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D.L. No. 1800-OSP, 1804-B

I.E. Code No. 1293001210

**KWALITY PHARMACEUTICALS LTD.**

Regd. Office: 6<sup>th</sup> Mile Stone, Village Nag Kalan, Majitha Road, Amritsar - 143 601 (INDIA)

Phone : 91-8558820862 (Accounts)  
: 91-8558820863 (Admin.)  
: 91-9915743720 (Exports)  
M.D. Mobile : 91-9814071215, 9814052314  
E-mail : export@kwalitiypharma.com  
ramesh@kwalitiypharma.com

The Department of Corporate Services,  
Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers, Dalal Street, Fort,  
Mumbai-400001

Date: September 6, 2019

Scrip Code: 539997

Sub: Submission of Annual Report of the Company for the Financial Year 2018-19

Dear Sir/Madam,

Pursuant to Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith copy of Annual Report for the Financial Year 2018-19 along with notice convening the 36<sup>th</sup> Annual General Meeting of the members of the Company.

Kindly take note of the same on your records.

Thanking you.

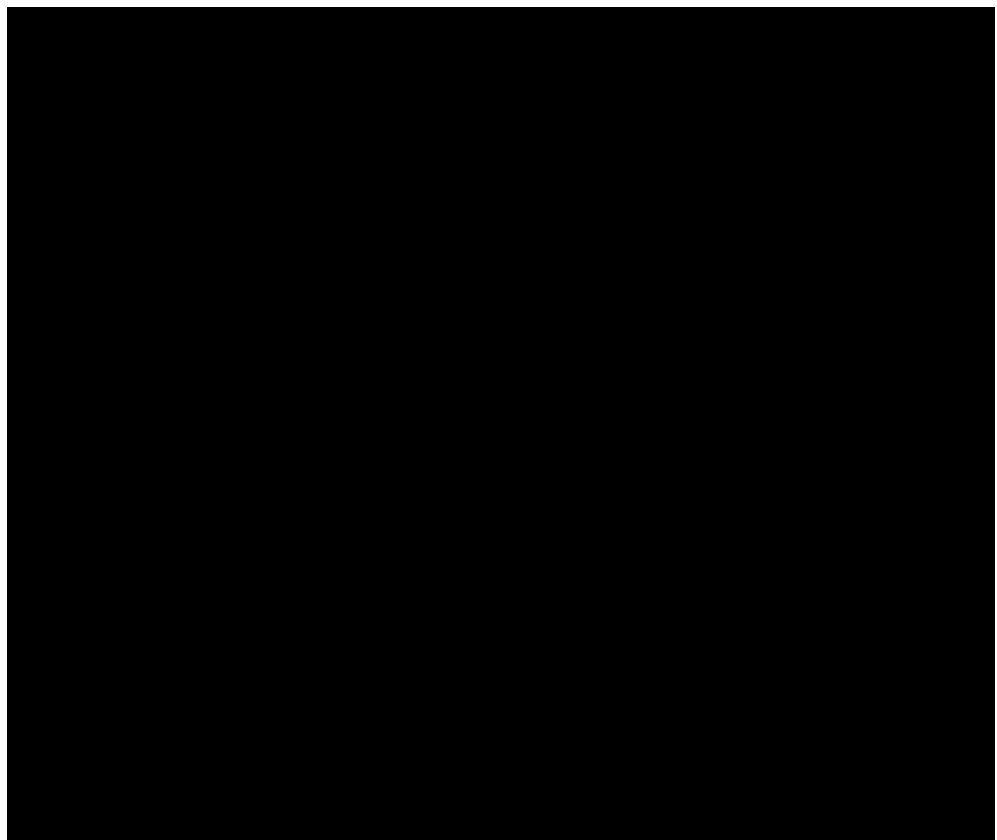
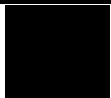
Yours faithfully,

For KWALITY PHARMACEUTICALS LIMITED

*Gurpreet Kaur*

Gurpreet Kaur  
Company Secretary







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. Manoj Taneja (Independent Director) Mr. Rakesh Kumar Singh (Independent Director)	Mr. Aditya Arora	
%Chartered Accountants Address: 101, Rani Ka Dargah Amritsar, Punjab. Tel: 0182222233		
	3rd Floor, The Mall Amritsar, Punjab.	Greenfield Avenue Majitha Road Amritsar, Punjab.
Ms. Gurpreet Kaur	+91 98765 43210 1st Floor, Harat Tin Works Building 8, Vasant Vihar, Main Road, Marol Andheri (East), Mumbai, India. Tel: 022-2345 6789 Fax: 022-2345 6789 Web: <a href="http://www.igshareonline.com">www.igshareonline.com</a>	
Village: Baghwan, Majitha Road, Amritsar India 01822-222222 9999999999.9999999999.com cs@9999999999.com		

Notice To The Members	'
Directors' Report	'3
Annexures of Directors' Report	20
Corporate Governance Report	--
68 and 48 Certification	)>
Management Discussion and Analysis	)0
Standalone Financial Statements	>/
Consolidated Financial Statements	00
Proxy Form	'/3
Attendance Sheet	' ''





**“RESOLVED THAT** in partial modification of the resolutions passed earlier in the Board and General Meetings for the appointment and/or remuneration of Mr. RAMESH ARORA (DIN: 00462656) as the Managing Director of the Company and pursuant to the provisions of Sections 196, 197, 198, 203, read with Schedule V and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), applicable clauses of Memorandum and Articles of Association of the Company, and on the recommendation of the Nomination and Remuneration Committee and approved by the Board of Directors, approval of the members be and is hereby accorded for the revision in remuneration of Mr. RAMESH ARORA (DIN: 00462656), Managing Director of the Company from the existing Rs. 2,50,000/- per month to Rs. 3,00,000/- per month with effect from 01-10-2019 for the remaining period of his tenure with the liberty to the Board of Directors to alter and vary the terms and conditions of his appointment and / or remuneration, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof

**“RESOLVED FURTHER THAT** the aforesaid remuneration shall be paid as the minimum remuneration, even if in any year, during the tenure of the managerial personnel, the company has no profits or its profits are inadequate as may be determined by the Board/ Nomination & Remuneration

**“RESOLVED FURTHER THAT** the Board of Directors or a duly constituted Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

#### 6. Revision of Remuneration of Mr. Ajay Kumar Arora (DIN:00462664), Whole Time Director

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

**“RESOLVED THAT** in partial modification of the resolutions passed earlier in the Board and General Meetings for the appointment and/or remuneration of Mr. AJAY KUMAR ARORA (DIN:00462664), as the Whole Time Director of the Company and pursuant to the provisions of Sections 196, 197, 198, 203, read with Schedule V and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), applicable clauses of Memorandum and Articles of Association of the Company, and on the recommendation of the Nomination and Remuneration Committee and approved by the Board of Directors, approval of the members be and is hereby accorded for the revision in remuneration of Mr. AJAY KUMAR ARORA (DIN:00462664), Whole Time Director of the Company from the existing Rs. 2,50,000/- per month to Rs. 3,00,000/- per month with effect from 01-10-2019 for the remaining period of his tenure with the liberty to the Board of Directors to alter and vary the terms and conditions of his appointment and / or remuneration, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof

**“RESOLVED FURTHER THAT** the aforesaid remuneration shall be paid as the minimum remuneration, even if in any year, during the tenure of the managerial personnel, the company has no profits or its profits are inadequate as may be determined by the Board/ Nomination & Remuneration

**“RESOLVED FURTHER THAT** the Board of Directors or a duly constituted Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”



7. Revision of Remuneration of Mr. ADITYA ARORA (DIN:07320410), Whole Time Director

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

**“RESOLVED THAT** in partial modification of the resolutions passed earlier in the Board and General Meetings for the appointment and/or remuneration of Mr. ADITYA ARORA (DIN:07320410), as the Whole Time Director of the Company and pursuant to the provisions of Sections 196, 197, 198, 203, read with Schedule V and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), applicable clauses of Memorandum and Articles of Association of the Company, and on the recommendation of the Nomination and Remuneration Committee and approved by the Board of Directors, approval of the members be and is hereby accorded for the revision in remuneration of Mr. ADITYA ARORA (DIN:07320410), Whole Time Director of the Company from the existing Rs. 1,00,000/- per month to Rs. 2,00,000/- per month with effect from 01-10-2019 for the remaining period of his tenure with the liberty to the Board of Directors to alter and vary the terms and conditions of his appointment and / or remuneration, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof

**“RESOLVED FURTHER THAT** the aforesaid remuneration shall be paid as the minimum remuneration, even if in any year, during the tenure of the managerial personnel, the company has no profits or its profits are inadequate as may be determined by the Board/ Nomination & Remuneration

**“RESOLVED FURTHER THAT** the Board of Directors or a duly constituted Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

8. Revision of Remuneration of Mrs. ANJU ARORA (DIN:03155641), Whole Time Director

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

**“RESOLVED THAT** in partial modification of the resolutions passed earlier in the Board and General Meetings for the appointment and/or remuneration of Mrs. ANJU ARORA (DIN:03155641), as the Whole Time Director of the Company and pursuant to the provisions of Sections 196, 197, 198, 203, read with Schedule V and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), applicable clauses of Memorandum and Articles of Association of the Company, and on the recommendation of the Nomination and Remuneration Committee and approved by the Board of Directors, approval of the members be and is hereby accorded for the revision in remuneration of Mrs. ANJU ARORA (DIN:03155641), Whole Time Director of the Company from the existing Rs. 40,000/- per month to Rs. 1,00,000/- per month with effect from 01-10-2019 for the remaining period of her tenure with the liberty to the Board of Directors to alter and vary the terms and conditions of her appointment and / or remuneration, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof

**“RESOLVED FURTHER THAT** the aforesaid remuneration shall be paid as the minimum remuneration, even if in any year, during the tenure of the managerial personnel, the company has no





## NOTES

1. The relevant Explanatory Statements pursuant to section 102 (1) of the Companies Act, 2013, in respect of Ordinary & Special Business at the meeting, are 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 36<sup>th</sup> Annual General Meeting of the Company for year ended 31.03.2019 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 31.03.2019 is being sent in the permitted mode.
  5. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 23<sup>rd</sup> September, 2019 to Monday, 30<sup>th</sup> September, 2019.
  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
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-communications.

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

**ORDINARY BUSINESS:**

**Item No. 4**

As per section 139 of the Companies Act, 2013 read with The Companies (Audit and Auditors) Rules, 2014, the tenure of M/s Vijay Mehra & Co., Chartered Accountants (ICAI Firm Regn. No. FRN 001051N), present Statutory Auditors of the Company, expires at the conclusion of the 36<sup>th</sup> Annual General Meeting. Upon recommendation of Audit Committee, the Board of Directors of the Company at its meeting held on 10.08.2019 subject to the approval of shareholders of the Company in the ensuing Annual General Meeting, approved the appointment of M/s ARORA AGGARWAL & CO , Chartered



Accountants, Amritsar (FRN: 021086N), as the Statutory Auditor of the Company for a term of five consecutive years, to hold office from the conclusion of 36<sup>th</sup> Annual General Meeting till the conclusion of 41<sup>st</sup> Annual General Meeting (AGM) of the Company at such remuneration as may be agreed upon between the Auditors and Board of Directors of the Company. They have given their consent and confirmed their eligibility to the effect that their appointment, if made, would be within the prescribed limits under the Act and that they are not disqualified for appointment.

M/s ARORA AGGARWAL & CO, Chartered Accountants, Amritsar are Member of the Institute of Chartered Accountants of India (ICAI) with registration No. 021086N and practicing in the field of Project Financing, Corporate Advisory Services, Auditing, Statutory Bank Audits, Income Tax, Internal Audit & Management Consultancy, Accounting, Company Law matters, Legal documentations, Indirect Taxations, etc. It is a Partnership Firm within the guidelines of ICAI with qualified and well experienced Chartered Accountants as partners. All of them are complementary to each other and have good liaisoning with clients, long standing experience, excellent hold on their subject and expertise in their profession. Each Division of the firm is backed by dedicated, well experienced and committed team of well qualified, experienced Professional associates. M/s ARORA AGGARWAL & CO, Chartered Accountants, Amritsar (FRN: 021086N) holds Peer Review Certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The terms of appointment include half yearly audit of standalone and consolidated financial results and annual audit of standalone and consolidated financial statements in accordance with the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time along with the issuance of certificates in accordance with requirements of the Act, SEBI and RBI.

M/s ARORA AGGARWAL & CO, Chartered Accountants, Amritsar (FRN: 021086N) will be paid an annual remuneration / fees of Rs. 4,00,000/- (Rupees Four Lakh Only) plus outlays and taxes as

granted to the Board/ Audit Committee to alter and vary the terms and conditions of appointment, revision including upward revision of the remuneration during the tenure of appointment, in such manner and to such extent as may be mutually agreed with the Statutory Auditors. The remuneration paid to the Statutory Auditors will be disclosed in the Corporate Governance Report as well as the Annual Financial Statements of the Company on an annual basis.

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.

Your Board of Directors, therefore, recommends passing of the ordinary resolution as set out in Item No. 4 of the accompanying Notice.

#### SPECIAL BUSINESS:

##### Item No: 5

Mr. RAMESH ARORA (DIN: 00462656), was appointed as Managing Director of the Company w.e.f. 16<sup>th</sup> January 2016 for a term of 5 Years upto 15<sup>th</sup> January, 2021 at monthly remuneration of Rs. 2,00,000/-. His remuneration was further increased from Rs. 2,00,000/- per month to Rs. 2,50,000/- per month with effect from 01-10-2017 after taking shareholders approval in annual general meeting held on 30-09-2017. Considering the overall growth of the company, Nomination & Remuneration Committee at its meeting held on 10<sup>th</sup> August 2019 recommended revision in remuneration of Mr. RAMESH ARORA for payment upto Rs. 3,00,000/- (Rupees Three Lakh only) per month which was approved by the Board of Directors at their Meeting held on 10<sup>th</sup> August 2019 subject to further approval of Members at 36<sup>th</sup> Annual General Meeting.

A statement referred to in Section II, Part II of Schedule V, of the Companies Act, 2013 is stated below:

#### I. General Information

(1).	Nature of Industry	Pharmaceuticals (manufacturing)
(2).	Date of commencement of commercial production	04-05-1983 (date of Incorporation)



(3).	In case of new companies, expected date of commencement of activities as per project approved by the financial institutions appearing in the prospectus	Not applicable
(4).	Financial Performance based on given indicators	Please refer to the Financial results in Annual Report.
(5).	Foreign investments or collaborations, if any	NIL

## II. INFORMATION ABOUT THE APPOINTEE

(1).	Background details	Mr. Ramesh Arora is on board of Company since inception and has more than 4 decades of experience in the areas of management, marketing strategies and overall administration control and supervision. Under his leadership, Company has made a strong presence in the Pharmaceutical Sector today. He is a visionary and guides the Company and its management at all the stages of its development and strategic decisions. Your Board is of opinion that he will bring to the Company the exceptional breath of experience and maturity which is essential in the present circumstances.
(2).	Past Remuneration	Rs. 2,50,000/- per month



		adverse market conditions and due to change in government policy. But the company is confident that it will be able to increase the level of profits by inducting managerial remuneration with proven track record and experience and by increasing the volumes of business.
(9).	Steps taken or proposed to be taken for improvement	<ol style="list-style-type: none"> <li>1. Company is striving to extend its reach to global markets which should provide the Company better opportunities in terms of volume and reach.</li> <li>2. Company has also been working towards improving plant efficiencies.</li> <li>3. Various cost reduction measures also being worked out for reduction in indirect overheads,</li> <li>4. Company is taking initiatives in increasing efficiency and cost reduction making progress in turnover.</li> </ol>
(10).	Expected increase in productivity and profits in measurable terms	Expected turnover around Rs.200 Crore and expected PAT in measurable terms 2019-20 is around Rs. 10 Crore
	Disclosures	NIL

As required by the Companies Act, 2013, approval of the members is being sought, for the revision in remuneration of Mr. Ramesh Arora, Managing Director.

Hence, your Directors recommend the above resolution for approval of the Shareholders as a Special Resolution.

Except Mr. Ramesh Arora, Mr. Ajay Kumar Arora, Mr. Aditya Arora, Mrs. Anju Arora and Mrs. Geeta Arora and their relatives, no other Director or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the proposed resolution.

#### Item No: 6

Mr. AJAY KUMAR ARORA (DIN:00462664), was appointed as Whole Time Director of the Company w.e.f. 16<sup>th</sup> January 2016 for a term of 5 Years upto 15<sup>th</sup> January, 2021 at monthly remuneration of Rs. 2,00,000/-. His remuneration was further increased from Rs. 2,00,000/- per month to Rs. 2,50,000/- per month with effect from 01-10-2017 after taking shareholders approval in annual general meeting held on 30-09-2017. Considering the overall growth of the company, Nomination & Remuneration Committee at its meeting held on 10<sup>th</sup> August 2019 recommended revision in remuneration of Mr. AJAY KUMAR ARORA for payment upto Rs. 3,00,000/- (Rupees Three Lakh only) per month which was approved by the Board of Directors at their Meeting held on 10<sup>th</sup> August 2019 subject to further approval of Members at 36<sup>th</sup> Annual General Meeting.

A statement referred to in Section II, Part II of Schedule V, of the Companies Act, 2013 is stated below:

#### I. General Information

(1).	Nature of Industry	Pharmaceuticals (manufacturing)
(2).	Date of commencement of commercial production	04-05-1983 (date of Incorporation)



(3).	In case of new companies, expected date of commencement of activities as per project approved by the financial institutions appearing in the prospectus	Not applicable
(4).	Financial Performance based on given indicators	Please refer to the Financial results in Annual Report.
(5).	Foreign investments or collaborations, if any	NIL

## II. INFORMATION ABOUT THE APPOINTEE

(1).	Background details	Mr. Ajay Kumar Arora has more than 3 decades of experience in the overall operations of our Company. Under his leadership, Company has made a strong presence in the Pharmaceutical Sector today. He is adept to the new technological changes taking place in the Industry all over the world. He is responsible for overall planning and development of our Company. He drives our Company with his insights and vision. His strong interpersonal skill, technical knowledge and leadership quality has helped our Company to make the strong presence in Pharmaceutical Sector.
(2).	Past Remuneration	Rs. 2,50,000/- per month
(3).	Recognition or awards	N.A.
(4).	Job Profile and his suitability	3 decades of experience in the overall operations of our Company. Having spent a long time in the industry and the moving spirit of the Company, he is best suited to take up the job.
(5).	Remuneration proposed	As set out in the resolution for the item no. 06 of the notice
(6).	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The proposed remuneration is in tune with the current remuneration packages of the similar industry at this level, qualifications and experience of the appointee and the responsibilities shouldered by him.
(7).	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:	Mrs. Anju Arora (Whole Time Director) Mr. Ramesh Arora (Managing Director) Brother Mrs. Geeta Arora (Whole Time Director) Wife Mr. Aditya Arora (Whole Time Director & CFO) Son
(8).	Reasons for Losses / Inadequate profits	There are no losses however, there may be inadequate profits due to hike in the interest rate, rising running cost, challenging business environment, adverse market conditions and due to change in government policy. But the company is confident that it will be able to



		increase the level of profits by inducting managerial remuneration with proven track record and experience and by increasing the volumes of business.
(9).	Steps taken or proposed to be taken for improvement	<ol style="list-style-type: none"> <li>1. Company is striving to extend its reach to global markets which should provide the Company better opportunities in terms of volume and reach.</li> <li>2. Company has also been working towards improving plant efficiencies.</li> <li>3. Various cost reduction measures also being worked out for reduction in indirect overheads,</li> <li>4. Company is taking initiatives in increasing efficiency and cost reduction making progress in turnover.</li> </ol>
(10).	Expected increase in productivity and profits in measurable terms	Expected turnover around Rs.200 Crore and expected PAT in measurable terms 2019-20 is around Rs. 10 Crore
	Disclosures	NIL

As required by the Companies Act, 2013, approval of the members is being sought, for the revision in remuneration of Mr. Ajay Kumar Arora, Whole Time Director.

Hence, your Directors recommend the above resolution for approval of the Shareholders as a Special Resolution.

Except Mr. Ajay Kumar Arora, Mr. Ramesh Arora, Mr. Aditya Arora, Mrs. Anju Arora and Mrs. Geeta Arora, and their relatives, no other Director or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the proposed resolution.

#### Item No: 7

Mr. ADITYA ARORA (DIN:07320410), was appointed as Whole Time Director of the Company w.e.f. 30<sup>TH</sup> September 2016 for a term of 5 Years upto 29<sup>th</sup> September, 2021 at monthly remuneration of Rs. 40,000/-. His remuneration was further increased from Rs. 40,000/- per month to Rs. 1,00,000/- per month with effect from 01-10-2017 after taking shareholders approval in annual general meeting held on 30-09-2017. Considering the overall growth of the company, Nomination & Remuneration Committee at its meeting held on 10<sup>th</sup> August 2019 recommended revision in remuneration of Mr. ADITYA ARORA for payment upto Rs. 2,00,000/- (Rupees Two Lakh only) per month which was approved by the Board of Directors at their Meeting held on 10<sup>th</sup> August 2019 subject to further approval of Members at 36<sup>th</sup> Annual General Meeting.

A statement referred to in Section II, Part II of Schedule V, of the Companies Act, 2013 is stated below:

#### I. General Information

(1).	Nature of Industry	Pharmaceuticals (manufacturing)
(2).	Date of commencement of commercial production	04-05-1983 (date of Incorporation)
(3).	In case of new companies, expected date of commencement of activities as per project	Not applicable



	approved by the financial institutions appearing in the prospectus	
(4).	Financial Performance based on given indicators	Please refer to the Financial results in Annual Report.
(5).	Foreign investments or collaborations, if any	NIL

# I. INFORMATION ABOUT THE APPOINTEE

(1).	Background details	Mr. Aditya Arora , is Whole Time Director and CFO of our Company. He is an active, energetic, dynamic and assisting to take our Company in the growth path.
(2).	Past Remuneration	Rs. 1,00,000/- per month
(3).	Recognition or awards	N.A.
(4).	Job Profile and his suitability	He is an active, energetic, dynamic and assisting to take our Company in the growth path.
(5).	Remuneration proposed	As set out in the resolution for the item no. 07 of the notice
(6).	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The proposed remuneration is in tune with the current remuneration packages of the similar industry at this level, qualifications and experience of the appointee and the responsibilities shouldered by him.
(7).	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:	Mrs. Anju Arora (Whole Time Director) Mr. Ramesh Arora (Managing Director) Mrs. Geeta Arora (Whole Time Director) Mother Mr. Ajay Kumar Arora (Whole Time Director) Father
(8).	Reasons for Losses / Inadequate profits	There are no losses however, there may be inadequate profits due to hike in the interest rate, rising running cost, challenging business environment, adverse market conditions and due to change in government policy. But the company is confident that it will be able to increase the level of profits by inducting managerial remuneration with proven track record and experience and by increasing the volumes of business.
(9).	Steps taken or proposed to be taken for improvement	1. Company is striving to extend its reach to global markets which should provide the Company better opportunities in terms of volume and reach. 2. Company has also been working towards improving plant efficiencies. 3. Various cost reduction measures also being worked out for reduction in





		indirect overheads, 4. Company is taking initiatives in increasing efficiency and cost reduction making progress in turnover.
(10).	Expected increase in productivity and profits in measurable terms	Expected turnover around Rs.200 Crore and expected PAT in measurable terms 2019-20 is around Rs. 10 Crore
	Disclosures	NIL

As required by the Companies Act, 2013, approval of the members is being sought, for the revision in remuneration of Mr. Aditya Arora, Whole Time Director.

Hence, your Directors recommend the above resolution for approval of the Shareholders as a Special Resolution.

Except Mr. Aditya Arora, Mr. Ramesh Arora, Mr. Ajay Kumar Arora, Mrs. Anju Arora and Mrs. Geeta Arora, and their relatives, no other Director or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the proposed resolution.

#### Item No: 8

**Mrs. ANJU ARORA (DIN : 03155641)**, was appointed as Whole Time Director of the Company w.e.f. 16<sup>th</sup> January 2016 for a term of 5 Years upto 15<sup>th</sup> January, 2021 at monthly remuneration of Rs. 40,000/-. Considering the overall growth of the company, Nomination & Remuneration Committee at its meeting held on 10<sup>th</sup> August 2019 recommended revision in remuneration of Mrs. ANJU ARORA for payment upto Rs. 1,00,000/- (Rupees One Lakh only) per month which was approved by the Board of Directors at their Meeting held on 10<sup>th</sup> August 2019 subject to further approval of Members at 36<sup>th</sup> Annual General Meeting.

A statement referred to in Section II, Part II of Schedule V, of the Companies Act, 2013 is stated below:

#### II. General Information

(1).	Nature of Industry	Pharmaceuticals (manufacturing)
(2).	Date of commencement of commercial production	04-05-1983 (date of Incorporation)
(3).	In case of new companies, expected date of commencement of activities as per project approved by the financial institutions appearing in the prospectus	Not applicable
(4).	Financial Performance based on given indicators	Please refer to the Financial results in Annual Report.
(5).	Foreign investments or collaborations, if any	NIL

#### II. INFORMATION ABOUT THE APPOINTEE

(1).	Background details	Mrs. ANJU ARORA, is Whole Time Director of our Company. She has completed her Bachelor of Arts from Amritsar. She is on the Board of the Company since 2010.
(2).	Past Remuneration	Rs. 40,000/- per month
(3).	Recognition or awards	N.A.
(4).	Job Profile and his suitability	She oversees day to day marketing





		operations of the Company.
(5).	Remuneration proposed	As set out in the resolution for the item no. 08 of the notice
(6).	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The proposed remuneration is in tune with the current remuneration packages of the similar industry at this level, qualifications and experience of the appointee and the responsibilities shouldered by her.
(7).	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:	Mr. Ramesh Arora (Managing Director) Husband Mrs. Geeta Arora (Whole Time Director)  Mr. Ajay Kumar Arora (Whole Time Director) Mr. Aditya Arora(Whole Time Director & CFO)
(8).	Reasons for Losses / Inadequate profits	There are no losses however, there may be inadequate profits due to hike in the interest rate, rising running cost, challenging business environment, adverse market conditions and due to change in government policy. But the company is confident that it will be able to increase the level of profits by inducting managerial remuneration with proven track record and experience and by increasing the volumes of business.
(9).	Steps taken or proposed to be taken for improvement	1. Company is striving to extend its reach to global markets which should provide the Company better opportunities in terms of volume and reach. 2. Company has also been working towards improving plant efficiencies. 3. Various cost reduction measures also being worked out for reduction in indirect overheads, 4. Company is taking initiatives in increasing efficiency and cost reduction making progress in turnover.
(10).	Expected increase in productivity and profits in measurable terms	Expected turnover around Rs.200 Crore and expected PAT in measurable terms 2019-20 is around Rs. 10 Crore
	Disclosures	NIL

As required by the Companies Act, 2013, approval of the members is being sought, for the revision in remuneration of Mrs. Anju Arora, Whole Time Director.

Hence, your Directors recommend the above resolution for approval of the Shareholders as a Special Resolution.



Except Mrs. Anju Arora, Mr. Aditya Arora, Mr. Ramesh Arora, Mr. Ajay Kumar Arora, and Mrs. Geeta Arora, and their relatives, no other Director or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the proposed resolution.

**Item No: 09**

**Mrs. GEETA ARORA (DIN : 03155615)**, was appointed as Whole Time Director of the Company w.e.f. 16<sup>th</sup> January 2016 for a term of 5 Years upto 15<sup>th</sup> January, 2021 at monthly remuneration of Rs. 40,000/-. Considering the overall growth of the company, Nomination & Remuneration Committee at its meeting held on 10<sup>th</sup> August 2019 recommended revision in remuneration of Mrs. GEETA ARORA for payment upto Rs. 1,00,000/- (Rupees One Lakh only) per month which was approved by the Board of Directors at their Meeting held on 10<sup>th</sup> August 2019 subject to further approval of Members at 36<sup>th</sup> Annual General Meeting.

A statement referred to in Section II, Part II of Schedule V, of the Companies Act, 2013 is stated below:

**III. General Information**

(1).	Nature of Industry	Pharmaceuticals (manufacturing)
(2).	Date of commencement of commercial production	04-05-1983 (date of Incorporation)
(3).	In case of new companies, expected date of commencement of activities as per project approved by the financial institutions appearing in the prospectus	Not applicable
(4).	Financial Performance based on given indicators	Please refer to the Financial results in Annual Report.
(5).	Foreign investments or collaborations, if any	NIL

**III. INFORMATION ABOUT THE APPOINTEE**

(1).	Background details	Mrs. GEETA ARORA, is Whole Time Director of our Company. She has completed her Master of Arts from Amritsar. She is on the Board of the Company since 2010.
(2).	Past Remuneration	Rs. 40,000/- per month
(3).	Recognition or awards	N.A.
(4).	Job Profile and her suitability	She oversees Human Resource and Management Operations of the Company.
(5).	Remuneration proposed	As set out in the resolution for the item no. 09 of the notice
(6).	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The proposed remuneration is in tune with the current remuneration packages of the similar industry at this level, qualifications and experience of the appointee and the responsibilities shouldered by her.
(7).	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:	Mr. Ramesh Arora (Managing Director) Mrs. Anju Arora (Whole Time Director) Mr. Ajay Kumar Arora (Whole Time



		Director) Husband Mr. Aditya Arora (Whole Time Director & CFO) Son
(8).	Reasons for Losses / Inadequate profits	There are no losses however, there may be inadequate profits due to hike in the interest rate, rising running cost, challenging business environment, adverse market conditions and due to change in government policy. But the company is confident that it will be able to increase the level of profits by inducting managerial remuneration with proven track record and experience and by increasing the volumes of business.
(9).	Steps taken or proposed to be taken for improvement	1. Company is striving to extend its reach to global markets which should provide the Company better opportunities in terms of volume and reach. 2. Company has also been working towards improving plant efficiencies. 3. Various cost reduction measures also being worked out for reduction in indirect overheads, 4. Company is taking initiatives in increasing efficiency and cost reduction making progress in turnover.
(10).	Expected increase in productivity and profits in measurable terms	Expected turnover around Rs.200 Crore and expected PAT in measurable terms 2019-20 is around Rs. 10 Crore
	Disclosures	NIL

As required by the Companies Act, 2013, approval of the members is being sought, for the revision in remuneration of Mrs. Geeta Arora, Whole Time Director.

Hence, your Directors recommend the above resolution for approval of the Shareholders as a Special Resolution.

Except Mrs. Geeta Arora, Mr. Aditya Arora, Mr. Ramesh Arora, Mr. Ajay Kumar Arora, and Mrs. Anju Arora, and their relatives, no other Director or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the proposed resolution.

#### Item No. 10

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, 2020. 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. 10 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2020.





# 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, 2019
RAMESH ARORA (DIN:00462656)	12/06/1954	Mr. Ramesh Arora aged 65 years is Bachelor of Commerce. He has experience of more than 4 decades in the areas of management, marketing strategies and overall administration control and supervision.	Other Directorship : One (in Private Limited Company)  Committee positions held in Kwality Pharmaceuticals Limited : -Nil  Committee Positions held in other Public Companies: Nil  Relationship with other directors : - Relative of Directors Mr. Aditya Arora, Mr. Ajay Kumar Arora, Mrs. Geeta Arora & Mrs. Anju Arora  No of Shares held in the Company : - 2966016
ANJU ARORA (DIN: 03155641)	01/02/1962	Mrs. Anju Arora aged 57 years is Bachelor of Arts. She has experience of more than thirteen years in Marketing.	Other Directorship : Nil  Committee positions held in Kwality Pharmaceuticals Limited : - Member in Stakeholders Relationship  Committee Positions held in other Public Companies: Nil  Relationship with other directors : - Relative of Directors Mr. Ramesh Arora, Mr. Ajay Kumar Arora, Mrs. Geeta Arora & Mr. Aditya Arora  No of Shares held in the Company : - 135634

By Order Of the Board

Sd/-

Place: - Amritsar  
Date: -05<sup>th</sup> September 2019

(GURPREET KAUR)  
Company Secretary



## **DIRECTORS' REPORT**

To

The Members  
KWALITY PHARMACEUTICALS LIMITED.

Your Directors have pleasure in presenting the 36<sup>th</sup> Annual Report of KWALITY PHARMACEUTICALS LIMITED along with the Audited Financial Statements for the year ended 31<sup>st</sup> March 2019.

FINANCIAL HIGHLIGHTS



Listing Fee for the year 2019-20 has been paid.

#### EXTRACT OF THE ANNUAL RETURN

The extract of the annual return in Form No. MGT

**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 given in **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

There was no change in the Directors during the Year.

#### 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. Ramesh Arora & Mrs. Anju 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 2018-19, 9 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 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 2018-19, one Meeting was held on 30-05-2018. The composition of Committee and attendance of members is as follows:

Name	Category	Meeting held during 2018-19	No. of Meeting Attended
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 2018-19 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 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

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 28/03/2019.

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

The Company has **Kwalita Pharmaceuticals Africa, Limitada** at Maputo Province, Mozambique which is mainly engaged in the Pharmaceuticals business. The Board reviewed









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 2018-19 by the Board of Directors and their remuneration was ratified by members at the 35<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 2019-20 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



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 EX CHANGE 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:**

Energy conservation continues to be the key focus area of your Company. 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. Your company is striving continuously to conserve every form of energy by adopting innovative measures to reduce wastage and optimize consumption. Notable measures for energy conservation taken by company were :-

lighting kept off

voltage motors

using Temperature Controller. Further the Company is using electricity as the main source of energy and is currently not exploring any alternate source of energy.

**(B) Technology absorption:**

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. Company takes help of outside agencies, whenever required, to improve manufacturing process or method which ultimately benefit to the quality and cost of product.

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

Particulars	Year ended 31 <sup>st</sup> March 201 9 ( Rs. In Lakhs)	Year Ended 31 <sup>st</sup> March 201 8 ( Rs. In Lakhs)
Earnings		
Export Sales	8356.79	5616.81
Outgo		
Capital Goods	85.65	18.58
Raw Materials	759.49	449.09

**DEPOSITS**

Your Company has not accepted any deposits from the public during the year under review, within the



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, 2019, 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

Due to personal reasons, 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.

**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.

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



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

As on financial year ended on 31.03.201 9

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

**I. REGISTRATION & OTHER DETAILS:**

1.	CIN	L24232PB1983PLC005426
2.	Registration Date	04/05/1983
3.	Name of the Company	KWALITY PHARMACEUTICALS LIMITED
4.	Category/Sub-category of the Company	Company limited by shares/Indian Non -Government Company
5.	Address of the Registered office & contact details	VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR, PUNJAB. Phone no. : - 8558820862
6.	Whether listed company	YES
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	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

**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
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## 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. Promoter s</b>									
(1) Indian									
a) Individual/ HUF	5202840	NIL	5202840	50.14	5202840	NIL	5202840	50.14	NIL
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
Sub-total (A) (1):	5202840	NIL	5202840	50.14	5202840	NIL	5202840	50.14	NIL
(2) Foreign									
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
Sub-total (A) (2):	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total shareholding of Promoter (A) = (A)(1) + (A)(2)	5202840	NIL	5202840	50.14	5202840	NIL	5202840	50.14	NIL
<b>B. Public Shareholding / Other than Promoters</b>									
1. Institutions									
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	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL







## ii) Shareholding of Promoter-

S. No	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	2966016	28.58	NIL	NIL
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	93160	0.90	NIL	NIL
8	Sachin Seth	25620	0.25	NIL	25620	0.25	NIL	NIL
9	Aditya Arora	142000	1.36	NIL	142000	1.36	NIL	NIL
	TOTAL	5202840	50.14	NIL	5202840	50.14	NIL	NIL

## iii) Change in Promoters' Shareholding: - NO CHANGE

S.NO	Particulars	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
	At the beginning of the Year	N.A.	N.A.	N.A.	N.A.
	Date wise Increase /Decrease in shareholding during the year specifying the reasons for increase/decrease(e.g. allotment/transfer/bonus/ sweat equity etc.).	N.A.	N.A.	N.A.	N.A.
	At the end of the year	N.A.	N.A.	N.A.	N.A.



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

S. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year	
		No. of shares	% of total shares of the company
1	T R METALS PRIVATE LIMITED		
	At the beginning of the year	1381470	13.31
	At the end of the year	1381470	13.31
2	GUINNESS SECURITIES LIMITED		
	At the beginning of the year	642050	6.19
	At the end of the year	30056	0.29
3	WAYS VINIMAY PRIVATE LIMITED		
	At the beginning of the year	NIL	NIL
	At the end of the year	563994	5.44
4	JANI BHASHA SHAIK		
	At the beginning of the year	NIL	NIL
	At the end of the year	189000	1.82
5	NIZAMUDDIN SHAIK		
	At the beginning of the year	66000	0.64
	At the end of the year	144000	1.39
6	NEERAJ JAIN		
	At the beginning of the year	120000	1.16
	At the end of the year	66000	0.64
7	ASHOK LAKHANI		
	At the beginning of the year	108000	1.04
	At the end of the year	108000	1.04
8	NEERAJ JAIN HUF		
	At the beginning of the year	90000	0.87
	At the end of the year	60000	0.58
9	POOJA KAPOOR		
	At the beginning of the year	83308	0.80
	At the end of the year	83308	0.80
10	KIRAN MAHAJAN		
	At the beginning of the year	69518	0.67
	At the end of the year	69518	0.67
11	VIJAY MARTIN		
	At the beginning of the year	67792	0.65
	At the end of the year	67792	0.65
12	SHANKAR DAYAL		
	At the beginning of the year	67772	0.65
	At the end of the year	67772	0.65
13	NEERAJ LAKHANPAL		
	At the beginning of the year	66980	0.65
	At the end of the year	66980	0.65

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	% of total	No. of	% of total



		shares	shares of the company	shares	shares of the company
1	RAMESH ARORA – MANAGING DIRECTOR				
	At the beginning of the year	2966016	28.58		
	Changes during the year	NIL	NIL	NIL	NIL
	At the end of the year			2966016	28.58
2	AJAY KUMAR ARORA – WHOLE TIME DIRECTOR				
	At the beginning of the year	1395628	13.45		
	Changes during the year	NIL	NIL	NIL	NIL
	At the end of the year			1395628	13.45
3	GEETA ARORA - WHOLE TIME DIRECTOR				
	At the beginning of the year	111500	1.07		
	Changes during the year	NIL	NIL	NIL	NIL
	At the end of the year			111500	1.07
4	ANJU ARORA - WHOLE TIME DIRECTOR				
	At the beginning of the year	135634	1.31		
	Changes during the year	NIL	NIL	NIL	NIL
	At the end of the year			135634	1.31
5	ADITYA ARORA - WHOLE TIME DIRECTOR & CFO				
	At the beginning of the year	142000	1.36		
	Changes during the year	NIL	NIL	NIL	NIL
	At the end of the year			142000	1.36
6	KIRAN KUMAR VERMA - INDEPENDENT DIRECTOR				
	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
7	RAVI SHANKER SINGH - INDEPENDENT DIRECTOR				
	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
8	PANKAJ TAKKAR - INDEPENDENT DIRECTOR				
	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
9	JANIBHASHA SHAIK –EXECUTIVE DIRECTOR				
	At the beginning of the year	NIL	NIL		
	Changes during the year-Purchases	189000	1.82	189000	1.82
	At the end of the year			189000	1.82
10	GAURAV BAJAJ - COMPANY SECRETARY				
	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
Indebtedness at the beginning of the financial year				
i) Principal Amount	2444.16	100.00	NIL	2544.16
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	2444.16	100.00	NIL	2544.16
Change in Indebtedness during the financial year				
* Addition	1029.29	NIL	NIL	1029.29
* Reduction	(899.43)	(100.00)	NIL	(999.43)
Net Change	129.86	(100.00)	NIL	29.86
Indebtedness at the end of the financial year				
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
Total (i+ii+iii)	2574.02	NIL	NIL	2574.02

#### 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	3000000	3000000	480000	480000	1200000	81,60,000
	(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) Income- tax Act, 1961	NIL	NIL	NIL	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL	NIL	NIL	NIL
4	Commission - as % of profit -	NIL	NIL	NIL	NIL	NIL	NIL
5	Others, please specify	NIL	NIL	NIL	NIL	NIL	NIL



Total (A)	3000000	3000000	480000	480000	1200000	81,60,000
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
		Ravi Shanker Singh	Pankaj Takkar	Kiran Kumar Verma	---	(in Rs.)
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
	Total (1)	12000	12000	12000	NIL	36000
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
	Total (2)	NIL	NIL	NIL	NIL	NIL
	Total (B)=(1+2)	12000	12000	12000	NIL	36000
	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	258000	NIL	258000
	(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



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: 10<sup>th</sup> August, 2 019

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

Sd/-  
(AJAY KUMAR ARO RA)  
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, 2019

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	30.91
AJAY KUMAR ARORA	30.91
ANJU ARORA	4.94
GEETA ARORA	4.94
ADITYA ARORA	12.37

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	11.11
AJAY KUMAR ARORA	Whole Time Director	11.11
ANJU ARORA	Whole Time Director	Nil
GEETA ARORA	Whole Time Director	Nil
ADITYA ARORA	Whole Time Director & CFO	42.86
GAURAV BAJAJ	Company Secretary	No change in monthly remuneration as compare to last financial year

C. The percentage increase in the median remuneration of employees in the financial year: 13.16%

D. The number of permanent employees on rolls of the company as on 31<sup>st</sup> March 2019:- 433.

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. 2017-18	F. Y. 2018-19	% increase
	399.19	671.08	68.11
Managerial Remuneration (in Rupees Lakhs)	72.00	81.60	13.33

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

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

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

Place: Amritsar  
Date: 10<sup>th</sup> August 2019





Form No. MR -3  
SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2019

[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 C 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, 2019 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, 2019 according to the provisions of:
  - (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
  - (ii) The Securities Contracts ( 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 -
    - (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, 1998 (Not applicable to the Company during Audit Period) ; and
  - (j) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018; and
  - (vi) Drugs and Cosmetics Act, 1940;
  - (vii) Drugs (Price Control) Order, 2013;
  - (viii) Indian Boilers Act, 1923;
  - (ix) 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:
- i. The Secretarial Standards issued by The Institute of Company Secretaries of India and
  - ii. The provisions envisaged in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements, 2015, as amended.
  - iii. 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:
- (a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors.
  - (b) 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.
  - (c) 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  
rules, regulations, guidelines, standards, etc.

Place : AMRITSAR

Signature: Sd/- (RISHI MITTAL)

Date : 10<sup>th</sup> August 2019

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

ACS No. 12613 & C P No.: 3004

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 :10<sup>th</sup> August 2019

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

ACS No. 12613  
C P No.: 3004



(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.kwalitapharma.com">www.kwalitapharma.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. 54792768
4.	Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)	Rs. 1095855
5.	Details of CSR spent during the financial year	
	a) Total amount spent for the financial year 2018-19	Rs. 1182757
	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 implement ing agency
1.	Project of Food Distribution	Eradication of hunger & poverty	Rural Area, Amritsar, (Punjab)	4,60,557	4,60,557	4,60,557	Direct
2.	Project of providing fees and education material to needy students	Promoting Education	Shaheed Captain Amardeep Singh Government Senior	1,50,000	1,50,000	1,50,000	Direct



				Secondary School, Majitha.					
	3.	Project of providing fees and education material to needy students	Promoting Education	Ibadat, Mall Road, Amritsar	60,000	60,000	60,000	Direct	
	4.	Project of Education & Health of children	Promoting Education & Healthcare	Indian Red Cross Society Distt., Amritsar.	50,000	50,000	50,000	Direct	
	5.	Project of Education & Health of children	Promoting Education & Child Healthcare	Rural Area, Panchkula (Haryana)	18,000	18,000	18,000	Through implementing agency	
	6.	Project of providing education facility to needy students	Promoting Education of Children	New Delhi	98,350	98,350	98,350	Direct	
	7.	Project of providing education facility to needy students	Promoting Education of Children	Amritsar (Punjab)	39,350	39,350	39,350	Direct	
	8.	Project for Promotion of Art and Culture	Promoting Art and Culture	Amritsar (Punjab)	2,41,000	2,41,000	2,41,000	Direct	
	9.	Project for Tribal Education and health welfare	Promoting Education and Healthcare	Akhil Bhartiya Vanvasi Kalyan Ashram, Jashpurnagar, Distt. Jashpur (C.G.)	11,000	11,000	11,000	Through implementing agency	
	10.	Project of Cancer Detection & Prevention	Promoting health care including preventive healthcare	Cancer Awareness Prevention and Early detection Trust, Haryana	50,000	50,000	50,000	Through implementing agency	



11.	Project of Child Healthcare	Promoting health care including preventive health care	Rural Area, Noida	4,500	4,500	4,500	Through implementing agency
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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:10<sup>th</sup> August 2019

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.

**KWALITY'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 nine members in the Board of the Directors of the company on 31<sup>st</sup> March 2019 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:

Directors	Category
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
Janibhasha Shaik (Resigned w.e.f. 04-04-2019)	Executive Director

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

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 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 9 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.	26.04.2018
2.	30.05.2018
3.	05.07.2018
4.	06.08.2018
5.	04.09.2018
6.	14.11.2018
7.	30.12.2018
8.	25.01.2019
9.	28.03.2019

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- 2019	No. of Committee/ membership in which he/she is a Member or Chairperson
Mr. Ramesh Arora (DIN: 00462656)	Managing Director	9	Yes	1	None
Mr. Ajay Kumar Arora (DIN: 00462664)	Whole Time Director	9	Yes	Nil	None
Mr. Aditya Arora (DIN: 07320410)	Whole Time Director & Chief Financial Officer	8	Yes	Nil	Member in two Committees
Mrs. Geeta Arora (DIN: 03155615)	Whole Time Director	9	Yes	Nil	Member in one Committee and Chairperson in one Committee
Mrs. Anju Arora (DIN: 03155641)	Whole Time Director	9	Yes	Nil	Member in one Committee
Mr. Kiran Kumar Verma (DIN: 07415375)	Non Executive Independent Director	4	No	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	4	No	1	Member in one Committee





	Director				and Chairman in one Committee
Mr. Janibhasha Shaik (DIN: 06738842)	Executive Director	1	No	Nil	None

E) Shares held by Non -Executive Directors as at 31st March 2019:

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 14-11-2018, 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, 4 Audit Committee meetings were held on the following dates 30-05-2018, 04-09-2018, 14-11-2018 and 28-03-2019.



## \* Composition &amp; Attendance of Audit Committee

Sr. No.	Name	Designation	Position in committee	No. of Meetings Attended
1	Pankaj Takkar	Non-Executive Independent Director	Chairman	4
2	Kiran Kumar Verma	Non-Executive Independent Director	Member	4
3	Aditya Arora	Executive Non Independent Director	Member	4

The Company Secretary acts as the Secretary of the Committee.

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

1. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - i. Matters required to be in accordance with the provisions 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.
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 quarterly and half-yearly financial statements before submission to the Board for approval;
5. 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;
6. Review and monitoring of the process;
7. Approval or any subsequent modification of transaction of the Company with related parties;
8. Scrutiny of inter corporate loans and investments;
9. Valuation of undertakings or assets of the Company wherever it is necessary;
10. Evaluation of internal financial controls and risk management systems;
11. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;
12. 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;
13. Discussion with internal auditors any significant findings and follow up there on;
14. 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;
15. 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 14-11-2018 and 28-03-2019.

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

Sr. No.	Name	Designation	Position in committee	No. of Meetings Attended
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;
- 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 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.kwalitipharma.com>.

Remunerations paid during the Financial Year 2018-19 to Executive Directors are:

Name of Director	Designation	Yearly Remuneration (Rs.)
RAMESH ARORA	Managing Director	3000000
AJAY KUMAR ARORA	Whole Time Director	3000000
GEETA ARORA	Whole Time Director	4,80,000
ANJU ARORA	Whole Time Director	4,80,000
ADITYA ARORA	Whole Time Director & Chief Financial Officer	1200000

### 3. STAKEHOLDERS RELATIONSHIP 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. 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

26-04-2018 and

28-03-2019.

\* 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	2
2	Geeta Arora	Executive Non Independent Director	Member	2
3	Anju Arora	Executive Non Independent Director	Member	2

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 2018-19, 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 2018-19, one meeting of the committee was held on 30-05-2018. The composition of Committee and attendance of members is as follows:

Name	Category	Meeting held during 2018-19	No. of Meeting Attended
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.kwalitapharma.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: -

Financial Year	Date & Time	Venue	Special Resolution Passed
2015-16	September 30, 2016 at 11:00 A.M.	VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR.	NIL
2016-17	September 30, 2017 at 11:30 A.M.	VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR.	6
2017-18	September 29, 2018	VILLAGE	NIL



	at 11:30 A.M.	NAGKALAN, MAJITHA ROAD, AMRITSAR.	
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## DISCLOSURES

1.

related party

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.kwalitiypharma.com](http://www.kwalitiypharma.com). The weblink for the same is: [http://www.kwalitiypharma.com/pages/Policy\\_for\\_determining\\_Material\\_Subsiidiaries.pdf](http://www.kwalitiypharma.com/pages/Policy_for_determining_Material_Subsiidiaries.pdf)

## GENERAL SHAREHOLDER INFORMATION:

### ANNUAL GENERAL MEETING

Monday, 30<sup>th</sup>

September, 2019 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. 2019-20 is:-

Half yearly un-audited results	Within 45 days from 30th September, 2019
Annual audited result	Within 60 days from 31st March, 2020

### 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

23.09.2019 to 30.09.2019 (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, 2018	48.75	39.75
May, 2018	49.00	46.00
June, 2018	49.25	44.25
July, 2018	48.00	42.20
August, 2018	46.55	43.00
September, 2018	47.95	42.00
October, 2018	46.00	39.35
November, 2018	55.00	47.00
December, 2018	57.05	54.00
January, 2019	56.00	51.70
February, 2019	53.95	52.80
March, 2019	54.00	36.20

#### DEMATERIALIZATION OF SHARES

As on March 31, 2019, 95,17,638 (i.e. 91.73 %) Equity Shares of the Company were held in dematerialised form & 8,58,560 were held in physical form. The breakup of the equity shares as on March 31, 2019 is as follows:



SHARE HOLDING PATTERN AS ON 31<sup>ST</sup> MARCH, 2019

Category	No. of Shares held	% of Shareholding
1. Promoters and Promoter Group	5202840	50.14
2. Bodies Corporate	2083470	20.08
3. Clearing Members	18000	0.17
4. Non-Resident Indians	195000	1.88
5. Indian Public	2876888	27.73
<b>TOTAL</b>	<b>10376198</b>	<b>100</b>

Distribution Schedule as on 31/03/2019  
(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	3	1.64	5000	0.05
20001-30000	55	30.06	165000	1.59
50001-100000	39	21.31	259550	2.50
100001-9999999999	86	46.99	9946648	95.86
<b>TOTAL</b>	<b>183</b>	<b>100.00</b>	<b>10376198</b>	<b>100.00</b>

## Share Transfer System:

Pursuant to the amendment in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subsequent notification(s) issued by SEBI, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository. In this regard, SEBI has issued a Press Release clarifying that the said amendment does not prohibit an investor from holding shares in physical form and can hold shares in physical form even after 1st April, 2019. However, any investor who is desirous of transferring shares (which are held in physical form) after 1st April, 2019 can do so only after the shares are dematerialized.

## 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:

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





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, 2019 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 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
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 control system over financial reporting.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place:-Amritsar  
Date:-May 30, 2019

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

Sd/-  
RAMESH ARORA  
(Managing Director)



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, 2019, 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 : 10<sup>th</sup> August, 2 019

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

India is among the leading global producers of cost-effective generic medicines and vaccines, supplying 20 percent of the total global demand by volume. The country has an established domestic pharmaceutical industry, with a strong network of 3000 drug companies and about 10,500 manufacturing units. Out of these, 1,400 units are World Health Organization (WHO) good manufacturing

therapeutic goods administration (TGA) guidelines; and 584 sites are approved by the US Food and Drug Administration (USFDA). With technologically strong and totally self-reliant, low costs of production, low R&D costs, innovative scientific manpower, strength of national laboratories and an increasing balance of trade, the industry is growing about 8 to 10 percent annually.

The pharmaceutical industry in India produces a range of bulk drugs, which are the key acting ingredients with medicinal properties that form the basic raw materials for formulations. Bulk drugs account for roughly one-fifth of the industry output while formulations account for the rest. India also has the expertise for active pharmaceutical ingredients (APIs) and sees significant opportunities for value-creation. At present, Indian companies supply over 80 percent of the anti-retro-viral drugs used globally to combat AIDS (Acquired Immuno Deficiency Syndrome). In 2017-18, India exported pharma products worth US\$ 17.27 billion. By 2020, the industry estimates the exports to grow by 30 per cent to reach US\$ 20 billion.

**OPPORTUNITIES, RISKS, CONCERNS & THREATS**

The pharmaceutical industry undertakes several risky ventures that are a growing concern for pharmaceutical companies. Due to technological advances, pharma companies take risks to have a competitive edge. Till now, there has been limited material impact of litigations on Indian pharma companies but the cost and settlement of such a litigation has the potential to be a key factor impacting

largest drug market and the most litigious one, the legal ramifications are also likely. 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.

As an organisation, we have developed competencies and capabilities to emerge resilient in a tough industry environment. Cost-effective global procurement practices backed by our efficient global supply chain and manufacturing has enabled us to consolidate our market shares in key geographies. Our deep customer relationships with sharp focus on ensuring high service levels have contributed to fortification of our leadership position and build growth drivers for the future. Bound by a strong compliance ethics, we rely heavily on risk management and forecasting frameworks to manage competitive, economic, financial, geo-political and social risks.

According to pharma industry experts, standard of the drugs is the only concern for the market. There are no basic threats to pharma industry in India. 70 per cent of pharma market is generic, 9 per cent is oriented and rest 21 per cent is over-the-counter which is acceptable. India's healthcare budget is less. The country spends only a small part of GDP on healthcare while in other countries 4-5 per cent of GDP is outlaid on healthcare.

**OUTLOOK**

The Indian pharma industry is on a good growth path and is likely to be in the top 10 global markets in value term by 2020, according to the PwC CII

The Indian pharma industry has been growing at a compounded annual growth rate



(CAGR) of more than 15% over the last five years and has significant growth opportunities. However, for the industry to sustain this robust growth rate till 2020, companies will have to rethink their business strategy. They will have to adopt new business models and think of innovative ideas to service their evolving customers faster and better.

The Company achieved significant progress on its key priorities in FY 2018-19 despite a number of challenges around an uncertain regulatory environment, volatility in emerging markets and pricing pressure across the globe. For FY 2019-20, company will remain focused on its agenda of superior revenue growth, cost consciousness and improving the overall margin profile of the Company. The Company expects to taper down capital investments and continue its focus on operational efficiencies to drive strong cash flows. Revenues and profitability for FY 2019-20 would see an increase led by increase in capacity and pick-up in demand of pharmaceuticals.

#### 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	16607.85	13792.82
Profit before Tax (PBT)	1089.64	755.01
Profit After Tax (PAT)	754.72	467.59

#### 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

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

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	Sd/- (RAMESH ARORA) Managing Director DIN: 00462656	Sd/- (AJAY KUMAR ARORA) Whole Time Director DIN: 00462664
Date: 10 <sup>th</sup> August, 2019		



**Independent Auditor's Report for the Standalone Financial Statements of Kwalita Pharmaceuticals Limited (erstwhile M/s Kwalita Pharmaceuticals Private Limited)**

To

The Members  
M/s Kwalita Pharmaceuticals Limited .

**Report on the Financial Statements**

We have audited the accompanying financial statements of M/s Kwalita Pharmaceuticals Limited (erstwhile Kwalita Pharmaceuticals Private Limited), which comprise the Standalone Balance Sheet as at 31<sup>st</sup> March, 2019 , the Standalone Statement of Profit and Loss and the Standalone Cash Flow Statement

the significant accounting policies and other explanatory information.

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

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, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. An audit also includes an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and disclosures in the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 31st March, 2019, and its profit/loss and its cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

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 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 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

Report) Order, 2016 (CARO, 2016) has been attached in

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

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.





Annual Report 201 8-2019  
For Vijay Mehra & Co.  
Chartered Accountants  
FRN- 001051N

Place: Amritsar  
Dated: 30.05.2019

Sd/-  
CA Amit Handa  
Partner  
M.No. 502400



**ANNEXURE A: To The Independent Auditor's Report of even date on the Standalone Financial Statements of Kwalita Pharmaceuticals Limited (erstwhile M/s Kwalita Pharmaceuticals Private 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 M/s Kwalita Pharmaceuticals Limited (erstwhile Kwalita Pharmaceuticals Private Limited) as of March 31, 2019 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**

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, 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**

reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial

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 t 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 ial controls system over financial reporting.

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

assurance regarding the reliability of financial reporting and the preparation of financial statements for



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,

#### 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, 2019, 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 Vijay Mehra & Co.  
Chartered Accountants  
FRN- 001051N

Sd/-  
CA Amit Handa  
Partner  
M.No. 502400

Place: Amritsar  
Dated: 30.05.2019



**ANNEXURE B– Report under the Companies (Auditor's Report) Order, 2016 of the Standalone Financial Statements of Kwalita Pharmaceuticals Limited (erstwhile M/s Kwalita Pharmaceuticals Private 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

situated at Village Nagkalan, 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 Kwalita 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

(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, 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 05.09.2019.

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 moneys 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.



Annual Report 201 8-2019

(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 Vijay Mehra & Co.  
Chartered Accountants  
FRN- 001051N

Sd/-  
CA Amit Handa  
Partner  
M.No. 502400

Place: Amritsar  
Dated: 30.05.2019





**KWALITY PHARMACEUTICALS LIMITED**

**STANDARD ONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2019**

Audited	Particulars	Note	As at 31 March 2019 (Audited)	As at 31 March 2018 (Audited)
	<b>A CONTINUING OPERATIONS</b>			
13,682.73	1 Revenue from operations (gross)	20	16,515.08	
110.09	2 Other income	21	92.77	
13,792.82	3 Total revenue (1+2)		16,607.85	
	4 Expenses			
10,373.48	(a) Cost of materials consumed	22	11,406.02	
26.28	(b) Purchases of stock-in-trade		13.30	
(271.21)	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	515.17	
553.42	(d) Employee benefits expense	24	842.67	
218.47	(e) Finance Cost	25	221.16	
285.55	(f) Depreciation and amortisation expense	10	305.70	
1,851.83	(g) Other expenses	26	2,214.19	
13,037.81	Total expenses		15,518.21	
755.01	5 Profit/(Loss) from operations before Exceptional items (3-4)		1,089.64	
-	6 Exceptional items		-	
755.01	7 Profit / (Loss) before extraordinary items and tax (6-7)		1,089.64	
-	8 Extraordinary items		-	
755.01	9 Profit / (Loss) before tax (7+ 8)		1,089.64	
	10 Tax expense:			
306.17	(a) Current Tax		330.00	
(18.75)	(b) Deferred Tax		(8.97)	
	(c) Income Tax relating to earlier years		13.89	
467.59	11 Profit / (Loss) from continuing operations (9 +10)		754.72	
	<b>B DISCONTINUING OPERATIONS</b>			
0.00	12 Profit / (Loss) from discontinuing operations		0.00	
467.59	13 Profit / (Loss) for the year (11 + 12)		754.72	
1,037.62	14 Paid up equity share capital (Face value of Rs.10 per share)		1,037.62	
	15 Earning Per Share (EPS) (Not Annualised)			
4.51	(a) Basic (Rs.)		7.27	
4.51	(b) Diluted (Rs.)		7.27	
-	(c) Adjusted (Rs.)		-	
	See accompanying notes forming part of the financial			

In terms of our Report Attached  
For Vijay Mehra & Co.  
Chartered Accountants  
(Firm Registration No. 001051N)

For and on behalf of the Board of Directors

a)  
ie Director  
:664

Sd/-  
(Amit Handa)  
Partner  
Membership Number: 502400

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

Sd/-  
(Ajay Aror  
Whole Tim  
DIN: 00462

ora)  
ime Director & CFO  
1410

Place : Amritsar  
Date : 30.05.2019

Sd/-  
(Gaurav Bajaj)  
Company Secretary

Sd/-  
(Aditya An  
Whole  
DIN: 0732C





KWALITY PHARMACEUTICALS LIMITED

Annual Report 2018-2019

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### Note 1 SHARE CAPITAL

	As at 31 March, 2019		As at 31 March, 2018	
	Number of shares	Rs. In Lakhs	Number of shares	Rs. In Lakhs
(a) Authorised				
Equity shares of Rs. 10 each with voting rights	16,000,000	1,600.00	16,000,000	1,600.00
(b) Issued				
Equity shares of Rs. 10 each with voting rights	10,376,198	1,037.62	10,376,198	1,037.62
(c) Subscribed and fully paid up				
Equity shares of Rs. 10 each with voting rights	10,376,198	1,037.62	10,376,198	1,037.62
(d) Subscribed but not fully paid up	-	-	-	-
<b>Total</b>	<b>10,376,198</b>	<b>1,037.62</b>	<b>10,376,198</b>	<b>1,037.62</b>

### Note 2 RESERVES AND SURPLUS

	As at 31 March, 2019	As at 31 March, 2018
(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	1,139.02	1,190.24
Add: Profit / (Loss) for the year	754.72	467.59
Less : Appropriations		
Less: Bonus Issue	-	518.81
Closing balance	1,893.74	1,139.02
<b>Total</b>	<b>2,828.72</b>	<b>2,074.00</b>

### Note 3 LONG TERM BORROWINGS

	As at 31 March, 2019	As at 31 March, 2018
(a) Term loans		
From Banks (Secured)	530.72	129.16
From other parties		
Secured	170.55	182.14
Unsecured		100.00
	170.55	282.14
(b) For the current Maturities of Long Term debt refer Note Other Current Liabilities		
<b>Total</b>	<b>701.26</b>	<b>411.30</b>

### Note 4 DEFERRED TAX LIABILITY

	As at 31 March, 2019	As at 31 March, 2018
Deferred tax Liability		
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	20.95	39.70
Current Year Adjustment of deferred Tax Asset	(8.97)	(18.75)
<b>Net deferred tax (liability) / asset</b>	<b>11.98</b>	<b>20.95</b>

### Note 5 LONG TERM PROVISIONS

	As at 31 March, 2019	As at 31 March, 2018
Provision for Gratuity	52.45	55.05
<b>Total</b>	<b>52.45</b>	<b>55.05</b>


**Note 6 SHORT TERM BORROWINGS**

	As at 31 March,2019	As at 31 March,2018
Loans repayable on demand		
From Banks		
(a) Cash Credit Facility	768.24	1656.08
(b) Packing Credit Facility	1104.51	476.78
Loans from Banks are secured against Inventory, Book Debts and Collateral securities in Immovable Properties	1872.75	2132.86
<b>Total</b>	<b>1,872.75</b>	<b>2,132.86</b>

**Note 7 TRADE PAYABLES**

	As at 31 March,2019	As at 31 March,2018
Trade payables:		
(a) Total outstanding dues of Micro Enterprises and Small Enterprises	331.69	554.19
(b) Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	1,375.10	1,634.78
<b>Total</b>	<b>1,706.79</b>	<b>2,188.97</b>

**Note 8 OTHER CURRENT LIABILITIES**

	As at 31 March,2019	As at 31 March,2018
(a) Current Maturities of Long-Term Debts	241.90	40.82
(b) Interest Accrued but not due on borrowings	5.44	1.00
(c) Other payables		
Statutory Remittances	22.12	35.74
Security Deposits Received	4.50	4.50
Credit balances in Directors Salary A/c	50.69	93.70
Other Expenses Payable	120.04	44.77
Advances from customers	1712.78	1367.77
	2157.48	1588.31
<b>Total</b>	<b>2,157.48</b>	<b>1,588.31</b>

**Note 9 SHORT TERM PROVISIONS**

	As at 31 March,2019	As at 31 March,2018
Provision for Taxation	330.00	260.00
<b>Total</b>	<b>330.00</b>	<b>260.00</b>

**Note 11 NON CURRENT INVESTMENTS**

	As at 31 March,2019	As at 31 March,2018
Gold Coins	2.88	2.88
Trustline Securities Ltd.	23.45	5.45
Gratuity Fund Investments	52.45	55.05
Investment in Subsidiary		
Kwality Pharmaceuticals Africa Lda (Mozambique)	384.94	347.96
		411.34
<b>Total</b>	<b>463.73</b>	<b>411.34</b>

**Note 12 LONG TERM LOANS AND ADVANCES**



	As at 31 March, 2019	As at 31 March, 2018
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, 2019	As at 31 March, 2018
Unamortised Share Issue Expenses	3.46	6.92
<b>Total</b>	<b>3.46</b>	<b>6.92</b>

**Note 14 CURRENT INVESTMENTS**

	As at 31 March, 2019	As at 31 March, 2018
Fixed Deposits including deposits towards Margin Money Against Guarantees	382.41	443.02
<b>Total</b>	<b>382.41</b>	<b>443.02</b>

**Note 15 INVENTORIES**

(As taken valued and certified by the Directors)

	As at 31 March, 2019	As at 31 March, 2018
(a) Raw materials at cost	597.88	460.77
(b) Finished goods at cost or net realisable value which ever is low	132.94	649.43
(c) Packing Material at Cost	393.42	382.44
<b>Total</b>	<b>1124.24</b>	<b>1492.64</b>

**Note 16 TRADE RECEIVABLES**

	As at 31 March, 2019	As at 31 March, 2018
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Secured, considered good	-	-
Unsecured, considered good	712.14	708.01
Doubtful	-	-
Less: Provision for doubtful trade receivables	-	-
	712.14	708.01
Other Trade receivables		
Unsecured, considered good	3,162.40	3,008.04
Less: Provision for doubtful trade receivables	-	-
	3,162.40	3,008.04
<b>Total</b>	<b>3,874.53</b>	<b>3,716.04</b>

**Note 17 CASH AND CASH EQUIVALENTS**

	As at 31 March, 2019	As at 31 March, 2018
(a) Cash on hand	7.83	5.68
(b) Balances with banks		
(i) In current accounts	20.18	97.55
<b>Total</b>	<b>28.00</b>	<b>103.22</b>

**Note 18 SHORT TERM LOANS AND ADVANCES**

	As at 31 March, 2019	As at 31 March, 2018
(a) Security deposits	267.73	236.82
(b) Prepaid expenses	2.58	8.48
(c) Balances with government authorities	1,337.58	1,168.36
(d) Advances for supply of goods and services	396.66	239.75
<b>Total</b>	<b>2,004.54</b>	<b>1,653.41</b>



#### Note 19 OTHER CURRENT ASSETS

**Note 20 REVENUE FROM OPERATIONS**

## Note 21 OTHER INCOME

**Note 22 COST OF MATERIAL CONSUMED****IS, WORK IN PROGRESS AND STOCK IN TRADE****Note 23 CHANGES IN INVENTORY OF FINISHED GOODS****Note 24 EMPLOYEE BENEFITS EXPENSE**Page | 73



## Note 25 FINANCE COSTS

	As at 31 March,2019	As at 31 March,2018
(a) Interest expense on:		
(i) Bank Borrowings	202.20	194.47
(ii) Interest on deposits	-	2.02
(iii) Interest & financial chgs on vehicle & other loans	13.52	20.98
(iv) Interest Accrued but not due on borrowings	5.44	1.00
<b>Total</b>	<b>221.16</b>	<b>218.47</b>

## Note 26 OTHER EXPENSES

	As at 31 March,2019	As at 31 March,2018
Accountancy Charges	0.49	0.63
Director's Sitting Fees	0.36	0.34
Bank Rating Charges	0.90	0.90
Business promotion	5.61	7.75
Commission on Purchase	0.70	1.75
Communication	8.31	8.34
Customs Duty Charges	41.98	24.08
CSR Expenditure	11.83	7.53
Excise on Stock Transfer	-	28.71
Export Ocean Freight	139.35	48.90
Exports Agency Charges	5.77	5.09
Exports Clearing Charges	4.73	0.54
Export Documents Charges	-	0.35
Factory Exp.	73.08	332.72
Fees and taxes	8.56	0.13
Freight and forwarding	614.64	561.21
Insurance	26.14	10.17
Import Clearing Charges	1.41	-
Inward expenses	0.71	2.42
Job Work of Label & Printing	-	4.13
Legal and professional	31.22	45.43
Increase in Authorised Capital Expenses	-	6.00
Management & Consultancy expenses	12.56	6.36
Miscellaneous expenses	3.86	0.95
Office Expenditure	12.32	6.38
Payments to auditors :		
As Auditors	4.00	3.50
For other Services	2.30	2.63
	6.30	6.13
Postage & Telegram	18.98	25.43
Power, Fuel , Gases & Electricity	369.79	270.03
Printing and stationery	6.95	10.09
Rent including lease rentals	3.72	3.72
Repairs and maintenance	291.71	40.10
Sales commission	276.84	180.23
Tender Expenses	1.23	2.50
Testing, Laboratory charges	147.48	92.56
Travelling and conveyance	25.89	45.15
Fine & Penalty	2.53	-
Share Issue Expense & Other Deferred Revenue Expenses	3.46	3.66
Bonus Share Issue Expenses	-	0.92
Investment in Shares Written off	-	0.01
Consumable Stores & Spares	24.07	59.69
Advertisement & Publicity	2.96	0.81
Rebate & Discount	27.02	-
Rate Difference	0.75	-
<b>Total</b>	<b>2214.19</b>	<b>1851.83</b>



As at 01.04.18									
Gross Block (At Cost)			Accumulated Depreciation				Net Block		
	Additions during the year	Deductions during the year	As at 31.03.2019	Upto 31.03.2018	Dep on asset sold	For the year ended 31.03.2019	As at 31.03.2019	As at 31.03.2019	As at 01.04.18
Plant & Machinery	1302.53								
Building	732.79	509.30	1811.83	608.92		119.11	728.03	1083.81	693.61
Building Under Construction	390.31	0.00	732.79	396.17		23.18	419.35	313.45	336.62
Furniture	42.92								
Vehicles	420.06	258.16	648.46	0.00		0.00	0.00	648.46	390.31
Computer Equipment	106.63	15.74	58.66	23.31		7.58	30.89	27.77	19.61
Laboratory Equipment	280.98	131.99	552.05	248.42		62.80	311.22	240.83	171.64
Office Equipment	14.79	25.56	132.19	89.31		14.60	103.91	28.28	17.32
Lift A/c.	6.70	201.75	482.73	112.83		59.72	172.55	310.18	168.15
Electric Fittings	41.33	9.60	24.38	12.49		4.47	16.96	7.43	2.29
Land	105.80	24.47	31.17	5.34		6.72	12.07	19.10	1.36
Total	3444.83	4.81	46.14	21.36		7.53	28.88	17.26	19.97
Previous Year Figure	2820.00	0.00	105.80	0.00		0.00	0.00	105.80	105.80
Note 10 FIXED ASSETS		1181.39	4626.21	1518.16	0.00	305.70	1823.86	2802.35	1926.67
Description		635.44	3444.83	1242.66	10.06	285.55	1518.15	1926.67	1577.36



KUALITY PHARMACEUTICALS LIMITED (erstwhile M/s Kwaliti Pharmaceuticals Private Limited)					As at 31.03.2019	
					2018-19	2017-18
Operating Profit						
	1000000			750000		
	300000		200000			
	---		(100000)			
	(200000)		000000			
Finance Income	300000		100000			
	200000		200000			
	(500000)		(500000)			
Finance Expenses	(500000)		(500000)			
	---		000000			
		400000		400000		
Capital Changes:		1000000		1000000		
	(1000000)		(1000000)			
Loans/Advances	(500000)		(500000)			
	300000		(100000)			
Fixed Assets	0000		0000			
Investments	000000		(1000000)			
Fixed Assets	500000		400000			
Provisions	700000		300000			
	(500000)		000000			
		700000		(500000)		
	1000000		200000			
	300000		300000			
Net Cash Flow (A)	1000000		(500000)			
CHANGES						
	(1000000)		(500000)			
	0000		2000			
	(500000)		(500000)			
	300000		300000			
	00		1000			
	100000		100000			
Net Cash Flow (B)		(1000000)		(500000)		





<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
	Proceeds from Long term Borrowings	714.79	146.71	
	Proceeds from Short term Borrowings	24,165.04	16882.03	
	Repayment of Long Term Borrowings	(424.82)	(48.88)	
	Repayment of Short Term Borrowings	(24,425.14)	(16,258.25)	
	Interest paid	(221.15)	(218.47)	
	Share Issue Expenses	-	(6.92)	
	Net Cash from financing activities (C)		(191.28)	496.22
	Net increase in cash & Cash Equivalents (A+B+C)		(75.22)	(132.84)
	Opening Cash and Cash equivalents		103.22	236.06
	Closing Cash and Cash equivalents		28.00	103.22
	Cash & Cash Equivalents		As on	As on
			31.03.2019	31.03.2018
	Cash in Hand		7.83	5.68
	Cash at Bank		20.18	97.55
	Cash & Cash equivalents as stated in Financial Statements		28.00	103.22

In terms of our Report Attached  
For Vijay Mehra & Co.  
Chartered Accountants  
(Firm Registration No. 001051N)

For and on behalf of the Board of Directors

Sd/-  
(Amit Handa)  
Partner  
Membership Number: 502400

Place : Amritsar

Date : 30.05.2019

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

Sd/-  
Gaurav Bajaj  
Company Secretary

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

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





**M/S KWALITY PHARMACEUTICALS LIMITED**  
(erstwhile M/s Kwaliti Pharmaceuticals Private Limited)

**NOTES & DISCLOSURES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> March, 2019**

**27. DISCLOSURES RELATING TO SHARE CAPITAL**

Reference: Note 1

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 2019		As at 31 <sup>st</sup> March 2018	
	No. of Equity Shares held	% Holding	No. of Equity Shares held	% Holding
Ramesh Arora	2966016	28.58%	2966016	28.58%
Ajay Arora	1395628	13.45%	1395628	13.45%
T R Metals Private Ltd.	1381470	13.31%	1381470	13.31%
Guinness Securities Ltd.	-	-	642050	6.19%
Ways Vinimay Private Ltd.	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 2019		As at 31 <sup>st</sup> March 2018	
	No. of Equity Shares held	Amount in Rupees	No. of Equity Shares held	Amount in Rupees
Opening Balance	10376198	10,37,61,980	5188099	5,18,80,990
Add: Fresh Issue	-	-	-	-
Add: Bonus Share Issue	-	-	5188099	5,18,80,990
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 \_\_\_\_\_ and \_\_\_\_\_ respectively

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

S.No.	Nature of Security	Terms of Repayment
1.	I 20 Car	The loan is repayable in 60 installments of Rs. 15,700/- each starting from June 2015
2.	Fortuner Car	The loan is repayable in 60 installments of Rs. 40,800/- each starting from November 2014



3.	Chevrolet Cruze Car	The loan is repayable in 60 installments of Rs. 28,992/- each starting from December 2015
4.	Jaguar	The loan is repayable in 60 installments of Rs. 1,17,010/- each starting from April 2016
5.	Mercedes Car	The loan is repayable in 60 installments of Rs. 1,09,493/- each starting from May 2017
6.	Skoda Car	The loan is repayable in 60 installments of Rs. 20,914/- each starting from November 2016
7.	Skoda Car	The loan is repayable in 60 installments of Rs. 20,914/- each starting from November 2016
8.	Innova Car	The loan is repayable in 60 installments of Rs. 31,065/- each starting from April 2018
9.	Swift Car	The loan is repayable in 36 installments of Rs. 25,410/- each starting from April 2018
10.	Truck	The loan is repayable in 59 installments of Rs. 33153/- each starting from February 2018
11.	BBG-WC Term Loan	The loan is repayable in 60 installments of Rs. 432025/- each starting from February 2018
12.	BMW 6 SERIES	The loan is repayable in 60 installments of Rs. 138932/- each starting from December 2018
13.	BMW X3	The loan is repayable in 60 installments of Rs. 107926/- each starting from February 2019
14.	Maruti Suzuki eeco 5 seated	The loan is repayable in 60 installments of Rs. 6851/- each starting from September 2018
15.	BBG- WC Term Loan	The loan is repayable in 59 installments of Rs. 4,62,734/- each starting from November 2015
16.	BBG- WC Term Loan	The loan is repayable in 61 installments of Rs. 667,033/- each starting from June 2018

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), Khewat Khatoni 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 LIABILITIES INTO CURRENT AND NON -CURRENT

Reference: Note 3, Note 8 and Note 25 of the Standalone Financial Statements in relation to \_\_\_\_\_ and \_\_\_\_\_ 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

## 30. TAXES ON INCOME AND TIMING DIFFERENCES



Reference: Note 4 of the Standalone Financial Statements in relation to \_\_\_\_\_

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

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

Component	DTA/(DTL) as on 31.03.2018	DTA/(DTL) for the year 2018-19	DTA/(DTL) as on 31.03.2019
Opening balance of Deferred Tax Liability	(20.95)		
On Account of Difference between depreciation as per books of accounts and Income Tax Act, 1961		8.97	
Closing Balance of Deferred Tax Liability			(11.98)

### 31. ACCOUNTING STANDARD (AS -15) ON EMPLOYEE BENEFITS

Reference Note 24 of the Standalone Financial Statements in relation to \_\_\_\_\_

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

	Year ended 31 <sup>st</sup> March 2019 (in Rs.)	Year ended 31 <sup>st</sup> March 2018 (in Rs.)
Contribution to Provident Fund	23,79,148/-	17,65,112/-
Contribution to Employee State Insurance Scheme	15,39,295/-	9,14,491/-
Provision for Gratuity	2,91,869/-	94,005/-

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

Reference: Note 7 of the Standalone Financial Statements in relation to \_\_\_\_\_

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.331.70 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>, 2019 are Rs. 1706.79 Lakhs and March 31<sup>st</sup>, 2018 are Rs. 2188.97 Lakhs.

### 33. SHORT-TERM PROVISIONS

Reference: Note 9 of the Standalone Financial Statements in relation to \_\_\_\_\_

As per the best estimates and projections of the management, provision for income tax amounting to Rs. 330.00 Lakhs (Previous Year Rs. 260.00 Lakhs) has been made as per Accounting Standard 29 on

### 34. INVESTMENT IN FOREIGN SUBSIDIARY



Reference: Note 11 and Note 21  
\_\_\_\_\_ and \_\_\_\_\_

The Company has a foreign subsidiary in which the company holds 51% of share capital. The subsidiary Company named Kwalita 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. 408.50 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 \_\_\_\_\_, and \_\_\_\_\_

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, 2019.

### 36. SHARE ISSUE EXPENSES

Reference: Note 13 and Note 19 of the Standalone Financial Statements in relation to \_\_\_\_\_ -Current  
\_\_\_\_\_ and \_\_\_\_\_

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 -

### 37. TRADE RECEIVABLES

Reference: Note 16 of the Standalone Financial Statements in relation to \_\_\_\_\_

Outstanding Trade Receivables as on March 31<sup>st</sup>, 2019 i.e. Rs. 3874.53 Lakhs and March 31<sup>st</sup>, 2018 i.e. Rs. 3716.04 Lakhs do include Trade Receivables in foreign currency to such extent as depicted as under:

CURRENCY	As at 31 <sup>st</sup> March 2019		As at 31 <sup>st</sup> March, 2018	
	Foreign Currency (in USD)	Amount in Rs. In Lakhs	Foreign Currency (in USD)	Amount in Rs. In Lakhs
Amount Receivable in Foreign Currency	1642186.67	1141.32	1766827.93	1149.76

As at the year end, the out of the aforementioned trade receivables 15,00,000 US Dollars have been hedged by forward contract or otherwise. 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 \_\_\_\_\_

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

Particulars	As at 31 <sup>st</sup> March 2019		As at 31 <sup>st</sup> March 2018	
	% Consumption	Rs. In Lakhs	% Consumption	Rs. In Lakhs
Imported and Indigenous				
Imported	6.61	754.04	4.10	425.56
Indigenous	93.39	10652.35	95.90	9947.92
TOTAL	100.00	11406.39	100.00	10373.48

**39. EXCHANGE GAIN/(LOSS)**Reference: Note 21 of the Standalone Financial Statements in relation to \_\_\_\_\_

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. 60809/- [Previous Year Rs. (4,48,805.18/-)].

**40. CONTINGENT LIABILITIES AND PENDING LITIGATIONS****❖ Contingent Liabilities**

Particulars	As at 31 <sup>st</sup> March 2019 (Rs. In Lakhs)	As at 31 <sup>st</sup> March 2018 (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	528.80	282.79

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 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 05.09.2019.

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

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, 2019.

v) Leases:

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 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, 2019.

ix) Research and Development Cost:

ed 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 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**



Kwalita Pharmaceuticals Africa Ltd	Subsidiary	Interest Accrued	36.99	36.99
		Sale of Products	408.50	404.79
Aastha Seth	Director's Wife	Salary	3.70	3.00
Geetika Arora	Director's daughter in law	Salary	6.00	-

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

	Year ended 31 <sup>st</sup> March 2019 (In Lakhs)	Year ended 31 <sup>st</sup> March 2018 (In Lakhs)
Profit used as numerator for calculating EPS	754.72	467.59
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	7.27	4.51
Adjusted Earnings as per AS -20	7.27	4.51

For M/s Vijay Mehra & Co.  
Chartered Accountants  
(Firm Registration No. 001051N)

Sd/-  
(Amit Handa)  
Partner  
Membership Number: 502400

Place : Amritsar  
Date : 30.05.2019

For and on behalf of the Board of Directors

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

Sd/-  
(Gaurav Bajaj)  
Company Secretary

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

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



## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To

The Members of  
Kwaliti Pharmaceuticals Limited .

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of KWALITY PHARMACEUTICALS LIMITED (erstwhile M/s Kwaliti Pharmaceuticals Private 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 31st March, 2019, 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").

### 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 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the Accounting and Auditing Standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

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. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order



to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 consolidated state of affairs of the Company as at 31st March, 2019, and their consolidated profit and their consolidated cash flows for the year ended on that date.

#### Other Matter

We did not audit the financial statements of the foreign subsidiary, KWALITY PHARMACEUTICALS AFRICA LIMITADA, whose financial statements reflect total assets of Rs. 458.72 Lakhs as at 31<sup>st</sup> March, 2019 and total revenues of Rs. 522.73 Lakhs for the year ended on that date, as considered in the consolidated financial statements. As per the written representations received from the management, these financial statements have been audited in accordance with the laws laid down in Mozambique, where the registered office of the foreign subsidiary is situated. 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 the consolidated Cash Flow Statement dealt with by this report are in agreement with the books of account maintained for the purpose of preparation of 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 31st March 2019 taken on record by the Board of Directors of the Holding Company none of the Directors of the company is disqualified as on 31st March, 2019, 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
- Rule 11 of
- g) the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation give 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 Vijay Mehra & Co.  
Chartered Accountants  
Firm Registration no.001051N

Sd/-  
CA Amit Handa  
Partner  
Membership No.502400  
Place:Amritsar  
Date :30.05.2019



"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 Subsection 3, of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the Internal Financial Control over financial reporting of **KWALITY PHARMACEUTICALS LIMITED ("the Holding Company") as of 31st March, 2019** 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). 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

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

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 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



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 transaction 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 could have material effect on financial statements.

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

Because of inherent limitation of internal financial controls over financial reporting ,including the possibility of collusion or improper management override of control, material misstatement due to error or fraud may occur and not to be detected. Also, projection of any evaluation of the internal financial control over financial reporting to future period 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 policies or procedure 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 financial reporting were operating effectively as at 31<sup>st</sup> March, 2019 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 Vijay Meh ra & Co.  
Chartered Accountants  
Firm Registration no.001051N

Sd/-  
CA Amit Handa  
Partner  
Membership No.502400  
Place: Amritsar  
Date: 30.05.2019



**KWALITY PHARMACEUTICALS LIMITED**  
**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2019**

Rupees in Lakhs

Particulars	Note	As at 31 March, 2019 (Audited)	As at 31 March, 2018 (Audited)
<b>A</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	1	1,037.62	1,037.62
(b) Reserves and surplus	2	2,692.38	1,937.16
		3,730.00	2,974.78
<b>2 Minority Interest in Subsidiary</b>		(98.45)	(98.93)
<b>3 Non-current liabilities</b>			
(a) Long-term borrowings	3	759.03	470.73
(b) Deferred tax liabilities (net)	4	11.98	20.95
(c) Other long-term liabilities		-	-
(d) Long-term provisions	5	52.45	55.05
		823.46	546.72
<b>4 Current liabilities</b>			
(a) Short-term borrowings	6	1,872.75	2,132.86
(b) Trade payables	7		
i) Total Outstanding Dues to Micro And Small Enterprises		331.69	554.19
ii) Total Outstanding Dues Other Than Micro And Small Enterprises		1,375.10	1,659.48
(c) Other current liabilities	8	2,173.11	1,591.06
(d) Short-term provisions	9	330.42	260.00
		6,083.07	6,197.58
<b>TOTAL</b>		<b>10,538.08</b>	<b>9,620.15</b>
<b>B</b>			
<b>ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	10	2,908.12	2,037.95
(b) Non-current investments	11	78.79	63.38
(c) Long-term loans and advances	12	12.33	12.33
(d) Other non-current assets	13	3.46	6.92

Current assets		2,997.93	2,794.85
(a) Current investments	14	703.68	777.01
(b) Inventories	15	1,124.70	1,503.21
(c) Trade receivables	16	3,042.76	3,493.28
(d) Cash and cash equivalents	17	146.03	180.88
(e) Short-term loans and advances	18	2,020.75	1,857.71
(f) Other current assets	19	3.46	3.46
		7,639.38	7,498.55

**TOTAL**

**10,538.08**

**9,620.15**

See accompanying notes forming part of the financial statements

of our Report Attached  
 by Mehra & Co.  
 Chartered Accountants  
 Registration No. 001051N)

For and on behalf of the Board of Directors

In term:  
 For Vija  
 Charter  
 (Firm R

Sd/-  
 (Signature)

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

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

(Amit  
 Partner  
 Membe

Membership Number: 502400

Amritsar

Sd/-  
 (Gaurav Bajaj)  
 Company Secretary

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

Place :  
 Date :

30.05.2019





**KWALITY PHARMACEUTICALS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019**

Particulars	Note	As at 31 March, 2019 (Audited)	As at 31 March, 2018 (Audited)
<b>A CONTINUING OPERATIONS</b>			
1 Revenue from operations (gross)	20	16,629.30	13,749.24
2 Other income	21	60.64	80.41
3 Total revenue (1+2)		16,689.94	13,829.65
4 Expenses			
(a) Cost of materials consumed	22	11406.02	10373.48
(b) Purchases of stock-in-trade		13.30	26.28
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	525.28	(270.07)
(d) Employee benefits expense	24	855.72	560.65
(e) Finance Cost	25	228.34	218.77
(f) Depreciation and amortisation expense	10	311.89	297.91
(g) Other expenses	26	2,258.36	1,893.05
Total expenses		15,598.91	13,100.07
5 Profit/(Loss) from operations before Exceptional items (3-4)		1,091.03	729.57
6 Exceptional items		-	-
7 Profit / (Loss) before extraordinary items and tax (5-6)		1,091.03	729.57
8 Extraordinary items		-	-
9 Profit / (Loss) before tax (7-8)		1,091.03	729.57
10 Tax expense:			
(a) Current tax expense		330.42	306.17
(b) Deferred tax		(8.97)	(18.75)
(c) Income Tax Relating to Earlier Years		13.89	
11 Profit / (Loss) from continuing operations (9 +10)		755.69	442.15
<b>B DISCONTINUING OPERATIONS</b>			
12 Profit / (Loss) from discontinuing operations		0.00	0.00
13 Profit / (Loss) for the year (11 + 12)		755.69	442.15
14 Add/ ( Less) Minority Interest in Subsidiary Profits		(0.47)	12.46
15 Profit / (Loss) for the year (13 + 14)		755.22	454.61
See accompanying notes forming part of the financial statements			

In terms of our Report Attached  
For Vijay Mehra & Co.  
Chartered Accountants  
(Firm Registration No. 001051N)

For and on behalf of the Board of Directors

Sd/- (Ramesh Arora) Managing Director	Sd/- (Ajay Arora) Whole Time Director
Sd/- (Gaurav Bajaj) Company Secretary	Sd/- (Aditya Arora) Whole Time Director & CFO
Place : Amritsar	DIN: 07320410
Date : 30.05.2019	



## FORMING PART OF THE FINANCIAL STATEMENTS

### Note 1 SHARE CAPITAL

2018	As at 31 March, 2019		As at 31 March, 2018	
Rs. In Lakhs	Number of shares	Rs. In Lakhs	Number of shares	
	(a) Authorised			
1,600.00	Equity shares of Rs. 10 each with voting rights	1,600.00	16,000,000	
	(b) Issued			
1,037.62	Equity shares of Rs. 10 each with voting rights	1,037.62	10,376,198	
	(c) Subscribed and fully paid up			
1,037.62	Equity shares of Rs. 10 each with voting rights	1,037.62	10,376,198	
-	(d) Subscribed but not fully paid up	-	-	
1037.62	Total	1037.62	10,376,198.00	

### Note 2 RESERVES AND SURPLUS

2018	As at 31 March, 2019		As at 31 March, 2018	
	(a) Securities premium account			
	Opening balance	846.77	846.77	
846.77	Add : Premium on Calls Paid	-	-	
	Closing balance	846.77		
0.21	(b) Investment Allowance Reserve	0.21		
80.00	(c) Land & Building Revaluation Reserve	80.00		
8.00	(d) Capital Reserve	8.00		
	(e) Surplus / (Deficit) in Statement of Profit and Loss			
	Opening balance	1,002.18	1,104.62	
	Add: Profit / (Loss) for the year	755.22	454.61	
	Less Adjustment of prior period items due to restatement of previous year financial statements		38.24	
	Less: Appropriations			
	Bonus Share Issue		518.81	
1,002.18	Closing balance	1,757.40		
1937.16	Total	2692.38		

### Note 3 LONG TERM BORROWINGS

2018	As at 31 March, 2019		As at 31 March, 2018	
	(a) Term loans			
129.16	From Banks (Secured)	530.72		
	From other parties			
	Secured	170.55	182.14	

450.72	Total	701.27		
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### Note 4 DEFERRED TAX LIABILITY

	As at 31 March, 2019	As at 31 March, 2018
Deferred tax liability		
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)	20.95	
(118.75)	Current Year Adjustment of deferred Tax Asset	(8.97)
20.95	Net deferred tax liability	119.82

### Note 5 LONG TERM PROVISIONS

	As at 31 March, 2019	As at 31 March, 2018
Provision for Contingency	52.45	
52.45	Total	52.45


**Note 6 SHORT TERM BORROWINGS**

	As at 31 March, 2019	As at 31 March, 2018
Loans repayable on demand		
From Banks		
(a) Cash Credit Facility	768.24	1656.08
(b) Packing Credit Facility	1104.51	476.78
Loans from Banks are secured against Inventory, Book Debts and Collateral securities in Immovable Properties	1872.75	2132.86
<b>Total</b>	<b>1872.75</b>	<b>2132.86</b>

**Note 7 TRADE PAYABLES**

	As at 31 March, 2019	As at 31 March, 2018
Trade payables:		
(a) Total outstanding dues of Micro Enterprises and Small Enterprises	331.69	554.19
(b) Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises	1375.10	1634.78
(c) Trade payables at Mozambique	-	24.69
<b>Total</b>	<b>1706.79</b>	<b>2213.67</b>

**Note 8 OTHER CURRENT LIABILITIES**

	As at 31 March, 2019	As at 31 March, 2018
(a) Other payables		
Statutory Remittances	28.24	35.74
Security Deposits Received	4.50	4.50
Credit balances in Directors Salary A/c	50.69	93.70
Other Expenses Payable	113.92	44.77
Advances from customers	1712.78	1367.77
Payables at Mozambique	15.63	2.74
<b>1549.24</b>	<b>1925.76</b>	
<b>1591.06</b>	<b>2173.11</b>	

**Note 9 SHORT TERM PROVISIONS**

	As at 31 March, 2019	As at 31 March, 2018
Provision for Taxation	330.42	
<b>260.00</b>	<b>330.42</b>	

**Note 11 NON CURRENT INVESTMENTS**

	As at 31 March, 2019	As at 31 March, 2018
Gold Coins	2.88	
Trustline Securities Ltd.	23.45	
Gratuity Fund Investment	52.45	
<b>63.38</b>	<b>78.79</b>	

**Note 12 LONG TERM LOANS AND ADVANCES**

	As at 31 March, 2019	As at 31 March, 2018
Security Deposits	12.33	
<b>12.33</b>	<b>12.33</b>	

**Note 13 OTHER NON CURRENT ASSETS**

	As at 31 March, 2019	As at 31 March, 2018
Unamortised Share Issue Expenses	3.46	
<b>6.92</b>	<b>3.46</b>	


**Note 14 CURRENT INVESTMENTS**

	As at 31 March, 2019	As at 31 March, 2018
Fixed Deposits including deposits towards Margin Money Against Guarantees	382.41	443.02
Fixed deposit at Mozambique	21.27	27.98
<b>Total</b>	<b>403.68</b>	<b>471.01</b>

**Note 15 INVENTORIES**

(As taken valued and certified by the Directors)

	As at 31 March, 2019	As at 31 March, 2018
(a) Raw materials at cost	597.88	460.77
(b) Finished goods at cost or net realisable value which ever is lower	133.40	660.00
(c) Packing Material at Cost	393.42	382.44
<b>Total</b>	<b>1124.70</b>	<b>1503.21</b>

**Note 16 TRADE RECEIVABLES**

	As at 31 March, 2019	As at 31 March, 2018
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Secured, considered good		
Unsecured, considered good	712.14	648.87
Doubtful		
Less: Provision for doubtful trade receivables	-	-
	712.14	648.87
Other Trade receivables		
Unsecured, considered good	3,130.63	3,054.42
Less: Provision for doubtful trade receivables	-	-
	3,130.63	3,054.42
<b>Total</b>	<b>3,842.76</b>	<b>3703.29</b>

**Note 17 CASH AND CASH EQUIVALENTS**

	As at 31 March, 2019	As at 31 March, 2018
(a) Cash on hand	7.83	5.68
(b) Balances with banks		
(i) In current accounts	20.18	122.73
(c) Balances in Mozambique		
Cash on Hand	1.71	0.11
Bank balance	110.31	32.37
<b>Total</b>	<b>140.03</b>	<b>160.89</b>

**Note 18 SHORT TERM LOANS AND ADVANCES**

	As at 31 March, 2019	As at 31 March, 2018
(a) Security deposits	267.73	236.82
(b) Prepaid expenses	2.58	8.48
(c) Balances with government authorities	1,337.58	1,168.36
(d) Advances for supply of goods and services	396.66	239.75
(e) Mozambique Balances with government authorities	16.20	4.30
<b>Total</b>	<b>2,020.75</b>	<b>1,657.71</b>



Note 19 OTHER CURRENT ASSETS

	As at 31 March, 2019	As at 31 March, 2018
Deferred Revenue Expenditure:		
(a) Share Issue expenses	3.46	3.46
<b>Total</b>	<b>3.46</b>	<b>-</b>

Note 20 REVENUE FROM OPERATIONS

	As at 31 March, 2019	As at 31 March, 2018
Sale of products		
Domestic	8158.29	7448.78
Export Sales	7948.28	5401.51
Sales Deemed Export		617.13
Mozambique Sales	522.73	281.81
<b>Total</b>	<b>16629.30</b>	<b>13749.24</b>

Note 21 OTHER INCOME

	As at 31 March, 2019	As at 31 March, 2018
Interest on:		
Interest on FDR	16.55	14.32
Interest from bank, Mozambique	2.59	4.39
Interest on Electricity		1.14
	19.14	19.85
<b>D.E.P.B Income</b>	<b>32.97</b>	<b>35.99</b>

Interest on FDR	16.55	14.32
Interest from bank, Mozambique	2.59	4.39
Interest on Electricity		1.14
	19.14	19.85
<b>D.E.P.B Income</b>	<b>32.97</b>	<b>35.99</b>

ST OF MATERIAL CONSUMED

Note 22 CC

	As at 31 March, 2019	As at 31 March, 2018	Opening s
Stock Raw material and Packing material	843.21	1,007.64	
Stock Raw material and Packing material	11551.44	10998.40	



### Note 25 FINANCE COSTS

## Note 26 OTHER EXPENSES

**Customer Data Collection**





	1,000.00
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Description of Assets	Previous Year Figure	3562.31	1152.00	0.00	1244.32	cumulated Depreciation			Net Block	
						As at 31.03.2019	For the year ended 31.03.2019	As at 31.03.2019	As at 31.03.2019	As at 01.04.18
Note 10 FIXED ASSETS										
Gross Block (At Cost)										
Deductions during the year										
As at 01.04.18 during the year										
Additions										
As at 31.03.2019										
Plant & Machinery	1302.53	509.30	0.00	0.00	1811.83	608.92			1083.81	693.61
Building	732.79	0.00	0.00	0.00	732.79	596.17			313.45	336.62
Building Under Construction	390.31	286.18	0.00	0.00	676.49	0.00	0.00	0.00	648.46	390.31
Furniture	42.92	15.74	0.00	0.00	58.66	23.31				19.61
Vehicles	420.06	131.99	0.00	0.00	552.05	241.42	14.60	103.91	28.28	17.32
Computer Equipment	106.63	25.58	0.00	0.00	132.21	63.31	59.72	172.55	310.18	168.15
Laboratory Equipment	280.98	201.75	0.00	0.00	482.73	112.83	4.47	16.96	7.43	2.29
Office Equipment	14.79	9.60	0.00	0.00	24.39	12.49	6.72	12.07	19.10	1.36
Lit. A/c.	6.70	24.47	0.00	0.00	31.17	19.34	7.53	28.88	17.26	19.97
Electric Fitting	41.33	4.61	0.00	0.00	45.94	27.36	0.00	0.00	105.80	105.80
Land	105.80	0.00	0.00	0.00	105.80	0.00				
Property and furniture at Mozambique	137.48	0.66	0.00	0.00	138.14	26.19	6.19	32.38	105.77	111.29
						0.00	311.89	1856.23	2908.12	2037.95
						10.06	297.91	1544.35	2037.95	1701.02




**KWALITY PHARMACEUTICALS LIMITED (erstwhile M/s Kwalita Pharmaceuticals Private Limited)**
**Consolidated Cash Flow Statement for the year ended 31st March 2019**

		Year ended 31st March 2019	Year ended 31st March 2018
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net Profit Before Tax	1091.03	729.57
	Adjustments for:		
	Depreciation	311.89	297.91
	(Profit)/loss on sale of Assets	-	(1.44)
	Long-term Provision for Gratuity	(2.59)	0.94
	Share issue expenses Written off	3.46	3.46
	Interest & Finance Charges	228.34	218.77
	Interest on FDR	(19.14)	(14.32)
	Adjustment of Prior Period Item	-	(38.24)
	Interest on Electricity Deposit	-	(1.14)
	Bonus Share Issue Expense	-	0.92
	Change in provisions & other expenses	-	8.88
	Change in provisions & other expenses	-	(26.66)
	Operating Profit Before Working Capital Changes	1,603.00	1,168.39
	Adjustments for:		
	increase/(decrease) in Receivables	(489.70)	(404.90)
	increase/(decrease) in Short Term Loans & Advances	(620.00)	(620.40)
	increase/(decrease) in Inventories	30.41	(417.90)
	increase/(decrease) in Other Current Assets	-	0.42
	increase/(decrease) in Other Investments	57.33	(107.40)
	increase/(decrease) in Other Current Liabilities	502.08	444.90
	increase/(decrease) in Short Term Provisions	70.40	30.00
	increase/(decrease) in Payables	(506.10)	(239.75)
	Cash generated from operations	1,701.90	248.39
	Less: Income tax	344.31	306.17
	Net Cash flow from Operating activities (A)	1,357.59	(57.28)
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Purchase of Fixed Assets	(1,182.05)	(635.41)
	Sale of Fixed Assets	-	2.00
	Increase in Investment	(15.41)	(1.69)
	Interest on Electricity Deposit	-	1.14
	Interest on FDR	19.14	14.32
	Net Cash used in Investing activities (B)	(1,178.32)	(619.64)





C	CASH FLOW FROM FINANCING ACTIVITIES			
	Proceeds from Long term Borrowings	714.79	140.64	
	Proceeds from Short term Borrowings	24,165.04	16882.03	
	Repayment of Long Term Borrowings	(426.47)	-	
	Repayment of Short Term Borrowings	(24,425.14)	(16,258.25)	
	Interest paid	(228.34)	(218.77)	
	Share Issue Expenses		(6.92)	
	Net Cash from financing activities (C)		(200.12)	538.73
	Net increase in cash & Cash Equivalents (A+B+C)		(20.86)	(138.19)
	Opening Cash and Cash equivalents		160.89	299.08
	Closing Cash and Cash equivalents		140.03	160.89
	Cash & Cash Equivalents		As on	As on
			31.03.2019	31.03.2018
	Cash in Hand		9.54	5.79
	Cash at Bank		130.49	155.10
	Cash & Cash equivalents as stated in Financial Statements		140.03	160.89

In terms of our Report Attached  
For Vijay Mehra & Co.  
Chartered Accountants  
(Firm Registration No. 001051N)

For and on behalf of the Board of Directors

Sd/-  
(Amit Handa)  
Partner  
Membership Number: 502400

Place : Amritsar

Date : 30.05.2019

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

Sd/-  
(Gaurav Bajaj)  
Company Secretary

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

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



M/S KWALITY PHARMACEUTICALS LIMITED  
(erstwhile M/s Kwality Pharmaceuticals Private Limited)

**NOTES & DISCLOSURES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31st March, 2019**

**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**

**i) 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

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 recognised in the periods in which the results are known / materialise.

## II) Principles of Consolidation:

subsidary company. The financial statements of the subsidiary is drawn upto the same reporting date as that of the Holding Company, i.e. year ended 31st March, 2019.

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 -

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

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.

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

S.No.	Name of Subsidiary	Ownership in % either directly or through subsidiaries		Country of Incorporation
		2018-2019	2017-2018	
1	Kwalita Pharmaceuticals Africa Limited	51%	51%	Africa

## III) Accounting for Investments other than in Subsidiary

Investments other than in subsidiary are accounted as per Accounting Standard-

## IV) 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

-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

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 recognised 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 recognised 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, 2019.

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

Sale of traded goods/material is recognized as revenue when significant risk and rewards of ownership relating to the goods are transferred to the buyer.

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

ne 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

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 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 M/s Vijay Mehra & Co.  
Chartered Accountants  
(Firm Registration No. 001051N)

For and on behalf of the Board of Directors

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

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

Sd/-  
(Amit Handa)  
Partner  
Membership Number: 502400

Sd/-  
(Gaurav Bajaj)  
Company Secretary

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

Place : Amritsar  
Date : 30.05.2019

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 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 = 1.08 INR as on 31.03.2019
4.	Share capital	88,67,500.00
5.	Reserves & surplus	(2,34,99,216.05)
6.	Total assets	4,58,72,411.78
7.	Total Liabilities	6,05,04,127.83
8.	Investments	21,26,617.62
9.	Turnover	5,22,72,591.12
10.	Profit before taxation	1,39,050.54
11.	Provision for taxation	41,715.16
12.	Profit after taxation	97335.38
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 Arora)  
Whole Time Director  
DIN: 00462664

Sd/-

(Gaurav Bajaj)  
Company Sec retary

Sd/-

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

Place: Amritsar  
Date: 30-05-2019

**KWALITY PHARMACEUTICALS LIMITED**

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

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

Email Id: - [ramesh@kwalitiypharma.com](mailto:ramesh@kwalitiypharma.com); Website :- [www.kwalitiypharma.com](http://www.kwalitiypharma.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 36<sup>th</sup> Annual General Meeting of the company, to be held on Monday 30<sup>th</sup> September, 2019 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, 2019 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, 2019 and the Report of the Auditors thereon.		
2.	Re-appointment of Mr. Ramesh Arora, Managing Director who retires by Rotation and being eligible, offers himself for re-appointment		
3	Re-appointment of Mrs. Anju Arora, Whole Time Director who retires by Rotation and being eligible, offers herself for re-appointment		
4.	Appointment of Statutory Auditors M/s ARORA AGGARWAL & CO., Chartered Accountants & fixing their remuneration		
5.	Revision of remuneration of Mr. Ramesh Arora, Managing Director		
6.	Revision of remuneration of Mr. Ajay Kumar Arora, Whole Time Director		
7.	Revision of remuneration of Mr. Aditya Arora, Whole Time Director		
8.	Revision of remuneration of Mrs. Anju Arora, Whole Time Director		





9.	Revision of remuneration of Mrs. Geeta Arora, Whole Time Director		
10.	To ratify the remuneration of Cost Auditors		

Signed this \_\_\_\_ day of \_\_\_\_ 2019.

Signature of Shareholder

Affix Revenue  
Stamp of Re.1

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

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**ATTENDANCE SLIP**

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

36<sup>th</sup> Annual General Meeting to be held on Monday , September 30, 2019.

Name and Address of the Sole/ First member

\_\_\_\_\_  
(In block capitals)

DP ID No.:-

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

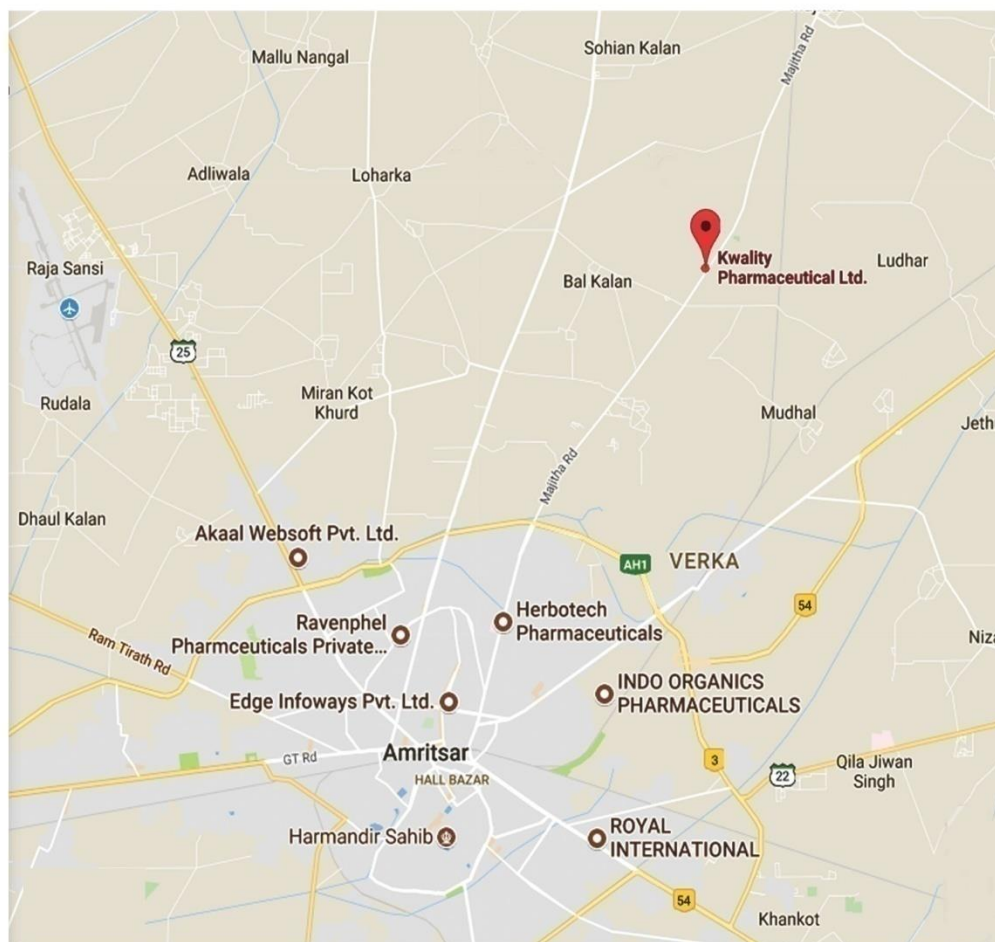
No. of shares held: \_\_\_\_\_

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 36<sup>th</sup> Annual General Meeting of the KWALITY PHARMACEUTICALS LIMITED to be held on Monday 30<sup>th</sup> September, 201 9 at 11:30 A.M. at the Registered Office of the Company at VILLAGE NAGKALAN, MA JITHA ROAD, AMRITSAR – 143601.

**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**