



KWALITY LIMITED

**ANNUAL
REPORT
2019-20**

CONTENT

NOTICE.....	2-6
DIRECTOR'S REPORT.....	7-18
CORPORATE GOVERNANCE REPORT.....	19-32
MANAGEMENT DISCUSSION AND ANALYSIS REPORT.....	33-34
STANDALONE FINANCIAL STATEMENTS.....	35-87
CONSOLIDATED FINANCIAL STATEMENTS	88-142

KWALITY LIMITED***ANNUAL REPORT 2019-20****CORPORATE INFORMATION****Board of Directors#**

Dr. Rattan Sagar Khanna
(Chairman)

Mr. Sanjay Dhingra
(Managing Director)

Ms. Swati Chaturvedi[^]
(Woman Independent Director)

Chief Financial Officer

Mr. Sharad Bhandari

Company Secretary

Mr. Pradeep Srivastava

Statutory Auditors

M/s. B. Rattan & Associates

Secretarial Auditors

M/s Mukun Vivek & Co.

Internal Auditor

M/s S.K Basu

Registrars & Transfer Agent

Beetal Financial & Computer Services (P) Ltd.
Beetal House, 3rd Floor, 99 Madangir,
Behind Local Shopping Centre,
Near Dada Harsukhdas Mandir,
New Delhi-110062

Members of the Committee of Creditors

Allahabad Bank
Andhra Bank
Bank of Baroda
BOI AXA Credit Risk Fund
Central Bank of India
Dhanlaxmi Bank
Hero Fincorp Limited
IFCI Ltd.
KKR Capital Markets India Pvt Ltd
KKR India Debt Opportunity Fund III
Mahindra Financial Services
Union Bank of India (UK) Ltd.
Woori Bank

Registered & Corporate Office

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

CIN: L74899DL1992PLC255519

Plant Locations:

Village Softa, Palwal, Haryana
Village: Mumrejpur, Dibai, Bulandsahar, UP

Listing Detail

BSE Limited
National Stock Exchange of India Limited

Depositories Detail

National Securities Depository Limited
Central Depository Securities (India) Limited

American Express Banking Corp
Axis Bank Ltd
Bank of India
Canara Bank
Corporation Bank
HDFC Bank
IDBI Bank Limited
Karur Vysya Bank
KKR India Debt Fund I
KKR India Financial Services Pvt. Ltd.
Syndicate Bank
Vistaar Financial Services Pvt. Ltd.

* Company is undergoing Corporate Insolvency Resolution Process under the provisions of IBC, 2016 and currently managed by **Mr. Shailendra Ajmera** (IP Registration No.: IBBI/IPA-001/ IP P00304/2017-18/10568) as the duly appointed **Resolution Professional**.

Currently suspended during CIRP under the provisions of IBC, 2016

[^] During the year under review, Ms. Swati Chaturvedi has tendered resignation from the post of Women Independent Director w.e.f July 01, 2019, which was disapproved by the Committee of Creditors of the Company in their meeting held on July 15, 2019. However the director suo-moto filed requisite form for resignation w.e.f. from July 01, 2019 (as per MCA Portal) with MCA.

KWALITY LIMITED

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

Board: +91 11 47006500 (100 Lines) Fax: +91 11 25191800

Email: cs@kdil.in, Website: www.kwality.com

CIN: L74899DL1992PLC255519

NOTICE FOR TWENTY EIGHTH ANNUAL GENERAL MEETING

The National Company Law Tribunal ("NCLT"), New Delhi Bench, vide order dated December 11, 2018 ("Insolvency Commencement Order") has initiated corporate insolvency resolution process ("CIRP") based on application filed by KKR India Financial Services Private Limited against Kwality Limited ("the Company"), under the provisions of the Insolvency and Bankruptcy Code, 2016 ("the Code"). Mr. Shailendra Ajmera (IP Registration No. IBBI/IPA-001/IP-P00304/2017-18/10568) was appointed as Interim Resolution Professional ("IRP") to manage affairs of the Company in accordance with the provisions of the Code and thereafter appointed as the Resolution Professional ("RP") by the committee of creditors ("CoC") of the Company in the meeting held on January 11, 2019 under the provisions of the Code. Pursuant to the Hon'ble NCLT Order for commencement of the CIRP and in line with the Provisions of the Code, the power of the Board of Directors stands suspended and same is being exercised by RP in terms of the provisions of Section 17 & 20 of the Code. The CIRP period was extended from 180 days to 330 days from the insolvency commencement date, vide orders dated 24 May 2019 and 6 September 2019.

In terms of the process prescribed under the Code, the Resolution Plan dated 17 October 2019 read with Addendum 1 & Addendum 2 submitted by a Consortium of Haldiram Snacks Pvt. Ltd. and Pioneer Securities Pvt. Ltd. ("Resolution Applicant") for the Company was not approved by the CoC in terms of the requirement of Section 30(4) of the Code. Subsequently, the Resolution Applicant also submitted unsolicited Addendum 3 dated 4 November 2019 to their Resolution Plan offering more value, which was not considered by the CoC. Based on the decision of the CoC, the RP on 8 November 2019, filed an application with the NCLT to pass such order or direction as it considers fit and proper in the facts and circumstances of the case.

In the meantime, the Resolution Applicant filed an application with the NCLT on 6 November 2019 seeking extension of the CIRP period and a direction against the RP to place the revised offer, vide Addendum 3 submitted by the Resolution Applicant, before the CoC for consideration. Pursuant to interim order dated 14 November 2019 passed by the NCLT, the Resolution plan dated 17 October 2019 read with Addendum 1, 2, 3 and 4 was put up for consideration by the CoC and was not approved in terms of the requirement of Section 30(4) of the Code. RP filed a progress report appraising the same to the NCLT on 6 December 2019.

The Resolution Applicant on 7 December 2019 filed another application with the NCLT seeking a direction against the CoC to approve the Resolution Plan and make it binding on the Corporate Debtor and other stakeholders with immediate effect and keeping the application for liquidation of the Corporate Debtor filed by RP in abeyance until the said application is decided by the NCLT.

On account of Government Advisory in the wake of Coronavirus (COVID - 19) and the notice dated 15 March 2020 issued by the President, NCLT based on such advisory, hearing for only urgent cases is taking place before the NCLT since 15 March 2020. RP is continuing to manage and operate the Company as a going concern in terms of the Code.

NOTICE is hereby given that the Twenty Eighth Annual General Meeting (AGM) of the Members of KWALITY LIMITED will be held on Thursday, December 24, 2020 at 11.30 A.M. (IST) through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the following businesses:

ORDINARY BUSINESS:

Item No. 1

To receive, consider and adopt the Financial Statements of the Company for the year ended 31 March 2020, including the Audited Balance Sheet of the Company as at 31 March 2020 and Profit & Loss Account and Cash Flow Statement for the year ended on that date, together with the reports of the Directors and Auditors thereon.

SPECIAL BUSINESS:

Item No. 2

RATIFICATION OF COST AUDITOR'S REMUNERATION

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

"RESOLVED THAT pursuant to provisions of Section 148 of the Companies Act, 2013 (the "Act") read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s M K Jha & Co, Cost Accountants, (ICMAI Firm Registration No. 101333), who has been appointed continuously from previous financial years, will again be appointed as Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending March 31, 2021 and be paid same remuneration of Rs 30,000/- (Rupees Thirty Thousand only) plus out of pocket expenses and applicable taxes as earlier."

For Kwality Limited

Sd/

Pradeep K. Srivastava

(Company Secretary & Compliance Officer)

(Kwality Limited is under Corporate Insolvency Resolution Process of the Insolvency and Bankruptcy Code 2016. Its affairs, business and assets are being managed by the Resolution Professional, Mr. Shailendra Ajmera, appointed by the National Company Law Tribunal by order dated 11th December 2018 and continued as Resolution Professional by the Committee of Creditors in its meeting held on 11th January, 2019 under the provisions of the Code.)

Place : New Delhi

Date : November 02, 2020

NOTES:

1. In view of the COVID -19 pandemic, the Ministry of Corporate Affairs ('MCA') has, vide General Circular No. 20/2020 dated May 5, 2020 read with General Circular No. 14/2020 dated April 8, 2020 and General Circular No. 17/2020 dated April 13, 2020 and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by the Securities and Exchange Board of India ('SEBI'), allowed companies to hold AGM through VC, without the physical presence of members at a common venue. Hence, in compliance with the Circulars, the AGM of the Company is being held through VC.
2. The Company has enabled the Members to participate at the 28th AGM through the VC facility. The instructions for participation by Members are given in the subsequent paragraphs. Participation at the AGM through VC shall be allowed on a first-come-first-served basis.
3. A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company. Since the AGM is being held in accordance with the Circulars through VC, the facility for appointment of proxies by the members will not be available.
4. Participation of members through VC will be reckoned for the purpose of quorum for the AGM as per section 103 of the Companies Act, 2013 ("the Act").
5. Corporate Members are required to send a scanned copy(PDF/JPG Format) of its Board or Governing body Resolution/ Authorisation, etc., authorising its representative to attend the AGM through VC/ OAVM on its behalf and to vote through remote e-voting to the M/s Beetal Financial Services Pvt Ltd., by email through its registered email address to beetalrta@gmail.com.
6. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Act, and the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Act, will be available electronically for inspection by the members during the AGM.
7. The relevant Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013 setting out material facts relating to the business at item no. 2 of the Notice as set out above, is annexed hereto and forms part of this Notice.
8. Members wishing to claim dividends that remain unclaimed are requested to correspond with the RTA as mentioned above, or with the Company Secretary, at the Company's registered office. Members are requested to note that dividend and the shares on which dividend remains unclaimed for seven consecutive years will be transferred to the Investor Education and Protection Fund (IEPF) as per Section 124 of the Act, read with applicable IEPF rules. Accordingly, the amount of unclaimed dividend and the shares for the financial year ended March 31, 2013 would be transferred to Investor Education and Protection Fund.
9. The Register of Members and Transfer Books of the Company will remain closed from December 18, 2020 to December 24, 2020 (both days inclusive) for the purpose of Annual General Meeting.
10. Members are requested to intimate the Registrar and Share Transfer Agent of the Company - M/s Beetal Financial & Computer Services Private Limited, Beetal House, 3rd Floor, 99 Madangir, Behind Local Shopping Center, Near Dada Harsukhdas Mandir, New Delhi – 110062, immediately of any change in their address in respect of equity shares held in physical mode and to their DPs in respect of equity shares in dematerialized form.
11. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended further and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by CDSL, on all resolutions set forth in this Notice. Members who have cast their votes by remote e-voting prior to the AGM may participate in the AGM but shall not be entitled to cast their votes again. The manner of voting remotely by members holding shares in dematerialized mode, physical mode and for members who have not registered their email addresses is provided in the instructions for e-voting section which forms part of this Notice.
12. The e-voting period commences on Monday, December 21, 2020 (10 A.M. IST) and ends on Wednesday, December 23, 2020 (5 P.M. IST). During this period, members holding shares either in physical or dematerialized form, as on cut-off date, i.e. as on December 17, 2020 may cast their votes electronically. The e-voting module will be disabled by CDSL for voting thereafter. A member will not be allowed to vote again on any resolution on which vote has already been cast. The voting rights of members shall be proportionate to their share of the paid-up equity share capital of the Company as on the cut-off date, i.e. as on December 17, 2020.
13. The facility for voting during the AGM will also be made available. Members present in the AGM through VC and who have not cast their vote on the resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through the e-voting system during the AGM.
14. Any person who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, should follow the same procedure for e-Voting as mentioned below.
15. In compliance with the Circulars, the Annual Report 2019-20, the Notice of the 28th AGM, and instructions for e-voting are being sent only through electronic mode to those members whose email addresses are registered with the Company / depository participant(s).
16. We urge members to support our commitment to environmental protection by choosing to receive the Company's communication through email. Members holding shares in demat mode, who have not registered their email addresses are requested to register their email addresses with their respective depository participants, and members holding shares in physical mode are requested to update their email addresses with the Company's RTA, M/s Beetal Financial & Computer Services Private Limited at beetalrta@gmail.com to receive copies of the Annual Report 2019-20 in electronic mode.

17. Members may also note that the Notice of the 28th AGM and the Annual Report 2019-20 will also be available on the Company's website, <https://www.kwality.com/investor-relations#annualReport>, websites of the Stock Exchanges, i.e. BSE Limited and National Stock Exchange of India Limited, at www.bseindia.com and www.nseindia.com respectively, and on the website of CDSL www.evotingindia.com.
18. The Securities and Exchange Board of India has mandated that securities of listed companies can be transferred only in dematerialized form with effect from April 1, 2019. Accordingly, the Company/ Registrar and Share Transfer Agent has stopped accepting any fresh lodgment of transfer of shares in physical form. Members holding shares in physical form are advised to avail of the facility of Dematerialization.
19. SEBI has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participant(s). Members holding shares in physical form are required to submit their PAN details to the RTA.
20. Members may avail nomination facility as provided under Section 72 of the Companies Act, 2013.

Instructions for members for voting electronically are as under:-

- (i) The e-voting period begins on December 21, 2020 at 10:00 AM and ends on December 23, 2020 at 05:00 PM. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) December 17, 2020 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iv) Click on Shareholders/Members.
- (v) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

OR

Alternatively, if you are registered for CDSL's **EASI/EASIEST** e-services, you can log-in at <https://www.cdslindia.com> from Login - Myeasi using your login credentials. Once you successfully log-in to CDSL's **EASI/EASIEST** e-services, click on **e-Voting** option and proceed directly to cast your vote electronically.

- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

	For Shareholders holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this notice.
- (xii) Click on the EVSN for the relevant "KWALITY LIMITED" on which you choose to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution Details.
- (xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to

confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvii) You can also take out print of the votes cast by clicking on "Click here to print" option on the Voting page.

(xviii) If Demat account holder has forgotten the changed login password then Enter the User ID and image verification code and click on Forgot password & enter the details as promoted by the system.

(xix) Shareholders can also cast their vote using CDSL's mobile app "m-Voting". The **m-Voting** app can be downloaded from respective Store. Please follow the instructions as prompted by the mobile app while Remote Voting on your mobile.

Process For Those Shareholders Whose Email Addresses Are Not Registered With The Depositories For Obtaining Login Credentials For E-Voting For The Resolutions Proposed In This Notice:

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to RTA at beetalrta@gmail.com.
2. For Demat shareholders -, please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to RTA at beetalrta@gmail.com.

Instructions For Shareholders Attending The AGM Through VC/OAVM Are As Under:

1. Shareholder will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Shareholders may access the same at <https://www.evotingindia.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
2. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.
3. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
5. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance at least **5 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at cs@kdil.in. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance **5 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at cs@kdil.in. These queries will be replied to by the company suitably by email.
6. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

Instructions For Shareholders For E-Voting During The AGM Are As Under:-

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
2. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.
3. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.
4. Shareholders who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

(xx) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

- Alternatively Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; cs@kdil.in, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

(xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or contact Mr. Nitin Kunder (022- 23058738) or Mr. Rakesh Dalvi (022-23058542) or Mr. Mehboob Lakhani (022-23058543).

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 022- 23058738 / 022-23058542.

21. Mr. Mukun Arora of M/s Mukun Vivek & Company, Company Secretaries has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
22. The notice is being emailed to all the members whose names appear on the register of members/list of beneficial owners as received from the National Securities Depository Ltd. (NSDL)/Central Depository Services (India) Ltd. (CDSL) on October 30, 2020.
23. The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Resolution Professional of the Company.
24. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.kwality.com within two days of the passing of the resolutions at the Annual General Meeting of the Company and communicate to Stock Exchanges, where the shares of the Company are listed.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

ITEM NO. 2

The appointment of M/s. M K Jha & Co., Cost Accountants, as Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending March 31, 2020 at the same remuneration of Rs 30,000/- (Rupees Thirty Thousand only) plus out of pocket expenses and applicable taxes. M/s. M K Jha & Co., has been appointed as Cost Auditor from previous financial years and will continue his service for the current financial year as well.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors is required 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. 2 of the Notice for ratification of remuneration payable to the Cost Auditors for the financial year ending March 31, 2020.

M/s M K Jha & Co., Cost Accountants have furnished a certificate regarding their eligibility for re-appointment as Cost Auditors of the Company.

The Board recommend the Ordinary Resolution for the approval of the member.

None of the Directors and KMP of the Company or their respective relatives is concerned or interested in the Resolution mentioned at Item No. 2 of the Notice.

For Kwality Limited

Sd/-

(Pradeep K. Srivastava)

(Company Secretary & Compliance Officer)

(Kwality Limited is under Corporate Insolvency Resolution Process of the Insolvency and Bankruptcy Code 2016. Its affairs, business and assets are being managed by the Resolution Professional, Mr. Shailendra Ajmera, appointed by the National Company Law Tribunal by order dated 11th December 2018 and continued as Resolution Professional by the Committee of Creditors in its meeting held on 11th January, 2019 under the provisions of the Code.)

Place : New Delhi

Date : November 02, 2020

DIRECTOR'S REPORT

Dear Shareholders,

Presentation on Twenty Eighth Annual Report of the Company together with Audited Financial Statements of the Company for the financial year ended March 31, 2020 is hereby submitted as under:

INITIATION OF CORPORATE INSOLVENCY RESOLUTION PROCESS (CIRP)

The National Company Law Tribunal ("NCLT"), New Delhi Bench, vide order dated December 11, 2018 ("Insolvency Commencement Order") has initiated corporate insolvency resolution process ("CIRP") based on application filed by KKR India Financial Services Private Limited against Kwaliti Limited ("the Company"), under the provisions of the Insolvency and Bankruptcy Code, 2016 ("the Code"). Mr. Shailendra Ajmera IP Registration No. IBBI/IPA-001/IP-P00304/2017-18/10568 was appointed as Interim Resolution Professional ("IRP") to manage affairs of the Company in accordance with the provisions of the Code and thereafter continued and appointed as the Resolution Professional ("RP") by the committee of creditors ("CoC") of the Company in the meeting held on January 11, 2019 under the provisions of the Code. Pursuant to the Hon'ble NCLT Order for commencement of the CIRP and in accordance with Section 17 & 20 of the Code, the power of the Board of Directors stood suspended and vested with the RP and is being exercised by RP. The CIRP period was extended from 180 days to 330 days from the insolvency commencement date, vide orders dated 24 May 2019 and 6 September 2019.

In terms of the process prescribed under the Code, the Resolution Plan dated 17 October 2019 read with Addendum 1 & Addendum 2 submitted by a Consortium of Haldiram Snacks Pvt. Ltd. and Pioneer Securities Pvt. Ltd. ("Resolution Applicant") for the Company was not approved by the CoC in terms of the requirement of Section 30(4) of the Code. Subsequently, the Resolution Applicant also submitted unsolicited Addendum 3 dated 4 November 2019 to their Resolution Plan offering more value, which was not considered by the CoC. Based on the decision of the CoC, the RP on 8 November 2019, filed an application with the NCLT to pass such order or direction as it considers fit and proper in the facts and circumstances of the case.

In the meantime, the Resolution Applicant filed an application with the NCLT on 6 November 2019 seeking extension of the CIRP period and a direction against the RP to place the revised offer, vide Addendum 3 submitted by the Resolution Applicant, before the CoC for consideration. Pursuant to interim order dated 14 November 2019 passed by the NCLT, the Resolution Plan dated 17 October 2019 read with Addendum 1, 2, 3 and 4 was considered by the CoC and was not approved in terms of the requirement of Section 30(4) of the Code. RP filed a progress report appraising the same to the NCLT on 6 December 2019.

The Resolution Applicant on 7 December 2019 filed another application with the NCLT seeking a direction against the CoC to approve the Resolution Plan and make it binding on the Corporate Debtor and other stakeholders with immediate effect and keeping the application for liquidation of the Corporate Debtor filed by RP in abeyance until the said application is decided by the NCLT.

On account of Government Advisory in the wake of Coronavirus (COVID - 19) and the notice dated 15 March 2020 issued by the President, NCLT based on such advisory, hearings on only urgent case is taking place before the NCLT since 15 March 2020. RP is continuing to manage and operate the Company as a going concern in terms of the Code.

Since the Company is undergoing the Corporate Insolvency Resolution Process (CIRP) under the Code, as per Section 17 of the Code:

- the management of the affairs of the Company vests with the Resolution Professional
- the powers of the Board of Directors of the Company stands suspended and are being exercised by the Resolution Professional
- the Financial Institutions maintaining accounts of the Company are mandated to act on the instructions of the Resolution Professional in relation to such accounts and furnish all information relating to the Company available with them to the Resolution Professional.

1. FINANCIAL HIGHLIGHTS

Details	Year ended 31.03.2020 (INR in crore)	Year ended 31.03.2019 (INR in crore)
Turnover	150.57	2089.23
Profit/(Loss) before Interest, Depreciation, Extraordinary Items & Tax	(93.99)	(2630.12)
Interest & Finance Charge	-	188.23
Depreciation	34.75	130.10
Profit/(Loss) before Extraordinary Item & Tax	(128.74)	(2948.45)
Extraordinary Items	-	-
Profit/(Loss) before Tax	(128.74)	(2948.45)
Tax Expense	-	(0.87)
Profit/(Loss) after Tax	(128.74)	(2947.58)

2. COMPANY PERFORMANCE

The Company's Standalone turnover for the current financial year is Rs 150.57 crores as compared to Rs 2089.23 crores in previous financial year. Loss before Tax is Rs. 128.74 crores for current financial year as compared to that of Loss before tax for previous financial year of Rs. 2948.45 crores. Loss after Tax for the current financial year stood at Rs. 128.74 crores as compared to Loss before tax Rs. 2947.58 crores in the previous financial year.

The Company's Consolidated turnover for the current financial year is Rs 150.57 crores as compared to Rs 2129.88 crores in previous financial year. Loss before Tax is Rs.144.43 crores for current financial year as compared to that of previous financial year of Loss before Tax of Rs. 3217.02 Crores. Loss after Tax for the current financial year stood at Rs. 144.43 crores as compared to Loss after tax Rs. 3216.15 crores in the previous financial year.

3. CONSOLIDATED FINANCIAL STATEMENTS

As per Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") and applicable provisions of the Companies Act, 2013 read with the Rules issued thereunder, the Consolidated Financial Statements of the Company for the financial year 2019-20 have been prepared in compliance with applicable Accounting Standards and on the basis of audited financial statements of the Company and its subsidiary.

The Consolidated Financial Statements together with the Auditors' Report form part of this Annual Report.

4. SUBSIDIARIES

A separate statement containing the salient features of financial statements of all subsidiaries of the Company forms a part of consolidated financial statements in compliance with Section 129 and other applicable provisions, if any, of the Companies Act, 2013. In accordance with Section 136 of the Companies Act, 2013, the financial statements of the subsidiary and associate companies are available for inspection by the members at the Registered Office of the Company during business hours on all days except Saturdays, Sundays and public holidays upto the date of the Annual General Meeting ('AGM'). The financial statements including the consolidated financial statements, financial statements of subsidiaries and all other documents required to be attached to this report have been uploaded on the website of the Company (www.kwality.com). The Company has formulated a policy for determining material subsidiaries. The policy may be accessed on the website of the Company (www.kwality.com)

Your Company has a wholly owned subsidiary under the name and style of "Kwality Dairy Products – FZE" ("KDPF") in free trade zone of United Arab Emirates. Your Company has prepared Consolidated Financial Statements in accordance with Section 129(3) of the Companies Act, 2013, Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Accounting Standard as specified under Section 133 of Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules 2014.

The trading license of KDPF, which has discontinued the business during the previous financial year w.e.f. July 11, 2018, has expired on 30 October 2019. Consequently, KDPF will no longer be able to carry out any business activities.

In view of continuing default in payment of dues by KDPF, certain lenders have sent notices / letters towards recovery of their loans and further issued legal notices as well as filed appropriate applications for recovery of their dues .

Kwality Dairy Products FZE (subsidiary of Kwality Limited) has been issued notice by the Dubai Court in execution of a Suit No. 2589/2018 filed by Bank of Baroda on 15.11.2018 and registered on 10.12.2018 for recovery of dues.

Kwality Limited has given corporate guarantee to Bank of Baroda in respect of loans availed by the KDPF which has been invoked by vide notice dated 19.09.2018. Bank of Baroda has already filled the claim with RP for recovery of the dues arise on account of invocation of the corporate guarantee, the same has been admitted and voting share assigned to Bank of Baroda in respect thereof in the CoC.

The RP has replied to Bank of Baroda that the action taken by them is violation of the order of moratorium and amounts to seeking recovery of dues by pursuing individual recovery proceedings for recovery of debt in respect of which claim has been admitted by the RP under the IBC. Bank of Baroda has been requested to forthwith withdraw the said execution and all step and actions arising therefrom or related thereto.

5. DIVIDEND

In view of losses incurred during the period under review, the Company does not recommend any dividend on the equity shares for the financial year ended as on March 31, 2020.

6. CHANGE IN NATURE OF BUSINESS

There has been no change in the nature of business of the Company.

7. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Loans, Guarantees and Investments covered under section 186 of the Companies Act, 2013 form part of the notes to the financial statements provided in the Annual Report.

8. TRANSFER TO RESERVE

Pursuant to section 123 of the Companies Act, 2013 the company is not mandatorily required to transfer any amount to the reserves. Accordingly, the company has not transferred any amount to the reserves during the year.

9. PREFERENTIAL ISSUE AND PRIVATE PLACEMENT

During the period under review, the company has not made any preferential issue and private placement.

10. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY

Pursuant to the applicable provisions of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Authority"), all unpaid or unclaimed dividends are required to be transferred by the company to the IEPF established by the Government of India, after completion of seven years. Further according to