25,045.50		24165.04	
Repayment of Long Term Borrowings	(449.07)		(426.47)	
Repayment of Short Term Borrowings	(24,794.32)		(24,425.14)	
Interest paid	(249.88)		(228.34)	
Increase in Long term Liabilities	918.04		-	
Share Issue Expenses	-		-	
Net Cash from financing activities (C)		1,177.18		(200.12)
Net increase in cash & Cash Equivalents (A+B+C)		13.80		(20.86)
Opening Cash and Cash equivalents		140.03		160.89
Closing Cash and Cash equivalents		153.83		140.03
Cash & Cash Equivalents			As on	As on
			31.03.2020	31.03.2019
Cash in Hand			18.69	9.54
Cash at Bank			135.14	130.49
Cash & Cash equivalents as stated in Financial Statements			153.83	140.03

In terms of our Report Attached

For and on behalf of the Board of Directors

For ARORA AGGARWAL & CO.  
Chartered Accountants  
(Firm's Registration No. 021086N)

Sd/-

CA Gaurav Aggarwal  
(Partner)  
Membership No. 098347

Place Amritsar

Date : 13.07.2020

Sd/-  
(Ramesh Arora)  
Managing Director  
DIN: 00462656

Sd/-  
(Gurpreet Kaur)  
Company Secretary

Sd/-  
(Ajay Kumar Arora)  
Whole Time Director  
DIN: 00462664

Sd/-  
(Aditya Arora)  
Whole Time Director  
& CFO  
DIN: 07320410

**KWALITY PHARMACEUTICALS LIMITED****NOTES & DISCLOSURES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2020****1. Corporate Information**

Kwality Pharmaceuticals Limited is one of the leading manufacturers of pharmaceutical products. The Company has a foreign subsidiary in which the company holds 51% of share capital. The subsidiary Company named Kwality Pharmaceuticals Africa Limitada incorporated on 20.9.2013 under the laws of Africa have identification number as 100428873. The registered office of the Company is located at Mozambique, Maputo Cidade, Distrito Urbano 1, Bairro de Central, Africa. The company has invested in the share capital and granted loans to the foreign subsidiary. The subsidiary is incorporated with the intention of import export and marketing of pharmaceutical products of the company.

**2. Shareholding Pattern of Subsidiary**

Name of Shareholder	% Shareholding
Kwality Pharmaceuticals Limited	51
Mr. Rajendra Singh Golan	49
	100

**3. Board of Directors**

Name of Director	Designation
Mr. Ramesh Arora	Director
Mr. Rajendra Singh Golan	Director

**4. Significant Accounting Policies****l) a) Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rule, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"). The financial statements have been prepared on accrual basis under the historical cost convention.

**b) Use of Estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the consolidated financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the, actual results and the estimates are recognized in the periods in which the results are known / materialize.



**II) Principles of Consolidation:**

The consolidated financial statements pertain to Kwalita Pharmaceuticals Limited (“the Company”/ “the Parent”/ “the Holding Company”) and its subsidiary company. The financial statements of the subsidiary are drawn upto the same reporting date as that of the Holding Company, i.e. year ended 31st March, 2020.

These consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary company are combined on a line-by-line basis by adding together, the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses unless cost cannot be recovered in accordance with Accounting Standard-21 -“Consolidated Financial Statements”.
- b) As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company’s separate Financial Statements.
- c) In case of foreign subsidiaries, being integral operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year except for the fixed assets which are consolidated at the historical rate. Any exchange difference arising on consolidation is recognized in Consolidated Statement of Profit & Loss.
- d) Minority Interest in the net assets of consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separately from liabilities and equity of the Company's shareholders. Minority interest in the net assets of consolidated subsidiaries consists of:
  - i. The amount of equity attributable to minority at the date on which investment in a subsidiary is made; and
  - ii. The minority share of movements in equity since the date the parent subsidiary relationship came into existence.
- e) Minority Interest’s share of net loss of consolidated subsidiaries for the year is identified and adjusted against the profit after tax of the Group.
- f) The list of subsidiary companies, joint ventures and associates which are included in the consolidation and the Group’s holdings therein are as under:

Sr.No.	Name of Subsidiary	Ownership in % either directly or through subsidiaries		Country of Incorporation
		2019-2020	2018-2019	
1	Kwalita Pharmaceuticals Africa Limitada	51%	51%	Africa

**III) Accounting for Investments other than in Subsidiary**

Investments other than in subsidiary are accounted as per Accounting Standard-13 on “Accounting for Investments”.

**IV) CONTINGENT LIABILITIES AND PENDING LITIGATIONS****❖ Contingent Liabilities**

Particulars	As at 31 <sup>st</sup> March 2020 (Rs. In Lakhs)	As at 31 <sup>st</sup> March 2019 (Rs. In Lakhs)
<b>i Contingent Liabilities</b>		
a) Corporate Guarantee given on behalf of related parties	Nil	Nil
b) Disputed Demands by Income Tax Authorities	As per Note Below*	
c) Guarantees given by bankers against Government tenders	126.83	528.80

Future cash outflows in respect of the above matters are determinable only on receipt of judgments /decisions pending at various forums/authorities. The Company does not expect the outcome of the matters stated above to have material adverse impact on the Company's financial condition, results of operation or cash flows.

\* ACIT Circle IV – Amritsar vide an order U/s 143(3) of the Income Tax Act 1961 dated 28-09-2016 made certain additions and computed the total income of the Assessee company at Rs 4,04,00,070/- against the total income declared by the company at Rs 88,99,070/- for the Assessment year 2012-2013. The assessee company went in appeal against this order of the assessing officer with CIT (Appeals) Amritsar. CIT( Appeals) vide its order u/s 250(6) dated 26/10/2016 partly deleted additions amounting to Rs 2,00,00,000/- and confirmed the part additions amounting to Rs 1,15,01,000/-. The assessee Company has filed further appeal to Income Tax Appellate Tribunal on 25/11/2016 vide ITA 587/Asr/2016 for deleting the additions confirmed by the CIT(Appeals). Similarly the Income Tax Department has also filed a parallel appeal against CIT (Appeals) order deleting the additions of Rs 2,00,00,000/- on 05/12/2016 vide ITA 623/Asr/2016. The order of the ITAT is pending till date and as per the information received the final hearings for both the appeals are on 25.08.2020.

The total additional tax demand of Rs 1,33,53,680/- created vide order of assessing officer stands reduced proportionately by deletion of additions amounting to Rs 2,00,00,000/- against total additions of Rs 3,15,01,000/-. The assessee company though filed appeal against that CIT (Appeals) order, as stated above, but however has already deposited in protest demand proportionately to the total assessment made.

**❖ Pending Litigations**

The Company has certain pending litigations against it with respect to marketing and quality of its products. The litigations are pending in various forums. As per management representation, the financial impact of these litigations cannot be ascertained.



## V) Other Accounting Policies

### a) Fixed Assets (Tangible/ Intangible)

Fixed assets are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use.

### b) Impairment of Assets

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit's value may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit in proportion to the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized in the Statement of Profit and Loss if the carrying amount of an asset exceeds its recoverable amount.

### c) Depreciation and amortisation

In respect of Indian parent Company:

Fixed assets are carried at cost of acquisition or construction, less accumulated depreciation and adjusted for revaluation/impairment loss, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use.

Depreciation on fixed assets is calculated on written down value basis using the rates arrived at based on the useful life of the assets prescribed under Schedule II of the Companies Act, 2013 for the year ended on March 31, 2020.

### d) Borrowing Cost

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

### e) Investments



Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in nature. Current Investments are stated at lower of cost or fair value.

**f) Inventories**

Inventories of finished goods are valued at lower of the cost or net realizable value (NRV). Raw Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

However, when there has been a decline in the price of materials and it is estimated that the cost of the finished products will exceed net realisable value, the materials are written down to net realisable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realisable value.

**g) Revenue Recognition**

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated cost can be estimated reliably, there is no continuing effective control or managerial involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from operations is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

**h) Foreign Currency Transactions/ Translation**

a) Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction. Foreign currency monetary items of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

b) Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

**i) Employee Benefits**

Short-term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which the related service is rendered. Post employment and other long term employee benefits are recognized by creating provisions against the expected payout and by contributions to the retirement funds such as provident fund contribution.

**j) Accounting for Tax**

Tax expenses comprises of Current tax and Deferred tax. Current Tax provision, if any, has been made on the basis of reliefs and deductions available under the Income Tax Act, 1961. Deferred tax resulting from “timing differences” between taxable and accounting income that originate in one period and are capable of being reversed in one or more subsequent period is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets can be realised in future. However, where there is unabsorbed capital expenditure or carry forward losses



under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date.

**k) Leases**

The Holding Company's Registered Office and Manufacturing unit is situated at Village Nagkalan, Majitha Road, Amritsar, Punjab, is on leased premises. The same premises is owned by Mr. Ramesh Arora Mr. Ajay Arora, Promoters of the Company and the lease is for initial period of 49 years. Similarly, another manufacturing unit is situated at Plot No. 1-A, industrial Area Raja Ka Bagh, Tehsil Nurpur, District Kangra, Jassur, Himachal Pradesh is on also on leased premises. The same premises is owned by Government of Himachal Pradesh and the lease is for long term. Lease Rentals are for the assets taken on lease paid to the lessors are recognized as expense in the Statement of Profit and Loss.

**l) Government Grants and Subsidies**

Government grants are accounted when there is reasonable assurance that the Company will comply with the conditions attached to them and it is reasonably certain that the ultimate collection will be made. Capital subsidy in nature of Government Grants related to specific fixed assets is accounted for where collection is reasonably certain and the same is shown as a deduction from the gross value of the asset concerned in arriving at its book value and accordingly the depreciation is provided on the reduced book value.

**m) Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

**For ARORA AGGARWAL & CO.**

Chartered Accountants

**(Firm Registration No. 021086N)**

Sd/-

**Gaurav Aggarwal**

**Partner**

Membership Number: **098347**

Place: Amritsar

Date: 13-07-2020

**For and on behalf of the Board of Directors**

Sd/-

(Ramesh Arora)

**Managing Director**

DIN: 00462656

Sd/-

(Ajay Kumar Arora)

**Whole Time Director**

DIN: 00462664

Sd/-

(Gurpreet Kaur)

**Company Secretary**

Sd/-

(Aditya Arora)

**Whole Time Director & CFO**

**Form AOC-1**

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures****Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Kwality Pharmaceuticals Africa Limitada, Mozambique, Maputo Province, City Of Matola
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	N.A.
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Mozambican Meticals (MZN) 1MZN = 1.15 INR as on 31.03.2020
4.	Share capital	88,67,500.00
5.	Reserves & surplus	(2,13,38,185.04)
6.	Total assets	3,62,28,570.02
7.	Total Liabilities	4,86,99,255.06
8.	Investments	39,18,779.97
9.	Turnover /Total Revenue	1,63,88,714.20
10.	Profit before taxation	(22,28,712.17)
11.	Provision for taxation	16,851.37
12.	Profit after taxation	(22,45,563.55)
13.	Proposed Dividend	-
14.	% of shareholding	51%

**Notes:** 1. Names of subsidiaries which are yet to commence Operations: - Nil

2. Names of subsidiaries which have been liquidated or sold during the year: - Nil

**Part "B": Associates and Joint Ventures**

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures:- **Not Applicable**

**For and on behalf of the Board of Directors**

Sd/-  
(Ramesh Arora)  
**Managing Director**  
DIN: 00462656

Sd/-  
(Ajay Kumar Arora)  
**Whole Time Director**  
DIN: 00462664

Sd/-  
(Gurpreet Kaur)  
**Company Secretary**

Sd/-  
(Aditya Arora)  
**Whole Time Director & CFO**  
DIN:07320410

Place: Amritsar  
Date: 13-07-2020



**KWALITY PHARMACEUTICALS LIMITED**

Regd.Office.:- VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601

CIN No. :- L24232PB1983PLC005426; Phone no. :- 8558820862

Email Id:- [ramesh@kwalitypharma.com](mailto:ramesh@kwalitypharma.com); Website :- [www.kwalitypharma.com](http://www.kwalitypharma.com)

**Form No. MGT-11**

**Proxy form**

**[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]**

Name of the Member(s)		
Registered Address		
E-mail Id	Folio No /Client ID	DP ID

I/We, being the member(s) of **KWALITY PHARMACEUTICALS LIMITED**, holding \_\_\_\_\_ shares of the above named company, hereby appoint

Name :	E-mail Id:
Address:	
Signature :	or failing him/her

Name :	E-mail Id:
Address:	
Signature:	or failing him/her

Name :	E-mail Id:
Address:	
Signature:	

as my/ our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **37<sup>th</sup> Annual General Meeting** of the company, to be held on **Monday 30<sup>th</sup> November, 2020** at 11:30 A.M. at the Registered Office of the Company at **VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601** and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution(s)	Vote	
		For	Against
1.	To receive, consider and adopt the (i) the Audited Standalone Financial Statements of the Company for the Financial Year ended 31 <sup>st</sup> March, 2020 together with Reports of the Board of Directors and Auditors thereon. (ii) the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31 <sup>st</sup> March, 2020 and the Report of the Auditors thereon.		
2.	Re-appointment of Mr. Ajay Kumar Arora, Whole Time Director who retires by Rotation and being eligible, offers himself for re-appointment		
3	Re-appointment of Mrs. Geeta Arora, Whole Time Director who retires by Rotation and being eligible, offers herself for re-appointment		
4.	To ratify the remuneration of Cost Auditors		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

Affix Revenue Stamp of Re.1
-----------------------------



Signature of Shareholder

Signature of Proxy holder

Signature of the shareholder  
across Revenue Stamp

**Note:**

- 1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
- 2) The proxy need not be a member of the company.



**KWALITY PHARMACEUTICALS LIMITED**

Regd.Office.:- VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601

CIN No. :- L24232PB1983PLC005426; Phone no. :- 8558820862

Email Id:- [ramesh@kwalitypharma.com](mailto:ramesh@kwalitypharma.com); Website :- [www.kwalitypharma.com](http://www.kwalitypharma.com)

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**ATTENDANCE SLIP**

(To be handed over at the entrance of the meeting hall)

**37<sup>th</sup> Annual General Meeting to be held on Monday 30<sup>th</sup> November, 2020.**

Name and Address of the Sole/ First member

\_\_\_\_\_

(In block capitals)

DP ID No.:-

Ledger Folio No./Client ID No. \_\_\_\_\_

No. of shares held: \_\_\_\_\_

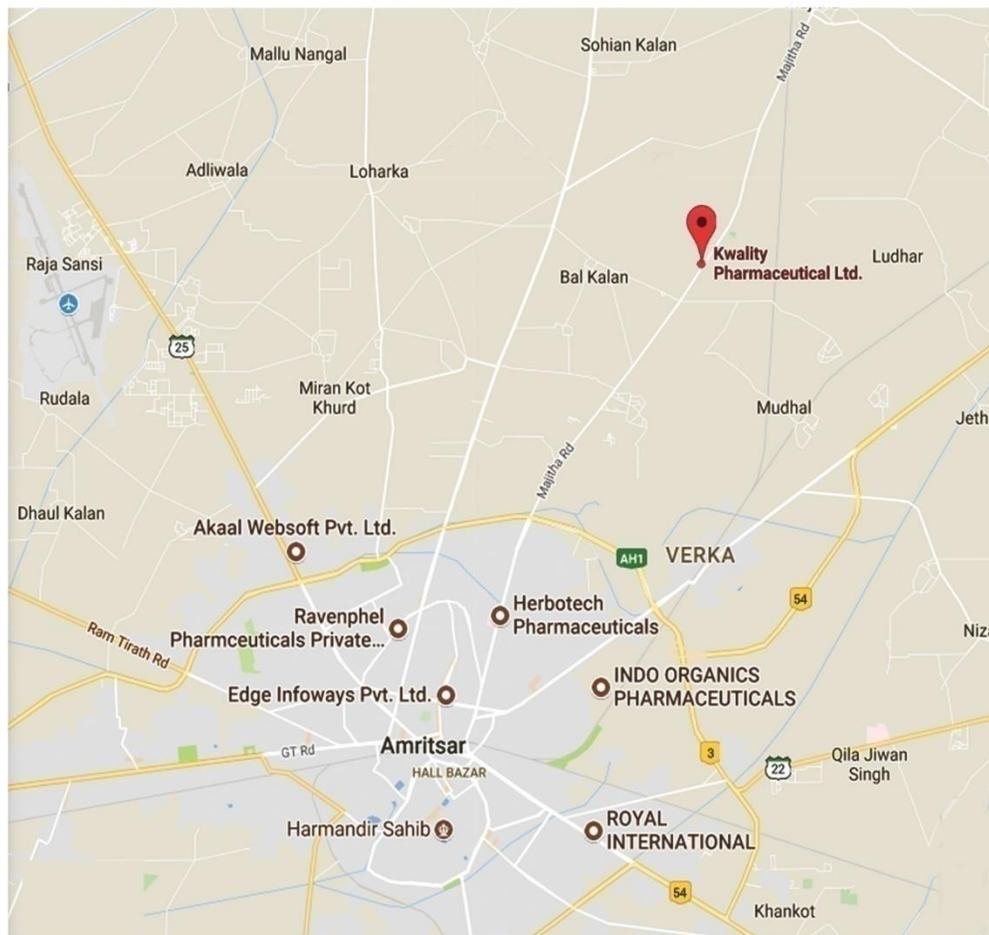
I certify that I am the registered shareholder/proxy for the registered shareholder of the Company.

I/We hereby record my/our presence at the 37<sup>th</sup> Annual General Meeting of the **KWALITY PHARMACEUTICALS LIMITED to be held on Monday 30<sup>th</sup> November, 2020 at 11:30 A.M. at the Registered Office of the Company at VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601.**

(Member's /Proxy's Signature)

**Notes:**

1. Please fill up the attendance slip and hand it over at the entrance of the meeting hall.
2. Members are requested to bring their copies of the Annual Report to the meeting, since further copies will not be available



## ROUTE MAP FOR ANNUAL GENERAL MEETING



**KWALITY PHARMACEUTICALS LIMITED**