



Annual Report 2017-2018



35th ANNUAL REPORT
OF
KWALITY PHARMACEUTICALS LIMITED
2017-18

**CORPORATE INFORMATION**

| | | | |
|--|---|---|---|
| BOARD OF DIRECTORS Mr. Ramesh Arora (Managing Director) Mr. Ajay Arora (Whole Time Director) Mrs. Anju Arora (Whole Time Director) Mrs. Geeta Arora (Whole Time Director) Mr. Aditya Arora (Whole Time Director) Mr. Janibhasha Shaik (Executive Director) Mr. Kiran Kumar Verma (Independent Director) Mr. Pankaj Takkar (Independent Director) Mr. Ravi Shanker Singh (Independent Director) | CHIEF FINANCIAL OFFICER Mr. Aditya Arora | | |
| AUDITORS M/s Vijay Mehra & Co. Chartered Accountants Address: 175, Rani Ka Bagh, Amritsar – 143001. Tel: 0183-2222299 | BANKERS <table border="1"> <tr> <td data-bbox="796 763 1067 958"> HDFC Bank Limited 39, The Mall, Amritsar – 143001. </td> <td data-bbox="1067 763 1370 958"> Axis Bank Limited, Green Field Avenue, Majitha Road, Amritsar-143001. </td> </tr> </table> | HDFC Bank Limited 39, The Mall, Amritsar – 143001. | Axis Bank Limited, Green Field Avenue, Majitha Road, Amritsar-143001. |
| HDFC Bank Limited 39, The Mall, Amritsar – 143001. | Axis Bank Limited, Green Field Avenue, Majitha Road, Amritsar-143001. | | |
| COMPANY SECRETARY & COMPLIANCE OFFICER Mr. Gaurav Bajaj | REGISTRAR & SHARE TRANSFER AGENTS BIGSHARE SERVICES PRIVATE LIMITED 1st Floor, Bharat Tin Works Building, Opp. Vasant Oasis, Makwana Road, Marol, Andheri (East), Mumbai – 400 059. Tel: +91 – 022 40430200 Fax: +91 – 022 28475207 Web: www.bigshareonline.com | | |
| REGISTERED OFFICE Village Nagkalan, Majitha Road, Amritsar, Punjab – 143 601, India Tel: 8558820862 Website: www.kwalitpharma.com , E-mail: cs@kwalitpharma.com | ANNUAL GENERAL MEETING ON SATURDAY SEPTEMBER 29, 2018 AT 11:30 A.M. AT VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601 | | |

CONTENTS

| Description | Page No. |
|------------------------------------|-----------------|
| Notice To The Members | 1 |
| Directors' Report | 6 |
| Annexures of Director's Report | 15 |
| Corporate Governance Report | 30 |
| CEO and CFO Certification | 41 |
| Management Discussion and Analysis | 43 |
| Standalone Financial Statements | 45 |
| Consolidated Financial Statements | 73 |
| Proxy form | 93 |
| Attendance Slip | 95 |



KWALITY PHARMACEUTICALS LIMITED

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

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

Email Id:- ramesh@kwalitypharma.com; Website :- www.kwalitypharma.com

Notice

Notice is hereby given that the **35th Annual General Meeting** of the members of **KWALITY PHARMACEUTICALS LIMITED** will be held on Saturday 29th September, 2018 at 11:30 A.M. at the Registered Office of the Company at **VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601** to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt:
 - (i) the Audited Standalone Financial Statements of the Company for the Financial Year ended 31st March, 2018, together with Reports of the Board of Directors and Auditors' thereon.
 - (ii) the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2018 and the Report of the Auditors thereon.
2. To appoint a Director in place of Mr. Aditya Arora, (DIN : 07320410), liable to retire by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. AJAY ARORA, (DIN : 00462664), liable to retire by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
“**RESOLVED THAT** pursuant to the provisions of Section 139 and other applicable provisions of the Companies Act, 2013 read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company hereby ratifies the appointment of **M/s Vijay Mehra & Co., Chartered Accountants (ICAI Firm Regn. No. FRN 001051N)**, as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the Annual General Meeting to be held for the financial year 2018-19 on such remuneration as may be determined by the Board of Directors.”

SPECIAL BUSINESS:

5. Ratification Of Cost Auditors Remuneration

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

“**RESOLVED THAT** pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and Rules framed there under, the company hereby ratifies the remuneration of Rs. 60,000/- (Rs. Sixty Thousand Only) plus reimbursement of out of pocket expenses to M/s. Verma Khushwinder & Co., Cost Accountants, Jalandhar, appointed by the Board of Directors of the company, to conduct the audit of cost records of the company for the financial year ending 31st March, 2019.”



Annual Report 2017-2018
By Order Of The Board

Date:- 04-09-2018
Place:- Amritsar

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

NOTES

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

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

4. Electronic copy of the Annual Report along with the notice of the 35th Annual General Meeting of the Company for year ended 31.03.2018 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 31.03.2018 is being sent in the permitted mode.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 24th September, 2018 to Saturday, 29th September, 2018.
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)
 - Send all correspondence relating to transfer and transmission of shares to Registrar of shares to Registrar and Transfer Agent and not to the Company.



Annual Report 2017-2018

- 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 Bigshare 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 Bigshare Services Private Limited, to provide efficient and better service to the Members. Members holding share in physical form are requested to advise such changes to the Company's Registrar and transfer agents, M/s Bigshare Services Private Limited.
11. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risk associated with physical shares. Members can contact the Company's Registrar & Transfer Agent, M/s Bigshare Services Private Limited.
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 Interim 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 (BigShare Services Pvt. Ltd.) for revalidation.
14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding shares in physical form can submit their PAN to the Company or the Company's Share Registrars and Transfer Agents.
15. Shareholders desiring any information as regards the accounts are requested to write to the Company at least 10 days before the Annual General Meeting to enable the Management to keep the information ready.
16. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company.
17. Members are requested to give their valuable suggestions for improvement of the services and are also advised to quote their E-mail Id's, telephone / facsimile no. for prompt reply of their communications.

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

Item No. 5

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, 2019. 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. 5 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2019.



Annual Report 2017-2018

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. 5 of the Notice. The Board recommends the Ordinary Resolution set out at Item No. 5 of the Notice for approval by the members.

By Order Of The Board

Date:- 04-09-2018
Place:- Amritsar

Sd/-
(RAMESH ARORA)
MG. Director
DIN : 00462656



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 st March, 2018 |
|---|-------------------|--|--|
| ADITYA ARORA (DIN: 07320410) | 17/02/1994 | Mr. Aditya Arora aged 24 years is BCOM. He has experience of two years in Pharmaceuticals. | Other Directorship: Nil Committee positions held in Kwaliti Pharmaceuticals Limited :- Member in Audit Committee and CSR Committee Committee Positions held in other Public Companies: Nil Relationship with other directors :- Relative of Directors Mr. Ramesh Arora, Mr. Ajay Arora, Mrs. Geeta Arora & Mrs. Anju Arora No of Shares held in the Company :- 142000 |
| AJAY ARORA (DIN: 00462664) | 29/01/1968 | Mr. Ajay Arora aged 50 years is B.PHARMACY. He has experience of forty two years in Pharmaceuticals. | Other Directorship: Nil Committee positions held in Kwaliti Pharmaceuticals Limited :- Nil Committee Positions held in other Public Companies: Nil Relationship with other directors :- Relative of Directors Mr. Ramesh Arora, Mrs. Geeta Arora, Mrs. Anju Arora & Mr. Aditya Arora No of Shares held in the Company :- 1395628 |

**DIRECTORS' REPORT**

To
The Members
KWALITY PHARMACEUTICALS LIMITED.

Your Directors have pleasure in presenting the **35th Annual Report** of **KWALITY PHARMACEUTICALS LIMITED** along with the Audited Financial Statements for the year ended 31st March 2018.

FINANCIAL HIGHLIGHTS

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

(Rupees In Lacs)

| Particulars | STANDALONE | | CONSOLIDATED | |
|------------------------------------|------------|---------|--------------|---------|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| Total Income | 13792.82 | 9683.83 | 13829.65 | 9952.41 |
| Less: Expenditure & Depreciation | 13037.81 | 9102.94 | 13100.08 | 9387.54 |
| Profit before Tax (PBT) | 755.01 | 580.89 | 729.57 | 564.87 |
| Less: Tax (including deferred tax) | 287.42 | 236.99 | 287.42 | 236.98 |
| Profit After Tax (PAT) | 467.59 | 343.90 | 442.15 | 327.89 |

PERFORMANCE REVIEW

During the year under review, on standalone basis, revenue of the company was Rs. 13792.82 Lakhs as compared to Rs. 9683.83 Lakhs in the corresponding previous year. The Company earned a profit after tax of Rs. 467.59 Lakhs as compared to Rs. 343.90 Lakhs in the previous year.

On consolidated basis, revenue of the company was Rs. 13829.65 Lakhs as compared to Rs. 9952.41 Lakhs in the corresponding previous year. The Company earned a profit after tax of Rs. 442.15 Lakhs as compared to Rs. 327.89 Lakhs in the previous year.

CHANGES IN NATURE OF BUSINESS

There is no change made in the nature of the business of company during the financial year.

DIVIDEND

Your directors have decided to deployed back the profits earned during the year and therefore not recommended any dividend for the current financial year. However, the Company has issued bonus shares in the ratio of 1:1 during October, 2017.

RESERVES

The Company does not transfer any amount to general reserves during F.Y. 2017-2018.

STATEMENT PURSUANT TO LISTING AGREEMENT

The Company's equity shares are listed at Bombay Stock Exchange Limited (SME Segment). The Annual Listing Fee for the year 2018-19 has been paid.



EXTRACT OF THE ANNUAL RETURN

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

PARTICULARS OF EMPLOYEES REMUNERATION

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

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

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

CHANGES IN DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Janibhasha Shaik (DIN: 06738842) was appointed as Professional Director of the company in the annual general meeting of the company held on 30-09-2017.

Ms. Pallavi Aggarwal (M. No. 23138) Company Secretary, KMP and compliance officer of the company has resigned from the company with effect from 31st July, 2017 and Mr. Gaurav Bajaj (M. No. 49505) was appointed as Company Secretary, KMP and compliance officer of the company with effect from 10th August, 2017.

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. Aditya Arora & Mr. Ajay 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 2017-18, 7 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 directors 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



Annual Report 2017-2018

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 member, dates of meeting 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 member, dates of meeting 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 member, dates of meeting 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 2017-18, one Meeting was held on 03-04-2017. The composition of Committee and attendance of members is as follows:

| Name | Category | Meeting held during 2017-18 | 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 2017-18 under the provisions of section 135 of the Companies Act, 2013 and the rules made thereunder. As part of its initiatives under Corporate Social Responsibility (CSR)", the Company has undertaken various activities, which are in accordance with CSR Policy of the Company and Schedule VII of the Companies Act, 2013. The Board has approved a CSR policy on the recommendations of the CSR Committee. The Report on CSR activities as required under Companies (Corporate Social Responsibility) Rules, 2014, including a brief outline of the Company's CSR Policy, total amount to be spent under CSR for the financial year, amount unspent if any and the reason for the unspent amount, is set out at **Annexure-D** forming part of this Report.

MEETINGS OF INDEPENDENT DIRECTORS:

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

One meeting of the Independent Directors was held during the Financial Year on 27/02/2018.



DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

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

MECHANISM FOR EVALUATING BOARD MEMBERS:

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

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

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

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

FAMILIARISATION PROGRAMMES FOR BOARD MEMBERS:

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

STATEMENT ON DECLARATION BY INDEPENDENT DIRECTORS

All independent Directors have given declarations that they meet the criteria of Independence as laid down under the provisions of the Companies Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

REMUNERATION POLICY



Annual Report 2017-2018

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

WHISTLE BLOWER POLICY

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

VIGIL MECHANISM

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

RISK MANAGEMENT POLICY

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

STATUTORY AUDITORS

The Statutory Auditors, **M/s Vijay Mehra & Co., Chartered Accountants (ICAI Firm Regn. No. FRN 001051N)** were appointed as statutory auditors in the 31st AGM of the company to hold office until the conclusion of the 36th Annual General Meeting of the company. Their continuation with the Company is to be ratified in the ensuing Annual General Meeting of the Company and the Company has received a certificate from the auditors to the effect that they are eligible to be reappointed and not disqualified in accordance with the provisions of the Companies Act, 2013.

AUDITORS' REPORT

The observations made in the Auditors' Report read together with relevant notes thereon are self explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

COST AUDITOR

Pursuant to Section 148(3) of the Companies Act, 2013, **M/s Verma Khushwinder & Co., Cost Accountants, Jalandhar**, were appointed as the Cost Auditors of the Company for the financial year 2017-18 by the Board of Directors and their remuneration was ratified by members at the 34th 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 2018-19 and has also fixed their remuneration. The Board has recommended the remuneration approved in its meeting, for ratification by the shareholders in the ensuing AGM of the Company.



SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the board of directors have appointed M/s Rishi Mittal & Associates, Company Secretaries, Amritsar as the Secretarial Auditors of the Company. The Secretarial Audit Report for Financial Year 2017-18 forms part of the Annual report as “**Annexure C**” to the Board's report.

REPORT ON CORPORATE GOVERNANCE:

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

MANAGEMENT DISCUSSION AND ANALYSIS:

As required by Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 a Management Discussion & Analysis Report forms part of the Annual Report and annexed herewith as “**Annexure F**”.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

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

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

All Related Party Transactions that were entered into during the financial year were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of the Companies Act, 2013 ('the Act') and SEBI (Listing Obligations and Disclosures Requirements) Regulations 2015 and the provisions of Section 188 of the Companies Act, 2013 are not attracted. The transactions with the related parties have been disclosed in the financial statements. Thus disclosure in Form AOC-2 is not required.

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

No significant material changes and commitments have occurred between the date of the balance sheet and the date of the audit report.

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

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

A) Conservation of energy:

Energy conservation continues to be the key focus area of your Company. The Company is making continuous effort for energy conservation. Effective measures have been taken to monitor consumption of energy during the process of manufacture. Continuous monitoring and awareness amongst employees has helped to avoid wastage of energy. Continuously we take necessary



Annual Report 2017-2018

activities to educate and encourage employees to establish energy efficient practices, equipments etc.;

(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 st March 2018 (Rs. In Lakhs) | Year Ended 31 st March 2017 (Rs. In Lakhs) |
|-----------------|--|--|
| Earnings | | |
| Export Sales | 5616.81 | 3565.00 |
| | | |
| Outgo | | |
| Capital Goods | 18.58 | 91.52 |
| Raw Materials | 449.09 | 217.60 |

DEPOSITS

The company has not accepted any deposits falling within the meaning of Section 73 to 76 of the Companies Act, 2013 and rules made there under.

SHARE CAPITAL

CHANGES IN SHARE CAPITAL

The Authorised Share Capital of the Company on 31st March 2018 was Rs 16,00,00,0000/- (Rupees Sixteen Crore) divided into 1,60,00,000 (One Crore Sixty Lacs) Equity shares of Rs 10/- each and the paid up Equity Share Capital of the Company as on March 31, 2018 was Rs. 10,37,61,980. During the year under review, the company has issued 51,88,099 bonus equity shares in the ratio of 1:1 i.e. for every one equity shares held in the Company, one bonus equity share was issued.

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

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

ISSUE OF SWEAT EQUITY SHARES

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

ISSUE OF EQUITY SHARES WITH DIFFERENTIAL RIGHTS

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

ISSUE OF EMPLOYEE STOCK OPTION



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

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has comprehensive and adequate internal financial controls system for all major processes including financial statements to ensure reliability of reporting. The system also helps management to have timely data/feedback on various operational parameters for effective review. It also ensures proper safeguarding of assets across the Company and its economical use. The internal financial controls system of the Company is commensurate with the size, scale and complexity of its operations. The systems and controls are periodically reviewed and modified based on the requirement.

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

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Gaurav Bajaj (M. No. 49505) is Company Secretary, KMP and compliance officer of the company.

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

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

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 134(5) of the Companies Act, 2013, with respect to the Director's Responsibilities Statement, the Directors state and hereby confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;



- (d) The directors had prepared the annual accounts on a going concern basis; and
- (e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

INDUSTRIAL RELATIONS

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

ACKNOWLEDGMENTS:

The Board of Directors wish to place on record its appreciation for the commitment, dedication and hard work done by the employees of the Company and the cooperation extended by Banks, Government Authorities, Customers, Shareholders and looks forward to a continued mutual support and co-operation.

For and on Behalf of the Board

Place: Amritsar
Date:04-09-2018

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

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



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

As on financial year ended on 31.03.2018

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 |
|--------|--|---------------------------------|------------------------------------|
| 1 | PHARMACEUTICALS | 210 | 100 |

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

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

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

i) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|--------------------------|---|----------|-------|-------------------|---|----------|-------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |



| | | | | | | | | | |
|---|----------------|--------------|----------------|--------------|----------------|------------|----------------|--------------|------------|
| (1) Indian | | | | | | | | | |
| a) Individual/ HUF | 2508665 | 92755 | 2601420 | 50.14 | 5202840 | 0 | 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): | 2508665 | 92755 | 2601420 | 50.14 | 5202840 | 0 | 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) | 2508665 | 92755 | 2601420 | 50.14 | 5202840 | 0 | 5202840 | 50.14 | NIL |
| B. Public Shareholding / Other than Promoters | | | | | | | | | |
| 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 Govt | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| d) State Govt(s) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| e) Venture Capital Funds | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| f) Insurance Companies | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| g) FIIs | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| h) Foreign Venture Capital Funds | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |



Annual Report 2017-2018

| | | | | | | | | | |
|--|----------------|---------------|----------------|--------------|----------------|---------------|-----------------|--------------|-------------|
| i) Others (specify) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Sub-total (B)(1):- | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | 1023735 | NIL | 1023735 | 19.74 | 2176471 | NIL | 2176471 | 20.98 | 1.25 |
| ii) Overseas | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto Rs. 1 lakh | 312000 | NIL | 312000 | 6.01 | 407999 | NIL | 407999 | 3.93 | -2.08 |
| ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | 818664 | 429280 | 1247944 | 24.05 | 1727328 | 858560 | 2585888 | 24.92 | 0.87 |
| c) Others (Public) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Non Resident Indians | 3000 | NIL | 3000 | 0.06 | 3000 | NIL | 3000 | 0.03 | 0.03 |
| Overseas Corporate Bodies | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Foreign Nationals | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Sub-total (B)(2):- | 2157399 | 429280 | 2586679 | 49.86 | 4314798 | 858560 | 5173358 | 49.86 | NIL |
| Total Public Shareholding (B)=(B)(1)+ (B)(2) | 2157399 | 429280 | 2586679 | 49.86 | 4314798 | 858560 | 5173358 | 49.86 | NIL |
| C. Shares held by Custodian for GDRs & ADRs | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Grand Total (A+B+C) | 4666064 | 522035 | 5188099 | 100% | 9517638 | 858560 | 10376198 | 100% | NIL |

ii) Shareholding of Promoter-

| S. No | Shareholder's Name | Shareholding at the beginning of the year | Shareholding at the end of the year | % change |
|-------|--------------------|---|-------------------------------------|----------|
|-------|--------------------|---|-------------------------------------|----------|



Annual Report 2017-2018

| | | 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 | in share holding during the year |
|---|-------------------|----------------|----------------------------------|--|----------------|----------------------------------|--|----------------------------------|
| 1 | Ramesh Arora | 1483008 | 28.58 | NIL | 2966016 | 28.58 | NIL | NIL |
| 2 | Anju Arora | 67817 | 1.31 | NIL | 135634 | 1.31 | NIL | NIL |
| 3 | Ajay Arora | 697814 | 13.45 | NIL | 1395628 | 13.45 | NIL | NIL |
| 4 | Jugal Kishore HUF | 46175 | 0.90 | NIL | 92350 | 0.90 | NIL | NIL |
| 5 | Anu Mehra | 120466 | 2.32 | NIL | 240932 | 2.32 | NIL | NIL |
| 6 | Geeta Arora | 55750 | 1.07 | NIL | 111500 | 1.07 | NIL | NIL |
| 7 | Aarti Bajaj | 46580 | 0.90 | NIL | 93160 | 0.90 | NIL | NIL |
| 8 | Sachin Seth | 12810 | 0.25 | NIL | 25620 | 0.25 | NIL | NIL |
| 9 | Aditya Arora | 71000 | 1.36 | NIL | 142000 | 1.36 | NIL | NIL |
| | TOTAL | 2601420 | 50.14 | NIL | 5202840 | 50.14 | NIL | NIL |

iii) **Change in Promoters' Shareholding :-**

| 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 |
| 1. | Ramesh Arora | | | | |
| | At the beginning of the year | 1483008 | 28.58 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 1483008 | 14.29 | 2966016 | 28.58 |
| | At the end of the year | | | 2966016 | 28.58 |
| 2. | Anju Arora | | | | |
| | At the beginning of the year | 67817 | 1.31 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 67817 | 0.65 | 135634 | 1.31 |
| | At the end of the year | | | 135634 | 1.31 |
| 3. | Ajay Arora | | | | |
| | At the beginning of the year | 697814 | 13.45 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 697814 | 6.73 | 1395628 | 13.45 |
| | At the end of the year | | | 1395628 | 13.45 |
| 4. | Jugal Kishore HUF | | | | |
| | At the beginning of the year | 46175 | 0.90 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 46175 | 0.45 | 92350 | 0.90 |
| | At the end of the year | | | 92350 | 0.90 |
| 5. | Anu Mehra | | | | |
| | At the beginning of the year | 120466 | 2.32 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 120466 | 1.16 | 240932 | 2.32 |
| | At the end of the year | | | 240932 | 2.32 |



| | | | | | |
|----|---|-------|-------|--------|------|
| 6. | Geeta Arora | | | | |
| | At the beginning of the year | 55750 | 1.07 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 55750 | 0.54 | 111500 | 1.07 |
| | At the end of the year | | | 111500 | 1.07 |
| 7. | Aarti Bajaj | | | | |
| | At the beginning of the year | 46580 | 0.90 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 46580 | 0.45 | 93160 | 0.90 |
| | At the end of the year | | | 93160 | 0.90 |
| 8. | Sachin Seth | | | | |
| | At the beginning of the year | 12810 | 0.25 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 12810 | 0.125 | 25620 | 0.25 |
| | At the end of the year | | | 25620 | 0.25 |
| 9. | Aditya Arora | | | | |
| | At the beginning of the year | 71000 | 1.36 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 71000 | 0.68 | 142000 | 1.36 |
| | At the end of the year | | | 142000 | 1.36 |

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 | 690735 | 13.31 |
| | At the end of the year | 1381470 | 13.31 |
| 2 | GUINNESS SECURITIES LIMITED | | |
| | At the beginning of the year | 249000 | 4.79 |
| | At the end of the year | 642050 | 6.19 |
| 3 | AMBIKA ANIL RAIKA | | |
| | At the beginning of the year | 72000 | 1.39 |
| | At the end of the year | NIL | NIL |
| 4 | NEERAJ JAIN | | |
| | At the beginning of the year | 66000 | 1.27 |
| | At the end of the year | 120000 | 1.16 |
| 5 | NEERAJ JAIN | | |
| | At the beginning of the year | 45000 | 0.87 |
| | At the end of the year | 90000 | 0.87 |
| 6 | PINALBEN RAKSHITBHAJ SHAH | | |
| | At the beginning of the year | 42000 | 0.81 |
| | At the end of the year | 63000 | 0.61 |
| 7 | POOJA KAPOOR | | |
| | At the beginning of the year | 41654 | 0.80 |
| | At the end of the year | 83308 | 0.80 |
| 8 | KIRAN MAHAJAN | | |
| | At the beginning of the year | 34759 | 0.67 |
| | At the end of the year | 69518 | 0.67 |
| 9 | VIJAY MARTIN | | |
| | At the beginning of the year | 33896 | 0.65 |



| | | | |
|----|------------------------------|--------|------|
| | At the end of the year | 67792 | 0.65 |
| 10 | SHANKAR DAYAL | | |
| | At the beginning of the year | 33886 | 0.65 |
| | At the end of the year | 67772 | 0.65 |
| 11 | NEERAJ LAKHANPAL | | |
| | At the beginning of the year | 33490 | 0.65 |
| | At the end of the year | 66980 | 0.65 |
| 12 | ASHOK LAKHANI | | |
| | At the beginning of the year | 33000 | 0.63 |
| | At the end of the year | 108000 | 1.04 |

V) Shareholding of Directors and Key Managerial Personnel:

| S. No | Shareholding of each Directors and each Key Managerial Personnel | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|--|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | RAMESH ARORA – MANAGING DIRECTOR | | | | |
| | At the beginning of the year | 1483008 | 28.58 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 1483008 | 14.29 | 2966016 | 28.58 |
| | At the end of the year | | | 2966016 | 28.58 |
| 2 | AJAY ARORA – WHOLE TIME DIRECTOR | | | | |
| | At the beginning of the year | 697814 | 13.45 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 697814 | 6.73 | 1395628 | 13.45 |
| | At the end of the year | | | 1395628 | 13.45 |
| 3 | GEETA ARORA - WHOLE TIME DIRECTOR | | | | |
| | At the beginning of the year | 55750 | 1.07 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 55750 | 0.54 | 111500 | 1.07 |
| | At the end of the year | | | 111500 | 1.07 |
| 4 | ANJU ARORA - WHOLE TIME DIRECTOR | | | | |
| | At the beginning of the year | 67817 | 1.3 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 67817 | 0.65 | 135634 | 1.3 |
| | At the end of the year | | | 135634 | 1.3 |
| 5 | ADITYA ARORA- WHOLE TIME DIRECTOR & CFO | | | | |
| | At the beginning of the year | 71000 | 1.36 | | |
| | Increase in shareholding on 13-10-2017 due to bonus allotment | 71000 | 0.68 | 142000 | 1.36 |
| | 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 | NIL | NIL |
| | Changes during the year | NIL | NIL | NIL | NIL |
| | At the end of the year | NIL | NIL | NIL | NIL |
| 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 | 1772.33 | 50.21 | NIL | 1822.54 |
| ii) Interest due but not paid | NIL | NIL | NIL | NIL |
| iii) Interest accrued but not due | NIL | NIL | NIL | NIL |
| Total (i+ii+iii) | 1772.33 | 50.21 | NIL | 1822.54 |
| Change in Indebtedness during the financial year | | | | |
| * Addition | 720.71 | 49.79 | NIL | 770.50 |
| * Reduction | -48.88 | NIL | NIL | -48.88 |
| Net Change | 671.83 | 49.79 | NIL | 721.62 |
| Indebtedness at the end 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 |

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 |
|-----------|-----------------------------|-------------------------|-----------------|
|-----------|-----------------------------|-------------------------|-----------------|



Annual Report 2017-2018

| | | Ramesh Arora (MD) | Ajay Arora (WTD) | Anju Arora (WTD) | Geeta Arora (WTD) | Aditya Arora (WTD & CFO) | (in Rs.) |
|---|---|---|------------------|------------------|-------------------|--------------------------|------------------|
| 1 | Gross salary | | | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 2700000 | 2700000 | 480000 | 480000 | 840000 | 72,00,000 |
| | (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 - others, specify... | NIL | NIL | NIL | NIL | NIL | NIL |
| 5 | Others, please specify | NIL | NIL | NIL | NIL | NIL | NIL |
| | Total (A) | 2700000 | 2700000 | 480000 | 480000 | 840000 | 72,00,000 |
| | 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 (in Rs.) |
|--------|--|--------------------|---------------|-------------------|------------|--------------------------|
| | | Ravi Shanker Singh | Pankaj Takkar | Kiran Kumar Verma | --- | |
| 1 | Independent Directors | | | | | |
| | Fee for attending board committee meetings | 10000 | 12000 | 12000 | NIL | 34000 |
| | Commission | NIL | NIL | NIL | NIL | NIL |
| | Others, please specify | NIL | NIL | NIL | NIL | NIL |
| | Total (1) | 10000 | 12000 | 12000 | NIL | 34000 |
| 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) | 10000 | 12000 | 12000 | NIL | 34000 |
| | 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 | 264645 | NIL | 264645 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | NIL | NIL | NIL | NIL |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | NIL | NIL | NIL | NIL |
| 2 | Stock Option | NIL | NIL | NIL | NIL |
| 3 | Sweat Equity | NIL | NIL | NIL | NIL |
| 4 | Commission | NIL | NIL | NIL | NIL |
| | - as % of profit | NIL | NIL | NIL | NIL |
| | others, specify... | NIL | NIL | NIL | NIL |
| 5 | Others, please specify | NIL | NIL | NIL | NIL |
| | Total | NIL | 264645 | NIL | 264645 |

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|---|------------------------------|------------------------------------|
| A. COMPANY | | | | | |
| Penalty | NIL | NIL | NIL | NIL | NIL |
| Punishment | NIL | NIL | NIL | NIL | NIL |
| Compounding | NIL | NIL | NIL | NIL | NIL |
| B. DIRECTORS | | | | | |
| Penalty | NIL | NIL | NIL | NIL | NIL |
| Punishment | NIL | NIL | NIL | NIL | NIL |
| Compounding | NIL | NIL | NIL | NIL | NIL |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| 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:04-09-2018

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

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

**ANNEXURE 'B'**

Information under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended March 31, 2018

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 | 31.49 |
| AJAY ARORA | 31.49 |
| ANJU ARORA | 5.59 |
| GEETA ARORA | 5.59 |
| ADITYA ARORA | 9.79 |

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 | % increase in remuneration in the financial year |
|-----------------------------------|--|
| RAMESH ARORA | 12.50 |
| AJAY ARORA | 12.50 |
| ANJU ARORA | Nil |
| GEETA ARORA | Nil |
| ADITYA ARORA | 75 |
| PALLAVI AGARWAL (upto 31-07-2017) | Nil |
| GAURAV BAJAJ (From 10-08-2017) | Not Applicable |

C. The percentage increase in the median remuneration of employees in the financial year: 19.47 %

D. The number of permanent employees on rolls of the company as on 31st March 2018:- 366.

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. 2016-17 | F. Y. 2017-18 | % increase |
|---|--------------|---------------|------------|
| Employees' Salary (in Rupees Lakhs) | 248.27 | 399.19 | 60.78 |
| Managerial Remuneration (in Rupees Lakhs) | 62.40 | 72.00 | 15.38 |

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.

Place: Amritsar
Date:04-09-2018

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

For and on Behalf of the Board
Sd/-
(AJAY ARORA)
Whole Time Director
DIN: 00462664



ANNEXURE 'C'
Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st MARCH 2018

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

To

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on **March 31, 2018** 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, 2018 according to the provisions of:
 - (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
 - (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
 - (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
 - (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
 - (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (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 (Buyback of Securities) Regulations, 1998 **(Not applicable to the Company during Audit Period)**; and



- (vi) 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. Secretarial Standards issued by The Institute of Company Secretaries of India and
 - ii. 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. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
 - (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:-
 - i. The company has issued 51,88,099 bonus equity shares in the ratio of 1:1 i.e. for every one equity shares held in the Company, one bonus equity share was issued.
 - ii. The company has increased its authorized share capital from Rs. 8 Crore to Rs. 16 Crore.
 - iii. The company has increased its borrowing limits from Rs. 30 Crore to Rs. 75 Crores, after taking shareholders approval in general meeting.

There were no other specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

Place : AMRITSAR

Signature: Sd/- (RISHI MITTAL)

Date : 04-09-2018

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. Where ever 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 : 04-09-2018

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"> ▪ Environmental Sustainability ▪ Promoting Education ▪ Health ▪ Eradication of Hunger & Poverty ▪ Rural Development ▪ Rural Sports CSR Policy is stated at the Website of Company: www.kwalitapharma.com |
| 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. 3,58,61,434 |
| 4. | Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) | Rs. 7,17,229 |
| 5. | Details of CSR spent during the financial year | |
| | a) Total amount spent for the financial year 2017-18 | Rs. 7,52,681 |
| | b) Amount unspent, if any | NIL |

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

| Sr. No. | CSR Projects or Activities Identified | Sector in which project is covered | Projects or Programs (1) Local Area or others (2) Specify the state and district where project or programs were undertaken | Amount Outlay (Budget) project or program wise | Amount spent on the project or programs Subheads:- (1) Direct Expenditure on projects or programs (2) Overheads | Cumulative Expenditure upto reporting period | Amount Spent:- Direct or through implementing agency |
|---------|---|------------------------------------|--|--|---|--|--|
| 1. | Project of Food Distribution | Eradication of hunger & poverty | Village Area, Amritsar, (Punjab) | 5.31 | (1.) 5.05 (2.) 0.26 | 5.31 | Direct |
| 2. | Project of each one educate one and for this Sponsoring Tuition and | Promoting Education | Amritsar (Punjab) | 1.12 | 1.12 | 1.12 | Direct |



| | | | | | | | | |
|-----|--|---------------------|-------------------|------|------|------|--------|--|
| | other Fees for providing Education to the poor and needy students. | | | | | | | |
| 03. | Project for providing Building Infrastructure facilities to school | Promoting Education | Amritsar (Punjab) | 1.10 | 1.10 | 1.10 | Direct | |

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

7. Responsibility Statement:

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

For and on Behalf of the Board

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

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

Place: Amritsar
Date:04-09-2018



ANNEXURE 'E'
REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

KQUALITY's philosophy on Corporate Governance is based on practices, such as fair and transparent business practices, effective management controls at all levels, adequate representation of promoter, executive and independent director 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 are nine members in the Board of the Directors of the company 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 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 | Executive Director |

B) Performance Evaluation:

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

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, 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

**Annual Report 2017-2018**

During the year 7 meetings of the Board of Director's 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. | 03-04-2017 |
| 2. | 30-05-2017 |
| 3. | 10-08-2017 |
| 4. | 05-09-2017 |
| 5. | 13-10-2017 |
| 6. | 14-11-2017 |
| 7. | 27-02-2018 |

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 31-03-2018 | No. of Committee/ membership in which he/she is a Member or Chairperson |
|---|---|--------------------------------|----------------------------|--|---|
| Mr. Ramesh Arora (DIN: 00462656) | Managing Director | 7 | Yes | 1 | None |
| Mr. Ajay Arora (DIN: 00462664) | Whole Time Director | 7 | No | Nil | None |
| Mr. Aditya Arora (DIN: 07320410) | Whole Time Director & Chief Financial Officer | 7 | Yes | Nil | Member in two Committees |
| Mrs. Geeta Arora (DIN: 03155615) | Whole Time Director | 7 | No | Nil | Member in one Committee and Chairperson in one Committee |
| Mrs. Anju Arora (DIN: 03155641) | Whole Time Director | 7 | No | Nil | Member in one Committee |
| Mr. Kiran Kumar Verma (DIN: 07415375) | Non Executive Independent Director | 4 | Yes | Nil | Member in one Committee and Chairman in one Committee |
| Mr. Pankaj Takkar (DIN: 07414345) | Non Executive Independent Director | 5 | Yes | Nil | Member in two Committees and Chairman in one Committee |
| Mr. Ravi Shanker Singh (DIN: 02303588) | Non Executive Independent Director | 3 | No | 1 | Member in one Committee 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 2018:



| 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 programme. 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 27-02-2018.

In this meeting, they considered the performance of Non-independent directors and Board as a whole, taking into account the views of Executive and Non Executive Directors and assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board.

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 30-05-2017, 05-09-2017, 14-11-2017 and 27-02-2018.

*** Composition & 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. Oversight of the company's financial reporting process, examination of the financial statement and the auditors' report thereon and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Providing recommendation for appointment, re-appointment and replacement, remuneration and terms of appointment of auditors of the company and the fixation of audit fee;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - i. Matters required to be included in the 'Director's Responsibility Statement' to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013, as amended
 - ii. Changes, if any, in accounting policies and practices and reasons for the same;
 - iii. Major accounting entries involving estimates based on the exercise of judgment by management;
 - iv. Significant adjustments made in the financial statements arising out of audit findings;
 - v. Compliance with listing and other legal requirements relating to financial statements;
 - vi. Disclosure of any related party transactions; and
 - vii. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly and half-yearly financial statements before submission to the Board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the statutory auditor's independence and performance and effectiveness of audit process;
8. Approval or any subsequent modification of transaction of the Company with related parties;
9. Scrutiny of intercorporate loans and investments;
10. Valuation of undertakings or assets of the Company wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. Review the functioning of the whistle blower mechanism;
19. Approval of appointment of the chief financial officer (i.e., the whole time finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate;



20. Carrying out any other function as is mentioned in the terms of reference;

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

2. NOMINATION AND REMUNERATION COMMITTEE

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

* Number of Meetings held

During the year, 2 Nomination & Remuneration committee meetings were held on the following dates 05-09-2017 and 27-02-2018.

* 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:

- 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;
- Formulation of criteria for evaluation of independent directors and the Board;
- Devising a policy on Board diversity;
- 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;
- 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.kwalitapharma.com>.

Remunerations paid during the Financial Year 2017-18 to Executive Directors are:

| Name of Director | Designation | Yearly Remuneration (Rs.) |
|-------------------------|---|----------------------------------|
| RAMESH ARORA | Managing Director | 27,00,000 |
| AJAY ARORA | Whole Time Director | 27,00,000 |
| GEETA ARORA | Whole Time Director | 4,80,000 |
| ANJU ARORA | Whole Time Director | 4,80,000 |
| ADITYA ARORA | Whole Time Director & Chief Financial Officer | 8,40,000 |

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 been constituted to resolve the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of annual report and non receipt of dividend, bonus, etc.

*** Committee Constitution**

Stakeholders Relationship Committee was constituted on 14th March 2016.

*** Number of Meetings held**

During the year 2 Stakeholder's Relationship Committee meetings were held on 10-08-2017 and



27-02-2018.

*** 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 2017-18, no investor complaints have been received by the Company.

4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee is 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 2017-18, one meeting of the committee was held on 03-04-2017. The composition of Committee and attendance of members is as follows:



| Name | Category | Meeting held during 2017-18 | No. of Meeting Attended |
|---------------|----------|-----------------------------|-------------------------|
| Geeta Arora | Chairman | 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.

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 |
|----------------|-------------------------------------|--|---------------------------|
| 2014-15 | September 30, 2015 at 11:00 A.M. | VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR. | NIL |
| 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 |

DISCLOSURES

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



6. The Company is complying with all mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements), Regulation, 2015.

Subsidiary Companies

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

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

The Company has formulated a policy regarding determination of 'Material' Subsidiaries and the same is available on the website of the Company www.kwalitypharma.com. The weblink for the same is: http://www.kwalitypharma.com/pages/Policy_for_determining_Material_Subsiidiaries.pdf

GENERAL SHAREHOLDER INFORMATION:

ANNUAL GENERAL MEETING

The ensuing Annual General Meeting ("the AGM") of the company will be held on Saturday, 29th September, 2018 at 11.30 am, 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. 2018-19 is:-

| | |
|--------------------------------|--|
| Half yearly un-audited results | Within 45 days from 30th September, 2018 |
| Annual audited result | Within 60 days from 31st March, 2019 |

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. However, the Company has issued bonus shares in the ratio of 1:1 during October, 2017.

BOOK CLOSURE

24.09.2018 to 29.09.2018 (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



Annual Report 2017-2018

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 Kwalita Pharmaceuticals Limited (in Rs.) | |
|-----------------|---|-------|
| | High | Low |
| April, 2017 | 103.15 | 98.00 |
| May, 2017 | 97.80 | 97.80 |
| June, 2017 | 92.95 | 84.00 |
| July, 2017 | 94.95 | 86.50 |
| August, 2016 | 92.00 | 81.00 |
| September, 2017 | 95.65 | 87.00 |
| October, 2017 | 96.85 | 47.15 |
| November, 2017 | 65.00 | 55.00 |
| December, 2017 | 58.00 | 54.85 |
| January, 2018 | 70.60 | 56.90 |
| February, 2018 | 60.60 | 55.10 |
| March, 2018 | 59.00 | 41.00 |

DEMATERIALIZATION OF SHARES

As on March 31, 2018, 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, 2018 is as follows:

SHARE HOLDING PATTERN AS ON 31ST MARCH, 2018

| Category | No. of Shares held | % of Shareholding |
|---------------------------------|--------------------|-------------------|
| 1. Promoters and Promoter Group | 5202840 | 50.14 |
| 2. Bodies Corporate | 2143471 | 20.66 |
| 3. Clearing Members | 33000 | 0.32 |
| 4. Non-Resident Indians | 3000 | 0.03 |
| 5. Indian Public | 2993887 | 28.85 |
| TOTAL | 10376198 | 100 |

Distribution Schedule as on 31/03/2018
(on the basis of value of shares held)

| Nominal Shares Value (Rs.) | No. of Share holders | %age to total Share holders | No. of Shares held | %age to total shares held |
|----------------------------|----------------------|-----------------------------|--------------------|---------------------------|
| 10001-20000 | 2 | 1.00 | 3000 | 0.03 |
| 20001-30000 | 62 | 31.16 | 185999 | 1.79 |
| 50001-100000 | 50 | 25.13 | 338951 | 3.27 |
| 100001-9999999999 | 85 | 42.71 | 9848248 | 94.91 |
| TOTAL | 199 | 100.00 | 10376198 | 100.00 |

Share Transfer System:



Transfer of shares held in demat form are done through the depositories. As regards transfer of shares held in physical form, the transfer documents can be lodged with company's RTA 'Bigshare Services Private Limited'. Transfer of shares in physical form is processed within 15 days from the date of receipt, if the documents are complete in all respects. After verification and process of transfer documents by RTA, transfer documents are further sent to Company for final approval. The Company Secretary cum Compliance Officer of Company has been delegated with the powers under the authority of the Board to approve transfers, if the documents are in order which are noted at subsequent Board Meeting.

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

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.

Contact info.: 8558820862, **E-mail Id-** cs@kwalitaipharma.com **Web:** www.kwalitaipharma.com

On behalf of Board of Directors
KWALITY PHARMACEUTICALS LIMITED

Sd/-
RAMESH ARORA
Managing Director
DIN: 00462656
Amritsar, September 04, 2018

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

I, RAMESH ARORA (DIN: 00462656), Managing Director of **KWALITY PHARMACEUTICALS LIMITED**, hereby declare that all the members of the Board of Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended March 31, 2018.

Sd/-



Place:- Amritsar
Date:- September 04, 2018

Annual Report 2017-2018

RAMESH ARORA
Managing Director
(DIN: 00462656)

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 31st March, 2018 and that to the best of our knowledge and belief:
 - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit committee
 - i. Significant changes, if any, in internal control over financial reporting during the year;
 - ii. Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, if any; and
 - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place:- Amritsar
Date:- September 04, 2018

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

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



AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
KWALITY PHARMACEUTICALS LIMITED.

We have examined the compliance of the conditions of Corporate Governance by **KWALITY PHARMACEUTICALS LIMITED**, for the financial year ended 31st March, 2018, 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 : 04-09-2018**

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

Indian Pharma industry enjoys an important position in the global pharmaceuticals industry. The Indian pharmaceuticals market is the third-largest in terms of volume and thirteenth-largest in terms of value. It has highest number of USFDA plants outside the USA. It's amongst the global leaders in providing quality generics to the world. Industry is gearing up for the next level of growth driven by shift towards specialty products, customer centricity, focus on improving quality, operational efficiency and productivity and selective mergers & acquisitions. Even though growth has slowed down recently in the event of GST and demonetization, we believe that it will be in the top 10 global markets by 2020.

India is the largest provider of generic drugs globally. Indian pharmaceutical sector industry supplies over 50 per cent of global demand for various vaccines, 40 per cent of generic demand in the US and 25 per cent of all medicine in UK. India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers who have the potential to steer the industry ahead to an even higher level. Presently over 80 per cent of the antiretroviral drugs used globally to combat AIDS (Acquired Immuno Deficiency Syndrome) are supplied by Indian pharmaceutical firms.

The pharmaceutical sector was valued at US\$ 33 billion in 2017. The country's pharmaceutical industry is expected to expand at a CAGR of 22.4 per cent over 2015–20 to reach US\$ 55 billion. India's pharmaceutical exports stood at US\$ 17.27 billion in 2017-18 and are expected to reach US\$ 20 billion by 2020.

Indian companies received 304 Abbreviated New Drug Application (ANDA) approvals from the US Food and Drug Administration (USFDA) in 2017. The country accounts for around 30 per cent (by volume) and about 10 per cent (value) in the US\$ 70-80 billion US generics market.

India's biotechnology industry comprising bio-pharmaceuticals, bio-services, bio-agriculture, bio-industry and bioinformatics is expected to grow at an average growth rate of around 30 per cent a year and reach US\$ 100 billion by 2025.

OPPORTUNITIES, RISKS, CONCERNS & THREATS

The pharmaceutical industry continues to face significant challenges both in India and internationally with the volume and complexity of change. Regulatory risks, which are an inherent threat in pharma, are compounded by evolving regulations, new legislation and increased enforcement. To provide affordable healthcare, the Union Health Ministry in India plans to make prescription of generic medicines mandatory by amending the Drugs and Cosmetics Act. The Company will fully cooperate and partner with the Government on efforts focused towards ensuring access and increasing affordability of medicines while maintaining strong commitment on quality.

The Company is also realigning prices to ensure parity. Increased emphasis on the US market has broadened the risk environment. The key risks include customer consolidation and regulatory risks - aggressive vigilance on compliance, product liability and product quality. The Company has implemented strong policy and procedures to address the operational risks relevant to the market. The Company is also planning new launches in the current year to increase revenue and market share. The establishment of front-end market presence will enable the Company to achieve results in the long-run and position itself as a key generic player in market.

Pricing pressure and regulatory issues are not the only thing worrying executives of Indian pharmaceuticals companies. Weakening of the dollar versus the rupee is adding to the concerns; it might impact the earnings by five or six per cent. An appreciation in the rupee versus the dollar means every one of the latter yields less of the former, whereas a lot of the costs are denominated in rupees.

OUTLOOK

The Company achieved significant progress on its key priorities in FY 2017-18 despite a number of challenges around an uncertain regulatory environment, volatility in emerging markets and pricing pressure across the globe. For FY 2018-19, 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. It is expected that the company will thrive in future only if it adapt the changes



Annual Report 2017-2018

arising in the environment. Taking into the account all the above, it is expected that while the growth in profitability would be a challenge, the concrete plans and strategies set up by the management will help the company to overcome the challenges.

The company will be able to place itself in a strong position by expanding strategically, increasing its manufacturing capacities and enhancing capacities across the organization. The company has recently constructed digitally connected laboratory and working towards CRF-21 compliance in software. The laboratory will be fully digitalized by making digital STP and COA. The digitalisation process is enhancing from existing available data of booking and accountancy to production recording BMR and BPR. There will be an order tracking system on the website for customers after placing order with company. The customer can also check the invoice, packing list, COA and despatch details for current invoice and previously sent invoices. Revenues and profitability for FY 2018-19 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 | 13792.82 | 9683.83 |
| Profit before Tax (PBT) | 755.01 | 580.89 |
| Profit After Tax (PAT) | 467.59 | 343.90 |

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Industrial relations in all divisions of the Company are cordial and harmonious throughout the year. The employees of the Company have extended a very productive cooperation in the efforts of the management to carry the Company to greater heights. The Company encourages the employees to upgrade their knowledge and skills. The training sessions on various working parameters are conducted in routine apart from allowing employees for outside specialized training, wherever required. Your management feels proud to state that there were no instances of strikes, lockouts or any other action on part of the employees that affected the functioning of the Company.

CAUTIONARY STATEMENT

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

For and on Behalf of the Board

Sd/-

(RAMESH ARORA)
Managing Director
DIN: 00462656

Sd/-

(AJAY ARORA)
Whole Time Director
DIN: 00462664

Place: Amritsar
Date:04-09-2018



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 31st March, 2018, the Standalone Statement of Profit and Loss and the Standalone Cash Flow Statement (collectively referred as "Standalone Financial Statements") for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation & presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, 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. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the 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 the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of 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, 2018, and its profit/loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 (the Order) issued by the Central Government in terms of Section 143(11) of the Act, we enclose in the Annexure A statement on matters specified in paragraph 3 & 4 of the said order.
2. **As required by Section 143(3) of the Act, we report that:**
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet & the Statement of Profit and Loss 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**".
 - g. Report under the Companies (Auditor's Report) Order, 2016 (CARO, 2016) has been attached in "**Annexure B**".
 - h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i) The Financial statements disclose the impact of pending litigations on the financial position of the company. Refer note 40 of notes and disclosures forming part of standalone financial statements annexed with the standalone financial statements.
 - ii) The Company did not have any long-term contracts including derivative contracts as such the question of commenting on any material foreseeable losses thereon doesn't arise.
 - iii) There has not been an occasion in case of the company during the year under report to transfer any sums to the Investor Education and Protection Fund.



Annual Report 2017-2018
For Vijay Mehra & Co.
Chartered Accountants
FRN- 001051N
Sd/-
CA Amit Handa
Partner
M.No. 502400

Place: Amritsar
Dated: 30.05.2018

ANNEXURE A: To The Independent Auditor's Report of even date on the Standalone Financial Statements of Kwalty Pharmaceuticals Limited (erstwhile M/s Kwalty 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 Kwalty Pharmaceuticals Limited** (erstwhile Kwalty Pharmaceuticals Private Limited) as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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



Meaning of Internal Financial Controls Over Financial Reporting

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

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, 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: 30.05.2018**

ANNEXURE B– Report under the Companies (Auditor's Report) Order, 2016 of the Standalone Financial Statements of Kwality Pharmaceuticals Limited (erstwhile M/s Kwality 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 records of the Company, the title deeds of the Company's Registered Office and Manufacturing unit is situated at Village Nagkalan, Majitha Road, Amritsar, Punjab, is on leased premises. The same premises is owned by Mr. Ramesh Arora 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 Kwality Pharmaceuticals Africa Limitada incorporated on 20.09.2013 under the laws of Africa having identification number as 100428873. The registered office of the Company is located at Mozambique, Maputo Cidade, Distrito Urbano 1, Bairro de Central, Africa.
- a) The subsidiary is incorporated with the intention of import export and marketing of pharmaceutical products of the company. The terms of the aforementioned loan are not prejudicial to the interest of the company.
- b) The terms of the loan do not prescribe any schedule of repayment of principal and payment of interest.
- c) As stated above the terms do not provide for schedule of repayment and thus comments on status of over dues can't be made.
- (iv) The company has not given any loans, investments, guarantees, and security according to the provisions of the section 185 and 186 of the Companies Act, 2013 during the year.
- (v) The Company has not accepted any deposits from the public as per the provisions of section 73 to 76 of the Companies Act 2013.
- (vi) The maintenance of cost records has been specified by the central government under sub section (1) of section 148 of the Companies Act, 2013 and such accounts and records have been so made and maintained by the company.
- (vii) According to the information and explanations given to us and on the basis of our examination of the records of the Company,
- (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, Goods & Service Tax, Cess and other material statutory dues applicable to it. However, in few cases company has deposited TDS and GST after due dates and paid interest on late payments.
- (b) The details of dues of Income Tax that have not been deposited on account of dispute is as



under:

ACIT Circle IV – Amritsar vide an order U/s 143(3) of the Income Tax Act 1961 dated 28-09-2016 made certain additions and computed the total income of the Assessee company at Rs 4,04,00,070/- against the total income declared by the company at Rs 88,99,070/- for the Assessment year 2012-2013. The assessee company went in appeal against this order of the assessing officer with CIT (Appeals) Amritsar. CIT(Appeals) vide its order u/s 250(6) dated 26/10/2016 partly deleted additions amounting to Rs 2,00,00,000/- and confirmed the part additions amounting to Rs 1,15,01,000/-. The assessee Company has filed further appeal to Income Tax Appellate Tribunal on 25/11/2016 vide ITA 587/Asr/2016 for deleting the additions confirmed by the CIT(Appeals). Similarly the Income Tax Department has also filed a parallel appeal against CIT (Appeals) order deleting the additions of Rs 2,00,00,000/- on 05/12/2016 vide ITA 623/Asr/2016. The order of the ITAT is pending till date. And as per the information received the final hearings for both the appeals are on 18.09.2018.

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. The company has issue bonus shares in the proportion of 1(one) bonus share for every 1(one) existing fully paid up equity share 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. The company has issue bonus shares in the proportion of 1(one) bonus share for every 1(one) existing fully paid up equity share during the year.
- (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.



Annual Report 2017-2018

(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: 30.05.2018**



Annual Report 2017-2018

KWALITY PHARMACEUTICALS LIMITED
STANDALONE BALANCE SHEET AS AT 31ST MARCH, 2018

Rupees in Lakhs

| Particulars | Note | As at 31 March, 2018 (Audited) | As at 31 March, 2017 (Audited) |
|---|------|--------------------------------|--------------------------------|
| A | | | |
| EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share capital | 1 | 1,037.62 | 518.81 |
| (b) Reserves and surplus | 2 | 2,074.00 | 2,125.22 |
| | | 3,111.62 | 2,644.03 |
| 2 Share application money pending allotment | | - | - |
| 3 Non-current liabilities | | | |
| (a) Long-term borrowings | 3 | 411.30 | 313.46 |
| (b) Deferred tax liabilities (net) | 4 | 20.95 | 39.70 |
| (c) Other long-term liabilities | | - | - |
| (d) Long-term provisions | 5 | 55.05 | 54.11 |
| | | 487.29 | 407.27 |
| 4 Current liabilities | | | |
| (a) Short-term borrowings | 6 | 2,132.86 | 1,509.08 |
| (b) Trade payables | 7 | 2,188.97 | 1,274.37 |
| (c) Other current liabilities | 8 | 1,588.31 | 1,138.51 |
| (d) Short-term provisions | 9 | 260.00 | 230.00 |
| | | 6,170.14 | 4,151.97 |
| TOTAL | | 9,769.05 | 7,203.26 |
| B | | | |
| ASSETS | | | |
| 1 Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 10 | 1,926.67 | 1,577.36 |
| (b) Non-current investments | 11 | 411.34 | 372.65 |
| (c) Long-term loans and advances | 12 | 12.33 | 12.33 |
| (d) Other non-current assets | 13 | 6.92 | 10.38 |
| | | 2,357.25 | 1,972.72 |
| 2 Current assets | | | |
| (a) Current investments | 14 | 443.02 | 293.62 |
| (b) Inventories | 15 | 1,492.64 | 1,373.54 |
| (c) Trade receivables | 16 | 3,716.04 | 2,270.09 |
| (d) Cash and cash equivalents | 17 | 103.22 | 236.06 |
| (e) Short-term loans and advances | 18 | 1,653.41 | 1,053.57 |
| (f) Other current assets | 19 | 3.46 | 3.66 |
| | | 7411.80 | 5,230.54 |
| TOTAL | | 9769.05 | 7203.26 |
| 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)

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

Place : Amritsar

Date : 30.05.2018

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 Secretary

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



KWALITY PHARMACEUTICALS LIMITED

STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

| Particulars | | Note | As at 31 March,2018 (Audited) | As at 31 March,2017 (Audited) |
|-------------|---|------|----------------------------------|----------------------------------|
| A | CONTINUING OPERATIONS | | | |
| 1 | Revenue from operations (gross) | 20 | 13,682.73 | 9,532.19 |
| 2 | Other income | 21 | 110.09 | 151.64 |
| 3 | Total revenue (1+2) | | 13,792.82 | 9,683.83 |
| 4 | Expenses | | | |
| | (a) Cost of materials consumed | 22 | 10,373.48 | 7,183.98 |
| | (b) Purchases of stock-in-trade | | 26.28 | 36.38 |
| | (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 23 | (271.21) | (256.02) |
| | (d) Employee benefits expense | 24 | 553.42 | 415.15 |
| | (e) Finance Cost | 25 | 218.47 | 187.68 |
| | (f) Depreciation and amortisation expense | 10 | 285.55 | 236.97 |
| | (g) Other expenses | 26 | 1,851.83 | 1,298.80 |
| | Total expenses | | 13,037.81 | 9,102.95 |
| 5 | Profit/(Loss) from operations before Exceptional items (3-4) | | 755.01 | 580.89 |
| 6 | Exceptional items | | - | - |
| 7 | Profit / (Loss) before extraordinary items and tax (6-7) | | 755.01 | 580.89 |
| 8 | Extraordinary items | | - | - |
| 9 | Profit / (Loss) before tax (7± 8) | | 755.01 | 580.89 |
| 10 | Tax expense: | | | |
| | (a) Current Tax | | 306.17 | 242.31 |
| | (b) Deferred Tax | | (18.75) | (5.33) |
| 11 | Profit / (Loss) from continuing operations (9 ±10) | | 467.59 | 343.90 |
| B | DISCONTINUING OPERATIONS | | | |
| 12 | Profit / (Loss) from discontinuing operations | | 0.00 | 0.00 |
| 13 | Profit / (Loss) for the year (11 ± 12) | | 467.59 | 343.90 |
| 14 | Paid up equity share capital (Face value of Rs.10 per share) | | 1,037.62 | 518.81 |
| 15 | Earning Per Share (EPS) (Not Annualised) | | | |
| | (a) Basic (Rs.) | | 4.51 | 6.70 |
| | (b) Diluted (Rs.) | | 4.51 | 6.70 |
| | (c) Adjusted (Rs.) | | - | 3.35 |



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/-
(Amit Handa)
Partner
Membership Number: 502400

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

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

Place : Amritsar

Date : 30.05.2018

Sd/-
(Gaurav Bajaj)
Company Secretary

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



KWALITY PHARMACEUTICALS LIMITED

Annual Report 2017-2018

NOTES FORMING PART OF THE FINANCIAL STATEMENTS**Note 1 SHARE CAPITAL**

| | As at 31 March,2018 | | As at 31 March,2017 | |
|---|---------------------|-----------------|---------------------|---------------|
| | 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 | 8,000,000 | 800.00 |
| (b) Issued | | | | |
| Equity shares of Rs. 10 each with voting rights | 10,376,198 | 1,037.62 | 5,188,099 | 518.81 |
| (c) Subscribed and fully paid up | | | | |
| Equity shares of Rs. 10 each with voting rights | 10,376,198 | 1,037.62 | 5,188,099 | 518.81 |
| (d) Subscribed but not fully paid up | | | | |
| | - | - | - | - |
| Total | 10,376,198 | 1,037.62 | 5,188,099 | 518.81 |

Note 2 RESERVES AND SURPLUS

| | As at 31 March,2018 | | As at 31 March,2017 | |
|--|---------------------|-----------------|---------------------|-----------------|
| (a) Securities premium account | | | | |
| Opening balance | 846.77 | | 783.77 | |
| Add : Premium on calls paid | - | | 63.00 | |
| Closing balance | | 846.77 | | 846.77 |
| (b) Investment Allowance Reserve | | 0.21 | | 0.21 |
| (c) Land & Building Revaluation Reserve | | 80.00 | | 80.00 |
| (d) Capital Reserve | | 8.00 | | 8.00 |
| (e) Surplus / (Deficit) in Statement of Profit and Loss | | | | |
| Opening balance | 1,190.24 | | 883.67 | |
| Add: Profit / (Loss) for the year | 467.59 | | 343.90 | |
| Less: Appropriations | | | | |
| Less: Bonus Issue | 518.81 | | | |
| Interim Dividend | - | | 31.13 | |
| Dividend Distribution Tax | - | | 6.21 | |
| Closing balance | | 1,139.02 | | 1,190.24 |
| Total | | 2,074.00 | | 2,125.22 |

Note 3 LONG TERM BORROWINGS

| | As at 31 March,2018 | | As at 31 March,2017 | |
|--|---------------------|---------------|---------------------|---------------|
| (a) Term loans | | | | |
| From Banks (Secured) | | 129.16 | | 178.03 |
| From other parties | | | | |
| Secured | 182.14 | | 85.21 | |
| Unsecured | 100.00 | | 50.21 | |
| | | 282.14 | | 135.43 |
| (b) For the current Maturities of Long Term debt refer Note Other Current Liabilities | | | | |
| Total | | 411.30 | | 313.46 |

Note 4 DEFERRED TAX LIABILITY

| | As at 31 March,2018 | | As at 31 March,2017 | |
|--|---------------------|--------------|---------------------|--------------|
| 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 | | 39.70 | | 45.03 |
| Current Year Adjustment of deferred Tax Asset | | (18.75) | | (5.33) |
| Net deferred tax (liability) / asset | | 20.95 | | 39.70 |

Note 5 LONG TERM PROVISIONS

| | As at 31 March,2018 | | As at 31 March,2017 | |
|------------------------|---------------------|--------------|---------------------|--------------|
| Provision for Gratuity | | 55.05 | | 54.11 |
| Total | | 55.05 | | 54.11 |

**Note 6 SHORT TERM BORROWINGS**

| | As at 31 March,2018 | | As at 31 March,2017 | |
|--|---------------------|----------------|---------------------|----------------|
| Loans repayable on demand | | | | |
| From Banks | | | | |
| (a) Cash Credit Facility | 1656.08 | | 1192.48 | |
| (b) Packing Credit Facility | 476.78 | | 316.59 | |
| Loans from Banks are secured against Inventory, Book Debts and Collateral securities in Immovable Properties | | 2132.86 | | 1509.08 |
| Total | | 2132.86 | | 1509.08 |

Note 7 TRADE PAYABLES

| | As at 31 March,2018 | | As at 31 March,2017 | |
|--|---------------------|----------------|---------------------|----------------|
| Trade payables: | | | | |
| (a) Total outstanding dues of Micro Enterprises and Small Enterprises | | - | | - |
| (b) Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises | | 2,188.97 | | 1,274.37 |
| Total | | 2188.97 | | 1274.37 |

Note 8 OTHER CURRENT LIABILITIES

| | As at 31 March,2018 | | As at 31 March,2017 | |
|--|---------------------|----------------|---------------------|----------------|
| (a) Current Maturities of Long-Term Debts | 40.82 | | 66.34 | |
| (b) Interest Accrued but not due on borrowings | 1.00 | | 1.64 | |
| (c) Other payables | | | | |
| Statutory Remittances | 35.74 | | 23.79 | |
| Security Deposits Received | 4.50 | | 4.50 | |
| Credit balances in Directors Salary A/c | 93.70 | | 3.55 | |
| Other Expenses Payable | 44.77 | | 40.59 | |
| Advances from customers | 1367.77 | | 998.11 | |
| | | 1588.31 | | 1138.51 |
| Total | | 1588.31 | | 1138.51 |

Note 9 SHORT TERM PROVISIONS

| | As at 31 March,2018 | | As at 31 March,2017 | |
|------------------------|---------------------|---------------|---------------------|---------------|
| Provision for Taxation | | 260.00 | | 230.00 |
| Total | | 260.00 | | 230.00 |

Note 11 NON CURRENT INVESTMENTS

| | As at 31 March,2018 | | As at 31 March,2017 | |
|--|---------------------|---------------|---------------------|---------------|
| Investment in equity instruments | | | | |
| 10 shares of Rs.100 eachfully paid of R.B.woollen Mills Pvt Ltd. | 0.00 | | 0.01 | |
| Gold Coins | 2.88 | | 2.88 | |
| Trustline Securities Ltd. | 5.45 | | 4.68 | |
| Gratuity Fund Investments | 55.05 | | 54.11 | |
| Investment in Subsidiary | | | | |
| Kwality Pharmaceuticals Africa Lda (Mozambique) | 347.96 | | 310.97 | |
| | | | | 372.65 |
| Total | | 411.34 | | 372.65 |



Note 12 LONG TERM LOANS AND ADVANCES

| | As at 31 March,2018 | | As at 31 March,2017 | |
|-------------------|---------------------|--------------|---------------------|--------------|
| Security Deposits | | 12.33 | | 12.33 |
| Total | | 12.33 | | 12.33 |

Note 13 OTHER NON CURRENT ASSETS

| | As at 31 March,2018 | | As at 31 March,2017 | |
|----------------------------------|---------------------|-------------|---------------------|--------------|
| Unamortised Share Issue Expenses | | 6.92 | | 10.38 |
| Total | | 6.92 | | 10.38 |

Note 14 CURRENT INVESTMENTS

| | As at 31 March,2018 | | As at 31 March,2017 | |
|---|---------------------|---------------|---------------------|---------------|
| Fixed Deposits including deposits towards Margin Money Against Guarantees | | 443.02 | | 293.62 |
| Total | | 443.02 | | 293.62 |

Note 15 INVENTORIES

(As taken valued and certified by the Directors)

| | As at 31 March,2018 | | As at 31 March,2017 | |
|--|---------------------|----------------|---------------------|----------------|
| (a) Raw materials at cost | | 460.77 | | 696.33 |
| (b) Finished goods at cost or net realisable value which ever is lower | | 649.43 | | 365.90 |
| (c) Packing Material at Cost | | 382.44 | | 311.31 |
| Total | | 1492.64 | | 1373.54 |

Note 16 TRADE RECEIVABLES

| | As at 31 March,2018 | | As at 31 March,2017 | |
|---|---------------------|-----------------|---------------------|-----------------|
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | | | |
| Secured, considered good | | - | | - |
| Unsecured, considered good | 708.01 | | 479.79 | |
| Doubtful | | - | | - |
| Less: Provision for doubtful trade receivables | | - | | - |
| | | 708.01 | | 479.79 |
| Other Trade receivables | | | | |
| Unsecured, considered good | 3,008.04 | | 1,790.30 | |
| Less: Provision for doubtful trade receivables | | - | | - |
| | | 3,008.04 | | 1,790.30 |
| Total | | 3,716.04 | | 2,270.09 |

Note 17 CASH AND CASH EQUIVALENTS

| | As at 31 March,2018 | | As at 31 March,2017 | |
|-------------------------|---------------------|---------------|---------------------|---------------|
| (a) Cash on hand | | 5.68 | | 1.97 |
| (b) Balances with banks | | | | |
| (i) In current accounts | | 97.55 | | 234.09 |
| Total | | 103.22 | | 236.06 |

Note 18 SHORT TERM LOANS AND ADVANCES

| | As at 31 March,2018 | | As at 31 March,2017 | |
|---|---------------------|-----------------|---------------------|-----------------|
| (a) Security deposits | | 236.82 | | 184.11 |
| (b) Prepaid expenses | | 8.48 | | 1.16 |
| (c) Balances with government authorities | | 1,168.36 | | 751.25 |
| (d) Advances for supply of goods and services | | 239.75 | | 117.05 |
| Total | | 1,653.41 | | 1,053.57 |



Note 19 OTHER CURRENT ASSETS

| | As at 31 March,2018 | As at 31 March,2017 |
|-------------------------------|---------------------|---------------------|
| Deferred Revenue Expenditure: | | |
| (a) Share Issue expenses | 3.46 | 3.46 |
| (b) Others | - | 0.20 |
| Total | 3.46 | 3.66 |

Note 20 REVENUE FROM OPERATIONS

| | As at 31 March,2018 | As at 31 March,2017 |
|-------------------------|---------------------|---------------------|
| Sale of products | | |
| Domestic | 7448.78 | 4839.32 |
| Export Sales | 5616.81 | 3565.01 |
| Sales Deemed Export | 617.13 | 1127.86 |
| Total | 13682.73 | 9532.19 |

Note 21 OTHER INCOME

| | As at 31 March,2018 | As at 31 March,2017 |
|---------------------------------|---------------------|---------------------|
| Interest on: | | |
| Interest on FDR | 14.32 | 11.76 |
| Interest on loan,Mozambique | 36.99 | 36.99 |
| Interest on Electricity | 1.14 | 0.83 |
| | 52.45 | 49.58 |
| D.E.P.B Income | 35.99 | 100.16 |
| Profit on Sale of CAR | 1.44 | 0.00 |
| Foreign Currency Adjustment | 4.49 | 0.00 |
| Rebate and Discount | 4.30 | 0.00 |
| Miscellaneous Income | 10.29 | 0.23 |
| Settlement of Forward Contracts | 1.12 | 1.68 |
| Total | 110.09 | 151.64 |

Note 22 COST OF MATERIAL CONSUMED

| | As at 31 March,2018 | As at 31 March,2017 |
|---|---------------------|---------------------|
| Opening stock Raw material and Packing material | 1007.64 | 753.40 |
| Add: Purchases Raw material and Packing material | 10209.19 | 7438.22 |
| | 11216.83 | 8191.62 |
| Less: Purchase return | 0.14 | 11216.69 |
| Less: Closing stock Raw material and Packing material | | 843.21 |
| Total | 10373.48 | 7183.98 |

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

| | As at 31 March,2018 | As at 31 March,2017 |
|---------------------------------------|---------------------|---------------------|
| Opening stock Finished Goods | 365.90 | 109.88 |
| Less: Closing stock of Finished Goods | 637.11 | 365.90 |
| | -271.21 | -256.02 |
| Total | -271.21 | -256.02 |

Note 24 EMPLOYEE BENEFITS EXPENSE

| | As at 31 March,2018 | As at 31 March,2017 |
|--|---------------------|---------------------|
| Salaries and wages | 399.19 | 248.27 |
| Directors Remuneration | 72.00 | 62.40 |
| Provision for gratuity | 0.94 | 34.07 |
| Contributions to provident and other funds | 37.62 | 32.64 |
| Staff welfare expenses | 43.66 | 37.78 |
| Total | 553.42 | 415.15 |



Note 25 FINANCE COSTS

| | As at 31 March,2018 | | As at 31 March,2017 | |
|--|---------------------|---------------|---------------------|---------------|
| (a) Interest expense on: | | | | |
| (i) Bank Borrowings | | 194.47 | | 174.37 |
| (ii) Interest on deposits | | 2.02 | | 2.19 |
| (iii) Interest & financial chgs on vehicle & other loans | | 20.98 | | 9.48 |
| (iv) Interest Accrued but not due on borrowings | | 1.00 | | 1.64 |
| Total | - | 218.47 | - | 187.68 |

Note 26 OTHER EXPENSES

| | As at 31 March,2018 | | As at 31 March,2017 | |
|---|---------------------|----------------|---------------------|----------------|
| Accountancy Charges | | 0.63 | | 1.35 |
| Adjustment in foreign currency | | - | | 1.91 |
| Director's Sitting Fees | | 0.34 | | 0.33 |
| Bank Rating Charges | | 0.90 | | 2.83 |
| Business promotion | | 7.75 | | 7.14 |
| Commision on Purchase | | 1.75 | | 3.37 |
| Communication | | 8.34 | | 7.14 |
| Customs Duty Charges | | 24.08 | | 25.10 |
| CSR Expenditure | | 7.53 | | |
| Donations and contributions | | 0.00 | | 1.38 |
| Excise on Stock Transfer | | 28.71 | | 6.23 |
| Export Ocean Freight | | 48.90 | | 56.86 |
| Exports Agency Charges | | 5.09 | | 4.62 |
| Exports Clearing Charges | | 0.54 | | 1.24 |
| Export Documents Charges | | 0.35 | | 0.51 |
| Factory Exp. | | 332.72 | | 145.22 |
| Fees and taxes | | 0.13 | | 3.17 |
| Freight and forwarding | | 561.21 | | 358.71 |
| Insurance | | 10.17 | | 11.29 |
| Inward expenses | | 2.42 | | 1.46 |
| Job Work of Label & Printing | | 4.13 | | 6.43 |
| Legal and professional | | 45.43 | | 39.64 |
| Increase in Authorised Capital Expenses | | 6.00 | | 0.00 |
| Management & Consultancy expenses | | 6.36 | | 5.25 |
| Miscellaneous expenses | | 0.95 | | 0.46 |
| Office Expenditure | | 6.38 | | 9.59 |
| Payments to auditors : | | | | |
| As Auditors | 3.50 | | 3.50 | |
| For other Services | 2.63 | | 1.45 | |
| | | 6.13 | | 4.95 |
| Postage & Telegram | | 25.43 | | 15.17 |
| Power, Fuel , Gases & Electricity | | 270.03 | | 279.94 |
| Printing and stationery | | 10.09 | | 6.10 |
| Rent including lease rentals | | 3.72 | | 3.72 |
| Repairs and maintenance | | 40.10 | | 44.78 |
| Sales commission | | 180.23 | | 69.59 |
| Tender Expenses | | 2.50 | | 4.35 |
| Testing, Laboratory charges | | 92.56 | | 85.85 |
| Travelling and conveyance | | 45.15 | | 18.14 |
| Share Issue Expense & Other Deferred Revenue Expenses | | 3.66 | | 3.66 |
| Bonus Share Issue Expenses | | 0.92 | | |
| Investment in Shares Written off | | 0.01 | | |
| Consumable Stores & Spares | | 59.69 | | |
| Advertisement & Publicity | | 0.81 | | |
| Rebate & Discount | | | | 1.69 |
| Rate Difference | | | | 59.63 |
| Total | | 1851.83 | | 1298.80 |



Note 10 FIXED ASSETS

| Description of Assets | Gross Block (At Cost) | | Deductions during the year | As at 31.03.2018 | Accumulated Depreciation | | For the year ended 31.03.2018 | As at 31.03.2018 | Net Block | As at 01.04.17 |
|-----------------------------|-----------------------|---------------------------|----------------------------|------------------|--------------------------|-------------------|-------------------------------|------------------|----------------|----------------|
| | As at 01.04.17 | Additions during the year | | | Upto 31.03.2017 | Dep on asset sold | | | | |
| Plant & Machinery | 1196.08 | 106.45 | 0.00 | 1302.53 | 496.31 | | 112.60 | 608.92 | 693.61 | 699.76 |
| Building | 715.70 | 17.09 | 0.00 | 732.79 | 364.87 | | 31.30 | 396.17 | 336.62 | 350.84 |
| Building Under Construction | 136.00 | 254.30 | 0.00 | 390.31 | | | 0.00 | 0.00 | 390.31 | 136.00 |
| Furniture | 34.40 | 8.52 | 0.00 | 42.92 | 18.18 | | 5.13 | 23.31 | 19.61 | 16.22 |
| Vehicles | 373.41 | 57.26 | 10.62 | 420.06 | 193.69 | 10.06 | 64.79 | 248.42 | 171.64 | 179.72 |
| Computer Equipment | 91.85 | 14.77 | 0.00 | 106.63 | 70.97 | | 18.34 | 89.31 | 17.32 | 20.90 |
| Laboratory Equipment | 183.17 | 97.81 | 0.00 | 280.98 | 69.46 | | 43.37 | 112.83 | 168.15 | 113.71 |
| Office Equipment | 13.39 | 1.40 | 0.00 | 14.79 | 11.26 | | 1.23 | 12.49 | 2.29 | 2.13 |
| Lift A/c. | 5.17 | 1.53 | 0.00 | 6.70 | 4.91 | | 0.43 | 5.34 | 1.36 | 0.26 |
| Electric Fittings | 35.34 | 5.99 | 0.00 | 41.33 | 13.01 | | 8.35 | 21.36 | 19.97 | 22.33 |
| Land | 35.48 | 70.32 | 0.00 | 105.80 | 0.00 | | 0.00 | 0.00 | 105.80 | 35.48 |
| Total | 2820.00 | 635.44 | 10.62 | 3444.83 | 1242.66 | 10.06 | 285.55 | 1518.15 | 1926.67 | 1577.36 |
| Previous Year Figures | 2140.80 | 679.22 | 0.00 | 2820.00 | 1005.67 | 0.00 | 236.98 | 1242.66 | 1577.36 | 1135.11 |



KWALITY PHARMACEUTICALS LIMITED (erstwhile M/s Kwalita Pharmaceuticals Private Limited)
Standalone Cash Flow Statement for the year ended 31st March 2018

| | Year ended 31st March 2018 | Year ended 31st March 2017 |
|--|----------------------------|----------------------------|
| A CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax | 755.01 | 580.89 |
| Adjustments for: | | |
| Depreciation | 285.55 | 236.97 |
| (Profit)/loss on sale of Assets | (1.44) | 0.00 |
| Long-term Provision for Gratuity | 0.94 | 36.75 |
| Amortisation of Share Capital Expenses | 10.38 | 3.46 |
| Interest & Finance Charges | 218.47 | 187.68 |
| Interest on FDR | (14.32) | (11.76) |
| Interest on Investment, deposits and advances | (38.12) | (37.81) |
| Investment In shares written off | 0.01 | - |
| | 461.47 | 415.29 |
| Operating Profit before Working Capital Changes | 1,216.48 | 996.18 |
| Adjustments for: | | |
| Decrease/(Increase) in Receivables | (1,445.95) | (291.42) |
| Decrease/(Increase) in Short Term Loans & advances | (599.85) | (402.81) |
| Decrease/(Increase) in Inventories | (119.10) | (510.26) |
| Decrease/(Increase) in Other Current Assets | 0.20 | 0.20 |
| Decrease/(Increase) in Current Investments | (149.40) | (102.81) |
| Increase/(Decrease) in Other current Liabilities | 449.80 | 544.48 |
| Increase/(Decrease) in Short Term Provisions | 30.00 | 102.32 |
| Increase/(Decrease) in Payables | 914.60 | 307.70 |
| | (919.70) | (352.60) |
| Cash generated from operations | 296.78 | 643.58 |
| Less: Income Tax | 306.17 | 242.31 |
| Net Cash flow from Operating activities (A) | (9.39) | 401.27 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (635.41) | (679.22) |
| Sale of Fixed Assets | 2.00 | 0.00 |
| Increase in Investment | (38.70) | (95.77) |
| Interest on Investment | 36.98 | 36.98 |
| Interest on Electricity Deposit | 1.14 | 0.83 |
| Interest on FDR | 14.32 | 11.76 |
| Net Cash used in Investing activities (B) | (619.67) | (725.42) |
| C CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from fresh issue of shares | - | 18.00 |
| Proceeds for call in arrears received | - | 0.00 |
| Securities Premium Received | - | 63.00 |
| Proceeds from Long term Borrowings | 146.71 | 185.51 |
| Proceeds from Short term Borrowings | 16,882.03 | 15682.24 |
| Repayment of Long Term Borrowings | (48.88) | (125.11) |
| Repayment of Short Term Borrowings | (16,258.25) | (15,138.38) |
| Interest paid | (218.47) | (187.68) |
| Dividend Distributed | - | (31.13) |
| Dividend Distribution Tax | - | (6.21) |
| Share Issue Expenses | (6.92) | - |
| Net Cash from financing activities (C) | 496.22 | 460.24 |
| Net increase in cash & Cash Equivalents (A+B+C) | (132.84) | 136.09 |
| Opening Cash and Cash equivalents | 236.06 | 99.97 |
| Closing Cash and Cash equivalents | 103.22 | 236.06 |
| Cash & Cash Equivalents | | |
| | | As on |
| | | 31.03.2018 |
| | | As on |
| | | 31.03.2017 |
| Cash in Hand | | 5.68 |
| Cash at Bank | | 97.55 |
| Cash & Cash equivalents as stated in Financial Statements | | 103.22 |
| | | 236.06 |

In terms of our Report Attached
For Vijay Mehra & Co.

For and on behalf of the Board of Directors



Annual Report 2017-2018

Chartered Accountants
(Firm Registration No. 001051N)

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

Place : Amritsar

Date : 30.05.2018

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 Kwalita Pharmaceuticals Private Limited)

NOTES & DISCLOSURES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March, 2018

27. DISCLOSURES RELATING TO SHARE CAPITALReference: **Note 1** of the Standalone Financial Statements in relation to “**Share Capital**”**i) Rights, Preferences and Restrictions attached to Equity Shares**

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

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

| Name of Shareholder | As at 31 st March 2018 | | As at 31 st March 2017 | |
|-------------------------|-----------------------------------|-----------|-----------------------------------|-----------|
| | No. of Equity Shares held | % Holding | No. of Equity Shares held | % Holding |
| Ramesh Arora | 2966016 | 28.58% | 1483008 | 28.58% |
| Ajay Arora | 1395628 | 13.45% | 697814 | 13.45% |
| T R Metals Private Ltd. | 1381470 | 13.31% | 690735 | 13.31% |
| Guiness Securities Ltd. | 642050 | 6.19% | - | - |

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 st March 2018 | | As at 31 st March 2017 | |
|------------------------|-----------------------------------|------------------|-----------------------------------|------------------|
| | No. of Equity Shares held | Amount in Rupees | No. of Equity Shares held | Amount in Rupees |
| Opening Balance | 5188099 | 5,18,80,990 | 5008099 | 4,40,80,990 |
| Add: Fresh Issue | - | - | 180000 | 1800000 |
| Add: Bonus Share Issue | 5188099 | 5,18,80,990 | - | - |
| Closing Balance | 10376198 | 10,37,61,980 | 5188099 | 5,18,80,990 |

28. TERMS OF BORROWINGS AND NATURE OF SECURITIESReference: **Note 3** and **Note 6** of the Standalone Financial Statements in relation to “**Long Term Borrowings**” and “**Short Term Borrowings**” 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 instalments of Rs. 15,700/- each starting from June 2015 |
| 2. | Fortuner Car | The loan is repayable in 60 instalments of Rs. 40,800/- each starting from November 2014 |
| 3. | Chevrolet Cruze Car | The loan is repayable in 60 instalments of Rs. 28,992/- each starting from December 2015 |
| 4. | Jaguar | The loan is repayable in 60 instalments of Rs. 1,17,010/- each starting from April 2016 |



| | | |
|-----|------------------|--|
| 5. | Mercedes Car | The loan is repayable in 60 instalments of Rs. 1,09,493/- each starting from May 2017 |
| 6. | Skoda Car | The loan is repayable in 60 instalments of Rs. 20,914/- each starting from November 2016 |
| 7. | Skoda Car | The loan is repayable in 60 instalments of Rs. 20,914/- each starting from November 2016 |
| 8. | Innova Car | The loan is repayable in 60 instalments of Rs. 31,065/- each starting from April 2018 |
| 9. | Swift Car | The loan is repayable in 36 instalments of Rs. 25,410/- each starting from April 2018 |
| 10. | Truck | The loan is repayable in 59 instalments of Rs. 33153/- each starting from February 2018 |
| 11. | BBG-WC Term Loan | The loan is repayable in 60 instalments of Rs. 432025/- each starting from February 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, Preshipment, 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 LIABILITES INTO CURRENT AND NON-CURRENT

Reference: **Note 3**, **Note 8** and **Note 25** of the Standalone Financial Statements in relation to **“Long Term Borrowings”**, **“Other Current Liabilities”** and **“Finance Costs”** respectively

Repayment of long term borrowings that are due within a year have been reclassified as current maturities of the long term borrowings, depicted under the head Other Current Liabilities in order to facilitate fair comparison between previous year and current year figures. Interest accrued but not due on long term borrowings has been shown in Finance Costs and depicted under the head “Other Current Liabilities” in the Balance Sheet.

30. TAXES ON INCOME AND TIMING DIFFERENCES

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

The timing difference mainly relates to difference in depreciation rates & methods as per Companies Act, 2013 and Income Tax Act, 1961, resulting in deferred tax asset as per Accounting Standard 22 on “Accounting for Taxes on Income” for the year 2015-16.

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

| Component | DTA/(DTL) as on 31.03.2017 | DTA/(DTL) for the year 2017-18 | DTA/(DTL) as on 31.03.2018 |
|---|----------------------------|--------------------------------|----------------------------|
| Opening balance of Deferred Tax Liability | (39.70) | | |



| | | | |
|---|--|-------|---------|
| On Account of Difference between depreciation as per books of accounts and Income Tax Act, 1961 | | 18.75 | |
| Closing Balance of Deferred Tax Liability | | | (20.95) |

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

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

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

| | Year ended 31 st March 2018 (in Rs.) | Year ended 31 st March 2017 (in Rs.) |
|---|--|--|
| Contribution to Provident Fund | 17,65,112/- | 15,60,668/- |
| Contribution to Employee State Insurance Scheme | 9,14,491/- | 6,12,377/- |
| Provision for Gratuity | 94,005/- | 34,06,673/- |

32. TRADE PAYABLES AND MICRO AND SMALL ENTERPRISES' DUES

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

Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. There are no cases of dues to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development, 2006. Outstanding Trade Payables as on March 31st, 2018 are Rs. 2188.97 Lakhs and March 31st, 2017 are Rs. 1274.37 Lakhs.

33. SHORT-TERM PROVISIONS

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

As per the best estimates and projections of the management, provision for income tax amounting to Rs. 260.00 Lakhs (Previous Year Rs. 230.00 Lakhs) has been made as per Accounting Standard 29 on “Provisions, Contingent Liabilities and Contingent Assets.”

34. INVESTMENT IN FOREIGN SUBSIDIARY

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

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

During the year, pharmaceutical products amounting to Rs. 215.31 Lakhs have been exported by the company to its foreign subsidiary in Mozambique. Further, interest on loan given to the subsidiary amounting to Rs. 36.99 Lakhs has been accrued and depicted under the head Other Income in the Statement of Profit & Loss.

**35. TANGIBLE ASSETS AND DEPRECIATION**

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

Depreciation on fixed assets is calculated on written down value basis using the rates arrived at based on the useful life of the assets prescribed under Schedule II of the Companies Act, 2013 for the year ended on March 31, 2018.

36. SHARE ISSUE EXPENSES

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

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

37. TRADE RECEIVABLES

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

Outstanding Trade Receivables as on March 31st, 2018 i.e. Rs. 3716.04 Lakhs and March 31st, 2017 i.e. Rs. 2270.09 Lakhs do include Trade Receivables in foreign currency to such extent as depicted as under:

| CURRENCY | As at 31 st March 2018 | | As at 31 st March, 2017 | |
|--|-----------------------------------|------------------------|------------------------------------|------------------------|
| | Foreign Currency (in USD) | Amount in Rs. In Lakhs | Foreign Currency (in USD) | Amount in Rs. In Lakhs |
| Amount Receivable in Foreign Currency | 1766827.93 | 1149.76 | 825264.7 | 534.77 |

As at the year end, the out of the aforementioned trade receivables 700000 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 **“Cost of Materials Consumed”**

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

| Particulars | As at 31 st March 2018 | | As at 31 st March 2017 | |
|--------------------------------|-----------------------------------|--------------|-----------------------------------|--------------|
| | % Consumption | Rs. In Lakhs | % Consumption | Rs. In Lakhs |
| Imported and Indigenous | | | | |
| Imported | 4.10 | 425.56 | 1.76 | 126.24 |
| Indigenous | 95.90 | 9947.92 | 98.24 | 7057.74 |
| TOTAL | 100.00 | 10373.48 | 100.00 | 7183.98 |

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

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

The net exchange gain/(loss) included under Revenue from Operations, Other income, Cost of Materials consumed and other expenses in the Statement of Profit and Loss Account aggregates to Rs. 4,48,805.18/- [Previous Year Rs. (1,91,280.31/-)].

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

| Particulars | As at 31 st March 2018(Rs. In Lakhs) | As at 31 st March 2017 (Rs. In Lakhs) |
|---|---|--|
| i Contingent Liabilities | | |
| 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 | 282.79 | 230.35 |

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

* ACIT Circle IV – Amritsar vide an order U/s 143(3) of the Income Tax Act 1961 dated 28-09-2016 made certain additions and computed the total income of the Assessee company at Rs 4,04,00,070/- against the total income declared by the company at Rs 88,99,070/- for the Assessment year 2012-2013. The assessee company went in appeal against this order of the assessing officer with CIT (Appeals) Amritsar. CIT(Appeals) vide its order u/s 250(6) dated 26/10/2016 partly deleted additions amounting to Rs 2,00,00,000/- and confirmed the part additions amounting to Rs 1,15,01,000/-. The assessee Company has filed further appeal to Income Tax Appellate Tribunal on 25/11/2016 vide ITA 587/Asr/2016 for deleting the additions confirmed by the CIT(Appeals). Similarly the Income Tax Department has also filed a parallel appeal against CIT (Appeals) order deleting the additions of Rs 2,00,00,000/- on 05/12/2016 vide ITA 623/Asr/2016. The order of the ITAT is pending till date and as per the information received the final hearings for both the appeals are on 18.09.2018.

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 Kwaliti 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 18th of July, 2016. The company is engaged in the business of manufacturers, buyers and sellers of and dealers in all kinds of drugs intermediates, chemicals, extracts, alkaloids and other pharmaceutical goods, toilet requisites, medicines, beverages and other medical preparations.

i) Basis of preparation of Financial Statements:

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

ii) Use of Estimates:

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. The difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

iii) Current and Non-Current Classification:

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

iv) Fixed Assets and Depreciation:

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

Depreciation on fixed assets is calculated on written down value basis using the rates arrived at based on the useful life of the assets prescribed under Schedule II of the Companies Act, 2013 for the year ended on March 31, 2018.

v) Leases:

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

vi) Revenue Recognition:



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

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

vii) Inventories:

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

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

viii) Impairment of Assets:

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount. However, no such instance is present in the financial statements for the year ended 31 March, 2018.

ix) Research and Development Cost:

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

x) Investments:

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

xi) Foreign Currency Transactions and Translation:

Foreign Currency Transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies at the year-end are adjusted at the year-end exchange rates. Any gain or loss arising on account of exchange difference either on settlement or on translation is recognized in the Statement of Profit and Loss except in case of Long Term Liabilities and assets. Non-monetary items are carried at historical cost.

xii) Government Grants and Subsidies:

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



concerned in arriving at its book value and accordingly the depreciation is provided on the reduced book value.

xiii) Provision for Current Tax and Deferred Tax:

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

xiv) Employee Benefits:

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

xv) Contingent Liabilities / Provisions:

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

xvi) Revaluation of Assets:

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

xvii) Earnings Per Share:

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

42. INCOME/EXPENDITURE IN FOREIGN CURRENCY

| Particulars | Year ended 31 st March 2018 (Rs. In Lakhs) | Year Ended 31 st March 2017 (Rs. In Lakhs) |
|-------------|--|--|
|-------------|--|--|



| | | |
|--------------------|---------|---------|
| Income | | |
| Sale of Products | 5616.81 | 3565.01 |
| Expenditure | | |
| Capital Goods | 18.58 | 91.52 |
| Raw Materials | 449.09 | 217.60 |

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

| Name | Relationship | Nature of Transactions | Amount of Transactions for the year 2017-18 (Rs. In Lakhs) | Amount of Transactions for the year 2016-17 (Rs. In Lakhs) |
|-------------------------------------|---------------------------|---------------------------|--|--|
| Ajay Arora | Director | Remuneration | 27.00 | 24.00 |
| | | Rent | 1.08 | 1.08 |
| Anju Arora | Director | Remuneration | 4.80 | 4.80 |
| Anu Mehra | Sister in law of Director | Interest | - | 0.03 |
| Geeta Arora | Director | Remuneration | 4.80 | 4.80 |
| Jugal Kishore HUF | Relative of director | Interest | 0.16 | 0.18 |
| Ramesh Arora | Director | Remuneration | 27.00 | 24.00 |
| | | Rent | 1.08 | 1.08 |
| Aditya Arora | Director | Remuneration | 8.40 | 4.80 |
| Janibhasha Shaik | Director | Unsecured Loan to Company | 70.00 | 30.00 |
| Kanika Arora | Daughter of Director | Salary | 2.64 | 0.83 |
| Kwality Pharmaceutical s Africa Lda | Subsidiary | Interest Accrued | 36.99 | 36.99 |
| | | Sale of Products | 404.79 | 21.96 |
| Aastha Seth | Director's Wife | Salary | 3.00 | - |

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

| | Year ended 31 st March 2018 (In Lakhs) | Year ended 31 st March 2017 (In Lakhs) |
|--|---|---|
| Profit used as numerator for calculating EPS | 467.59 | 343.90 |
| Weighted Average Number of shares used in computing basic and diluted earnings per share | 103.76 | 51.36 |



| | | |
|--------------------------------------|------|------|
| (Including Bonus Share issue) | | |
| Nominal/Face Value per share | 10 | 10 |
| Basic and Diluted Earnings per share | 4.51 | 6.70 |
| Adjusted Earnings as per AS -20 | 4.51 | 3.35 |

According to the AS-20 In case of a bonus issue, equity shares are issued to existing shareholders for no additional consideration. Therefore, the number of equity shares outstanding is increased without an increase in resources. The number of equity shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event had occurred at the beginning of the earliest period reported. Since the bonus shares in the case of the company are issued in financial year ending 31.03.2018, the number of shares outstanding before the event of issue i.e. during financial year ending 31.03.2017 is adjusted to determine the comparable adjusted EPS.

45. SEGMENT REPORTING

The Company is mainly engaged in manufacturing and trading of pharma products and no other business is carried on by the company, all the business activity located in India, hence there is no separate reportable segment in accordance with 'Accounting Standard 17- Segment Reporting'.

For M/s 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

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

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

Sd/-
(Gaurav Bajaj)
Company Secretary

Sd/-
(Aditya Arora)
**Whole Time Director &
Chief Financial Officer**
DIN: 07320410

Place : Amritsar

Date : 30.05.2018



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

To

The Members of
Kwalita Pharmaceuticals Limited.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **KWALITY PHARMACEUTICALS LIMITED** (erstwhile M/s Kwalita 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, 2018**, 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, 2018, 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. 414.76 Lakhs as at 31st March, 2018 and total revenues of Rs. 289.12 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 2018 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, 2018, from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the Internal Financial Controls over financial reporting of the Group and its associate and the operating effectiveness of such controls, refer to our Separate Report in "Annexure A".
- g) With respect to the matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation give to us:



Annual Report 2017-2018

- 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 : 30.05.2018

"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, 2018 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 adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.



Annual Report 2017-2018

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

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

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly 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 acquisition, use, or disposition of the company's assets that 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 March ,2018 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 Mehra & Co.
Chartered Accountants
Firm Registration no.001051N

Sd/-
CA Amit Handa
Partner

Membership No.502400

Place: Amritsar
Date: 30.05.2018



Annual Report 2017-2018

KWALITI PHARMACEUTICALS LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2018

Rupees in Lakhs

| Particulars | Note | As at 31 March,2018 (Audited) | As at 31 March,2017 (Audited) |
|--|------|-------------------------------|-------------------------------|
| A | | | |
| EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share capital | 1 | 1,037.62 | 518.81 |
| (b) Reserves and surplus | 2 | 1,937.16 | 2,039.60 |
| | | 2,974.78 | 2,558.41 |
| 2 Minority Interest in Subsidiary | | (98.93) | (49.73) |
| 3 Non-current liabilities | | | |
| (a) Long-term borrowings | 3 | 470.73 | 330.08 |
| (b) Deferred tax liabilities (net) | 4 | 20.95 | 39.70 |
| (c) Other long-term liabilities | | - | - |
| (d) Long-term provisions | 5 | 55.05 | 54.11 |
| | | 546.72 | 423.89 |
| 4 Current liabilities | | | |
| (a) Short-term borrowings | 6 | 2,132.86 | 1,509.08 |
| (b) Trade payables | 7 | 2,213.66 | 1,274.37 |
| (c) Other current liabilities | 8 | 1,591.06 | 1,146.10 |
| (d) Short-term provisions | 9 | 260.00 | 230.00 |
| | | 6,197.58 | 4,159.55 |
| TOTAL | | 9,620.15 | 7,092.12 |
| B | | | |
| ASSETS | | | |
| 1 Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 10 | 2,037.95 | 1,701.02 |
| (b) Non-current investments | 11 | 63.38 | 61.68 |
| (c) Long-term loans and advances | 12 | 12.33 | 12.33 |
| (d) Other non-current assets | 13 | 6.92 | 10.38 |
| | | 2,120.59 | 1,785.40 |
| 2 Current assets | | | |
| (a) Current investments | 14 | 471.01 | 303.14 |
| (b) Inventories | 15 | 1,503.21 | 1,385.25 |
| (c) Trade receivables | 16 | 3,703.29 | 2,261.32 |
| (d) Cash and cash equivalents | 17 | 160.89 | 299.08 |
| (e) Short-term loans and advances | 18 | 1,657.71 | 1,054.25 |
| (f) Other current assets | 19 | 3.46 | 3.66 |
| | | 7499.56 | 5,306.71 |
| TOTAL | | 9620.15 | 7092.12 |
| 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/-
(Amit Handa)

Partner

Membership Number: 502400

Place : Amritsar

Date : 30.05.2018

Sd/-
(Ramesh Arora)
Managing Director
DIN: 00462656Sd/-
(Gaurav Bajaj)
Company SecretarySd/-
(Ajay Arora)
Whole Time Director
DIN: 00462664Sd/-
(Aditya Arora)
Whole Time Director
& CFO
DIN: 07320410

**Annual Report 2017-2018****KQUALITY PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018**

| Particulars | | Note | As at 31 March,2018 (Audited) | As at 31 March,2017 (Audited) |
|-------------|---|------|----------------------------------|----------------------------------|
| A | CONTINUING OPERATIONS | | | |
| 1 | Revenue from operations (gross) | 20 | 13,749.24 | 9,831.52 |
| 2 | Other income | 21 | 80.41 | 120.88 |
| 3 | Total revenue (1+2) | | 13,829.65 | 9,952.41 |
| 4 | Expenses | | | |
| | (a) Cost of materials consumed | 22 | 10,373.48 | 7,183.98 |
| | (b) Purchases of stock-in-trade | | 26.28 | 35.05 |
| | (c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 23 | (270.07) | (96.45) |
| | (d) Employee benefits expense | 24 | 560.65 | 422.73 |
| | (e) Finance Cost | 25 | 218.77 | 187.68 |
| | (f) Depreciation and amortisation expense | 10 | 297.91 | 250.80 |
| | (g) Other expenses | 26 | 1,893.05 | 1,403.73 |
| | Total expenses | | 13,100.07 | 9,387.53 |
| 5 | Profit/(Loss) from operations before Exceptional items (3-4) | | 729.57 | 564.87 |
| 6 | Exceptional items | | - | - |
| 7 | Profit / (Loss) before extraordinary items and tax (5-6) | | 729.57 | 564.87 |
| 8 | Extraordinary items | | - | - |
| 9 | Profit / (Loss) before tax (7-8) | | 729.57 | 564.87 |
| 10 | Tax expense: | | | |
| | (a) Current tax expense | | 306.17 | 242.31 |
| | (b) Deferred tax | | (18.75) | (5.33) |
| 11 | Profit / (Loss) from continuing operations (9 ± 10) | | 442.15 | 327.89 |
| B | DISCONTINUING OPERATIONS | | | |
| 12 | Profit / (Loss) from discontinuing operations | | 0.00 | 0.00 |
| 13 | Profit / (Loss) for the year (11 ± 12) | | 442.15 | 327.89 |
| 14 | Add/ (Less) Minority Interest in Subsidiary Profits | | 12.46 | 8.50 |
| 15 | Profit / (Loss) for the year (13 ± 14) | | 454.61 | 336.39 |
| | 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)

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

Place : Amritsar

Date : 30.05.2018

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 Secretary

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



KWALITY PHARMACEUTICALS LIMITED

Annual Report 2017-2018

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 SHARE CAPITAL

| | As at 31 March, 2018 | | As at 31 March, 2017 | |
|---|----------------------|----------------|----------------------|---------------|
| | 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 | 8,000,000 | 800.00 |
| (b) Issued | | | | |
| Equity shares of Rs. 10 each with voting rights | 10,376,198 | 1,037.62 | 5,188,099 | 518.81 |
| (c) Subscribed and fully paid up | | | | |
| Equity shares of Rs. 10 each with voting rights | 10,376,198 | 1,037.62 | 5,188,099 | 518.81 |
| (d) Subscribed but not fully paid up | | | | |
| | - | - | - | - |
| Total | 10,376,198.00 | 1037.62 | 5,188,099.00 | 518.81 |

Note 2 RESERVES AND SURPLUS

| | As at 31 March, 2018 | As at 31 March, 2017 |
|--|----------------------|----------------------|
| (a) Securities premium account | | |
| Opening balance | 846.77 | 783.77 |
| Add : Premium on calls paid | - | 63.00 |
| Closing balance | 846.77 | 846.77 |
| (b) Investment Allowance Reserve | 0.21 | 0.21 |
| (c) Land & Building Revaluation Reserve | 80.00 | 80.00 |
| (d) Capital Reserve | 8.00 | 8.00 |
| (e) Surplus / (Deficit) in Statement of Profit and Loss | | |
| Opening balance | 1,104.62 | 802.76 |
| Add: Profit / (Loss) for the year | 454.61 | 336.39 |
| Less Adjustment of prior period items due to restatement of previous year financial statements | 38.24 | 2.81 |
| Less: Appropriations | | |
| Bonus Share Issue | 518.81 | |
| Interim Dividend | | 31.13 |
| Dividend Distribution Tax | | 6.21 |
| Closing balance | 1,002.18 | 1,104.62 |
| Total | 1937.16 | 2039.60 |

Note 3 LONG TERM BORROWINGS

| | As at 31 March, 2018 | As at 31 March, 2017 |
|--|----------------------|----------------------|
| (a) Term loans | | |
| From Banks (Secured) | 129.16 | 178.03 |
| From other parties | | |
| Secured | 182.14 | 85.21 |
| Loan in Mozambique | 59.42 | 16.62 |
| Unsecured | 100.00 | 50.21 |
| | 341.56 | 152.05 |
| (b) For the current Maturities of Long Term debt refer Note Other Current Liabilities | | |
| Total | 470.73 | 330.08 |

Note 4 DEFERRED TAX LIABILITY

| | As at 31 March, 2018 | As at 31 March, 2017 |
|--|----------------------|----------------------|
| 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 | 39.70 | 45.03 |
| Current Year Adjustment of deferred Tax Asset | (18.75) | (5.33) |
| Net deferred tax (liability) / asset | 20.95 | 39.70 |

Note 5 LONG TERM PROVISIONS

| | As at 31 March, 2018 | As at 31 March, 2017 |
|------------------------|----------------------|----------------------|
| Provision for Gratuity | 55.05 | 54.11 |
| Total | 55.05 | 54.11 |



Note 6 SHORT TERM BORROWINGS

| | As at 31 March,2018 | As at 31 March,2017 |
|--|---------------------|---------------------|
| Loans repayable on demand | | |
| From Banks | | |
| (a) Cash Credit Facility | 1656.08 | 1192.48 |
| (b) Packing Credit Facility | 476.78 | 316.59 |
| Loans from Banks are secured against Inventory, Book Debts and Collateral securities in Immovable Properties | 2132.86 | 1509.08 |
| Total | 2132.86 | 1509.08 |

Note 7 TRADE PAYABLES

| | As at 31 March,2018 | As at 31 March,2017 |
|--|---------------------|---------------------|
| Trade payables: | | |
| (a) Total outstanding dues of Micro Enterprises and Small Enterprises | | - |
| (b) Total outstanding dues of Creditors other than Micro Enterprises and Small Enterprises | 2188.97 | 1,274.37 |
| (c) Trade payables at Mozambique | 24.69 | - |
| Total | 2213.66 | 1274.37 |

Note 8 OTHER CURRENT LIABILITIES

| | As at 31 March,2018 | As at 31 March,2017 |
|--|---------------------|---------------------|
| (a) Current Maturities of Long-Term Debts | 40.82 | 66.34 |
| (b) Interest Accrued but not due on borrowings | 1.00 | 1.64 |
| (c) Other payables | | |
| Statutory Remittances | 35.74 | 23.79 |
| Security Deposits Received | 4.50 | 4.50 |
| Credit balances in Directors Salary A/c | 93.70 | 3.55 |
| Other Expenses Payable | 44.77 | 40.59 |
| Advances from customers | 1367.77 | 998.11 |
| Payables at Mozambique | 2.74 | 7.59 |
| Total | 1549.24 | 1078.13 |
| Total | 1591.06 | 1146.10 |

Note 9 SHORT TERM PROVISIONS

| | As at 31 March,2018 | As at 31 March,2017 |
|------------------------|---------------------|---------------------|
| Provision for Gratuity | | - |
| Provision for Taxation | 260.00 | 230.00 |
| Total | 260.00 | 230.00 |

Note 11 NON CURRENT INVESTMENTS

| | As at 31 March,2018 | As at 31 March,2017 |
|--|---------------------|---------------------|
| Investment in equity instruments | | |
| 10 shares of Rs.100 eachfully paid of R.B.woollen Mills Pvt Ltd. | - | 0.01 |
| Gold Coins | 2.88 | 2.88 |
| Trustline Securities Ltd. | 5.45 | 4.68 |
| Gratuity Fund Investment | 55.05 | 54.11 |
| Total | 63.38 | 61.68 |

Note 12 LONG TERM LOANS AND ADVANCES

| | As at 31 March,2018 | As at 31 March,2017 |
|-------------------|---------------------|---------------------|
| Security Deposits | 12.33 | 12.33 |
| Total | 12.33 | 12.33 |

Note 13 OTHER NON CURRENT ASSETS

| | As at 31 March,2018 | As at 31 March,2017 |
|----------------------------------|---------------------|---------------------|
| Unamortised Share Issue Expenses | 6.92 | 10.38 |
| Total | 6.92 | 10.38 |



Note 14 CURRENT INVESTMENTS

| | As at 31 March,2018 | As at 31 March,2017 |
|---|---------------------|---------------------|
| Fixed Deposits including deposits towards Margin Money Against Guarantees | 443.02 | 293.62 |
| Fixed deposit at Mozambique | 27.98 | 9.51 |
| Total | 471.01 | 303.14 |

Note 15 INVENTORIES

(As taken valued and certified by the Directors)

| | As at 31 March,2017 | As at 31 March,2017 |
|--|---------------------|---------------------|
| (a) Raw materials at cost | 460.77 | 696.33 |
| (b) Finished goods at cost or net realisable value which ever is low | 660.00 | 377.61 |
| (c) Packing Material at Cost | 382.44 | 311.31 |
| Total | 1503.21 | 1385.25 |

Note 16 TRADE RECEIVABLES

| | As at 31 March,2018 | As at 31 March,2017 |
|---|---------------------|---------------------|
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | |
| Secured, considered good | | - |
| Unsecured, considered good | 648.87 | 389.16 |
| Doubtful | | - |
| Less: Provision for doubtful trade receivables | - | - |
| | 648.87 | 389.16 |
| Other Trade receivables | | |
| Unsecured, considered good | 3,054.42 | 1,872.17 |
| Less: Provision for doubtful trade receivables | - | - |
| | 3,054.42 | 1,872.17 |
| Total | 3,703.29 | 2,261.32 |

Note 17 CASH AND CASH EQUIVALENTS

| | As at 31 March,2018 | As at 31 March,2017 |
|----------------------------|---------------------|---------------------|
| (a) Cash on hand | 5.68 | 1.97 |
| (b) Balances with banks | | |
| (i) In current accounts | 122.73 | 234.09 |
| (c) Balances in Mozambique | | |
| Cash on Hand | 0.11 | 0.01 |
| Bank balance | 32.37 | 63.01 |
| Total | 160.89 | 299.08 |

Note 18 SHORT TERM LOANS AND ADVANCES

| | As at 31 March,2018 | As at 31 March,2017 |
|---|---------------------|---------------------|
| (a) Security deposits | 236.82 | 184.11 |
| (b) Prepaid expenses | 8.48 | 1.16 |
| (c) Balances with government authorities | 1,168.36 | 751.25 |
| (d) Advances for supply of goods and services | 239.75 | 117.05 |
| (e) Mozambique Balances with government authorities | 4.30 | 0.69 |
| Total | 1,657.71 | 1,054.25 |



Note 19 OTHER CURRENT ASSETS

| | As at 31 March,2018 | As at 31 March,2017 |
|-------------------------------|---------------------|---------------------|
| Deferred Revenue Expenditure: | | |
| (a) Share Issue expenses | 3.46 | 3.46 |
| (b) Others | | 0.20 |
| Total | 3.46 | 3.66 |

Note 20 REVENUE FROM OPERATIONS

| | As at 31 March,2018 | As at 31 March,2017 |
|-------------------------|---------------------|---------------------|
| Sale of products | | |
| Domestic | 7448.78 | 4839.32 |
| Export Sales | 5401.51 | 3543.05 |
| Sales Deemed Export | 617.13 | 1127.86 |
| Mozambique Sales | 281.81 | 321.29 |
| Total | 13749.24 | 9831.52 |

Note 21 OTHER INCOME

| | As at 31 March,2018 | As at 31 March,2017 |
|---------------------------------|---------------------|---------------------|
| Interest on: | | |
| Interest on FDR | 14.32 | 11.76 |
| Interest from bank,Mozambique | 4.39 | 0.66 |
| Interest on Electricity | 1.14 | 0.83 |
| | 19.85 | 13.25 |
| D.E.P.B Income | 35.99 | 100.16 |
| Profit on Sale of CAR | 1.44 | 0.00 |
| Foreign Currency Adjustment | 4.49 | 0.00 |
| Rebate and Discount | 4.30 | 0.00 |
| Miscellaneous Income | 10.29 | 0.23 |
| Settlement of Forward Contracts | 1.12 | 1.68 |
| Other Income at Mozambique | 2.92 | 5.57 |
| Total | 80.41 | 120.88 |

Note 22 COST OF MATERIAL CONSUMED

| | As at 31 March,2018 | As at 31 March,2017 |
|---|---------------------|---------------------|
| Opening stock Raw material and Packing material | 1007.64 | 753.40 |
| Add: Purchases Raw material and Packing material | 10209.19 | 7438.22 |
| | 11216.83 | 8191.62 |
| Less: Purchase return | 0.14 | 8191.62 |
| Less: Closing stock Raw material and Packing material | | 843.21 |
| Total | 10373.48 | 7183.98 |

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

| | As at 31 March,2018 | As at 31 March,2017 |
|--------------------------------------|---------------------|---------------------|
| Opening stock Finished Goods | 377.61 | 281.17 |
| Less: Closing stock of Finised Goods | 647.69 | 377.61 |
| | | (96.45) |
| Total | (270.07) | (96.45) |

Note 24 EMPLOYEE BENEFITS EXPENSE

| | As at 31 March,2018 | As at 31 March,2017 |
|--|---------------------|---------------------|
| Salaries and wages | 399.19 | 248.27 |
| Directors Remuneration | 72.00 | 62.40 |
| Provision for gratuity | 0.94 | 34.07 |
| Contributions to provident and other funds | 37.62 | 32.64 |
| Staff welfare expenses | 43.66 | 37.78 |
| Mozambique Staff Expense: | | |
| Staff Salary | 7.23 | 7.58 |
| Total | 560.65 | 422.73 |



Note 25 FINANCE COSTS

| | As at 31 March,2018 | As at 31 March,2017 |
|--|---------------------|---------------------|
| (a) Interest expense on: | | |
| (i) Bank Borrowings | 194.77 | 174.37 |
| (ii) Interest on deposits | 2.02 | 2.19 |
| (iii) Interest & financial chgs on vehicle & other loans | 20.98 | 9.48 |
| (iv) Interest Accrued but not due on borrowings | 1.00 | 1.64 |
| Total | 218.77 | 187.68 |

Note 26 OTHER EXPENSES

| | As at 31 March,2018 | As at 31 March,2017 |
|---|---------------------|---------------------|
| Accountancy Charges | 0.63 | 1.35 |
| Adjustment in foreign currency | | 1.91 |
| Director's Sitting Fees | 0.34 | 0.33 |
| Bank Rating Charges | 0.90 | 2.83 |
| Business promotion | 7.75 | 7.14 |
| Commision on Purchase | 1.75 | 3.37 |
| Communication | 8.34 | 7.14 |
| Customs Duty Charges | 24.08 | 25.10 |
| CSR Expenditure | 7.53 | |
| Donations and contributions | 0.00 | 1.38 |
| Excise on Stock Transfer | 28.71 | 6.23 |
| Export Ocean Freight | 48.90 | 56.86 |
| Exports Agency Charges | 5.09 | 4.62 |
| Exports Clearing Charges | 0.54 | 1.24 |
| Export Documents Charges | 0.35 | 0.51 |
| Factory Exp. | 332.72 | 145.22 |
| Fees and taxes | 0.13 | 3.17 |
| Freight and forwarding | 561.21 | 358.71 |
| Insurance | 10.17 | 11.29 |
| Inward expenses | 2.42 | 1.46 |
| Job Work of Label & Printing | 4.13 | 6.43 |
| Legal and professional | 41.14 | 39.64 |
| Increase in Authorised Capital Expenses | 6.00 | |
| Management & Consultancy expenses | 6.36 | 5.25 |
| Miscellaneous expenses | 0.95 | 0.46 |
| Office Expenditure | 6.38 | 9.59 |
| Payments to auditors : | | |
| As Auditors | 3.50 | 3.50 |
| For other Services | 2.63 | 1.45 |
| | 6.13 | 4.95 |
| Postage & Telegram | 25.43 | 15.17 |
| Power, Fuel , Gases & Electricity | 270.03 | 279.94 |
| Printing and stationery | 10.09 | 6.10 |
| Remuneration to Company Secretary | 2.65 | |
| Rent including lease rentals | 3.72 | 3.72 |
| Repairs and maintenance | 40.10 | 44.78 |
| Sales commission | 180.23 | 69.59 |
| Tender Expenses | 2.50 | 4.35 |
| Testing, Laboratory charges | 92.56 | 85.85 |
| Travelling and conveyance | 45.15 | 18.14 |
| Share Issue Expense & Other Deferred Revenue Expenses | 3.66 | 3.66 |
| Bonus Share Issue Expenses | 0.92 | |
| Internal Auditor Fees | 0.60 | |
| Investment in Shares Written off | 0.01 | |
| Consumable Stores & Spares | 59.69 | |
| Advertisement & Publicity | 0.81 | |
| Interest & Late Fees on TDS Defaults | 1.03 | |
| Rebate & Discount | | 1.69 |
| Rate Difference | | 59.63 |
| Mozambique Subsidiary Expenditure: | | |
| Office Expenses | 0.53 | 0.91 |
| Travelling | 0.02 | 2.15 |
| Rent | | 4.95 |
| Mozambique Foreign Currency translation difference | 4.41 | 78.89 |
| Professional fee | 3.64 | 1.13 |
| Fuel and electricity | 1.04 | 0.67 |
| Bank Charges | | 4.89 |
| Other Expenses | 29.77 | 9.35 |
| Fees and taxes | 1.82 | 1.98 |
| Total | 1,893.05 | 1,403.73 |



Note 10 FIXED ASSETS

| Description of Assets | Gross Block (At Cost) | | | Accumulated Depreciation | | | | Net Block | | |
|--------------------------------------|-----------------------|---------------------------|----------------------------|--------------------------|-----------------|-------------------|-------------------------------|------------------|----------------|----------------|
| | As at 01.04.17 | Additions during the year | Deductions during the year | As at 31.03.2018 | Upto 31.03.2017 | Dep on asset sold | For the year ended 31.03.2018 | As at 31.03.2018 | As at 01.04.17 | |
| Plant & Machinery | 1196.08 | 106.45 | 0.00 | 1302.53 | 496.31 | | 112.60 | 608.92 | 693.61 | 699.76 |
| Building | 715.70 | 17.09 | 0.00 | 732.79 | 364.87 | | 31.30 | 396.17 | 336.62 | 350.84 |
| Building Under Construction | 136.00 | 254.30 | 0.00 | 390.31 | 0.00 | | 0.00 | 0.00 | 390.31 | 136.00 |
| Furniture | 34.40 | 8.52 | 0.00 | 42.92 | 18.18 | | 5.13 | 23.31 | 19.61 | 16.22 |
| Vehicles | 373.41 | 57.26 | 10.62 | 420.06 | 193.69 | 10.06 | 64.79 | 248.42 | 171.64 | 179.72 |
| Computer Equipment | 91.85 | 14.77 | 0.00 | 106.63 | 70.97 | | 18.34 | 89.31 | 17.32 | 20.90 |
| Laboratory Equipment | 183.17 | 97.81 | 0.00 | 280.98 | 69.46 | | 43.37 | 112.83 | 168.15 | 113.71 |
| Office Equipment | 13.39 | 1.40 | 0.00 | 14.79 | 11.26 | | 1.23 | 12.49 | 2.29 | 2.13 |
| Lift A/c. | 5.17 | 1.53 | 0.00 | 6.70 | 4.91 | | 0.43 | 5.34 | 1.36 | 0.26 |
| Electric Fittings | 35.34 | 5.99 | 0.00 | 41.33 | 13.01 | | 8.35 | 21.36 | 19.97 | 22.33 |
| Land | 35.48 | 70.32 | 0.00 | 105.80 | 0.00 | | 0.00 | 0.00 | 105.80 | 35.48 |
| Property and furniture at Mozambique | 137.48 | 0.00 | 0.00 | 137.48 | 13.83 | | 12.37 | 26.19 | 111.29 | 123.65 |
| Total | 2957.48 | 635.44 | 10.62 | 3582.31 | 1256.49 | 10.06 | 297.91 | 1544.35 | 2037.95 | 1701.02 |
| Previous Year Figure | 2278.03 | 679.47 | 0.00 | 2957.48 | 1005.67 | 0.00 | 250.81 | 1256.49 | 1701.02 | 1272.34 |



| KWALITY PHARMACEUTICALS LIMITED (erstwhile M/s Kwalita Pharmaceuticals Private Limited) | | | | |
|---|--|----------------------------|-----------------|----------------------------|
| Consolidated Cash Flow Statement for the year ended 31st March 2018 | | | | |
| | | Year ended 31st March 2018 | | Year ended 31st March 2017 |
| A | CASH FLOW FROM OPERATING ACTIVITIES | | | |
| | Net Profit Before Tax | | 729.57 | 564.87 |
| | Adjustments for: | | | |
| | Depreciation | 297.91 | | 250.80 |
| | (Profit)/loss on sale of Assets | (1.44) | | - |
| | Long-term Provision for Gratuity | 0.94 | | 36.75 |
| | Share issue expenses Written off | 3.46 | | 3.46 |
| | Interest & Finance Charges | 218.77 | | 187.68 |
| | Interest on FDR | (14.32) | | (11.76) |
| | Adjustment of Prior Period Item | (38.24) | | 2.81 |
| | Interest on Electricity Deposit | (1.14) | | (0.83) |
| | Bonus Share Issue Expense | 0.92 | | - |
| | Increase In Authorized Capital Expense | 6.00 | | - |
| | Minority Interest Adjustment | (36.74) | | - |
| | | | 436.12 | 468.91 |
| | Operating Profit before Working Capital Changes | | 1,165.69 | 1,033.78 |
| | Adjustments for: | | | |
| | Decrease/(Increase) in Receivables | (1,441.96) | | (458.67) |
| | Decrease/(Increase) in Short Term Loans & advances | (603.46) | | (402.86) |
| | Decrease/(Increase) in Inventories | (117.96) | | (350.69) |
| | Decrease/(Increase) in Other Current Assets | 0.2 | | 0.97 |
| | Decrease/(Increase) in Current Investments | (167.87) | | (112.33) |
| | Increase/(Decrease) in Other current Liabilities | 444.96 | | 552.06 |
| | Increase/(Decrease) in Short Term Provisions | 30.00 | | 102.32 |
| | Increase/(Decrease) in Payables | 939.29 | | 307.70 |
| | | | (916.80) | (361.50) |
| | Cash generated from operations | | 248.89 | 672.29 |
| | Less: Income Tax | | 306.17 | 242.31 |
| | Net Cash flow from Operating activities (A) | | (57.28) | 429.98 |
| B | CASH FLOW FROM INVESTING ACTIVITIES | | | |
| | Purchase of Fixed Assets | (635.41) | | (679.47) |
| | Sale of Fixed Assets | 2.00 | | - |
| | Increase in Investment | (1.69) | | (58.78) |
| | Interest on Electricity Deposit | 1.14 | | 0.83 |
| | Interest on FDR | 14.32 | | 11.76 |
| | Net Cash used in Investing activities (B) | | (619.64) | (725.66) |
| C | CASH FLOW FROM FINANCING ACTIVITIES | | | |
| | Proceeds from fresh issue of shares | - | | 18.00 |
| | Securities Premium Received | - | | 63.00 |
| | Proceeds from Long term Borrowings | 140.64 | | 185.51 |
| | Proceeds from Short term Borrowings | 16,882.03 | | 15682.24 |
| | Repayment of Long Term Borrowings | - | | (125.11) |
| | Repayment of Short Term Borrowings | (16,258.25) | | (15,138.38) |
| | Interest paid | (218.77) | | (187.68) |
| | Dividend Distributed | - | | (31.13) |
| | Dividend Distribution Tax | - | | (6.21) |
| | Share Issue Expenses | (6.92) | | - |
| | Net Cash from financing activities (C) | | 538.73 | 460.24 |
| | Net increase in cash & Cash Equivalents (A+B+C) | | (138.19) | 164.56 |
| | Opening Cash and Cash equivalents | | 299.08 | 134.52 |
| | Closing Cash and Cash equivalents | | 160.89 | 299.08 |
| | Cash & Cash Equivalents | | As on | As on |
| | | | 31.03.2018 | 31.03.2017 |



Annual Report 2017-2018

| | | | | | |
|--|--|--|--|---------------|---------------|
| | | | | | |
| | Cash in Hand | | | 5.79 | 1.98 |
| | Cash at Bank | | | 155.1 | 297.10 |
| | Cash & Cash equivalents as stated in Financial Statements | | | 160.89 | 299.08 |

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

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

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

Place : Amritsar

Date : 30.05.2018

Sd/-
(Gaurav Bajaj)
Company Secretary

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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2018

1. Corporate Information

Kwaliti 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 Kwaliti 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 |
|---------------------------------|----------------|
| Kwaliti 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 (Accounts) Rule, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"). The financial statements have been prepared on accrual basis under the historical cost convention.

b) Use of Estimates

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

II) Principles of Consolidation:

The consolidated financial statements pertain to Kwaliti Pharmaceuticals Limited ("the Company"/ "the Parent"/ "the Holding Company") and its subsidiary 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, 2018.

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

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

| S. No. | Name of Subsidiary | Ownership in % either directly or through subsidiaries | | Country of Incorporation |
|--------|---|--|-----------|--------------------------|
| | | 2017-2018 | 2016-2017 | |
| 1 | Kwality Pharmaceuticals Africa Limitada | 51% | 51% | Africa |

III) Accounting for Investments other than in Subsidiary

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

IV) Other Accounting Policies

a) Fixed Assets (Tangible/ Intangible)

Fixed assets are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from



the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use.

b) Impairment of Assets

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

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit's value may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit in proportion to the carrying amount of each asset in the unit. An impairment loss 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, 2018.

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 resulting from "timing differences" between taxable and accounting income that originate in one period and are capable of being reversed in one or more subsequent period is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets can be realised in future. However, where there is unabsorbed capital expenditure or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date.

k) Leases

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



l) Government Grants and Subsidies

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

m) Provisions, Contingent Liabilities and Contingent Assets

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

For M/s 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

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

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

Sd/-
(Gaurav Bajaj)
Company Secretary

Sd/-
(Aditya Arora)
**Whole Time Director &
Chief Financial Officer**
DIN: 07320410

Place : Amritsar
Date : 30.05.2018

**Form AOC-1**

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

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

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

| Sl. No. | Particulars | Details |
|---------|---|--|
| 1. | Name of the subsidiary | Kwality Pharmaceuticals Africa Limitada, Mozambique, Maputo Province, City Of Matola |
| 2. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | N.A. |
| 3. | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | Mozambican Meticals (MZN) 1MZN = 1.07 INR as on 31.03.2018 |
| 4. | Share capital | 88,67,500.00 |
| 5. | Reserves & surplus | (2,35,96,551.43) |
| 6. | Total assets | 4,14,75,544.88 |
| 7. | Total Liabilities | 5,62,04,596.31 |
| 8. | Investments | 19,53,592.56 |
| 9. | Turnover | 2,81,81,073.59 |
| 10. | Profit before taxation | (24,88,941.65) |
| 11. | Provision for taxation | 53,952.88 |
| 12. | Profit after taxation | (25,42,894.53) |
| 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 Secretary

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

Place : Amritsar
Date : 30-05-2018

**KWALITY PHARMACEUTICALS LIMITED**

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

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

Email Id:- ramesh@kwalitypharma.com; Website :- www.kwalitypharma.com**Form No. MGT-11****Proxy form****[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]**

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

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

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

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

| | |
|------------|------------|
| Name : | E-mail Id: |
| Address: | |
| Signature: | |

as my/ our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **35th Annual General Meeting** of the company, to be held on **Saturday 29th September, 2018** 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 31st March, 2018 together with Reports of the Board of Directors and Auditors thereon. (ii) the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2018 and the Report of the Auditors thereon. | | |
| 2. | Re-appointment of Mr. Aditya Arora, Whole Time Director who retires by Rotation and being eligible, offers himself for re-appointment | | |
| 3 | Re-appointment of Mr. Ajay Arora, Whole Time Director who retires by Rotation and being eligible, offers himself for re-appointment | | |
| 4. | To ratify the appointment of Statutory Auditors M/s Vijay Mehra & Co., Chartered Accountants & fixing their remuneration | | |
| 5. | To ratify the remuneration of Cost Auditors | | |

Signed this _____ day of _____ 2018.

Affix Revenue
Stamp of Re.1



Signature of Shareholder

Signature of Proxy holder

Signature of the shareholder
across Revenue Stamp

Note:

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



KWALITY PHARMACEUTICALS LIMITED

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

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

Email Id:- ramesh@kwalitypharma.com; Website :- www.kwalitypharma.com

ATTENDANCE SLIP

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

35th Annual General Meeting to be held on Saturday, September 29, 2018.

Name and Address of the Sole/ First member

(In block capitals)

DP ID No.:-

Ledger Folio No./Client ID No. _____

No. of shares held: _____

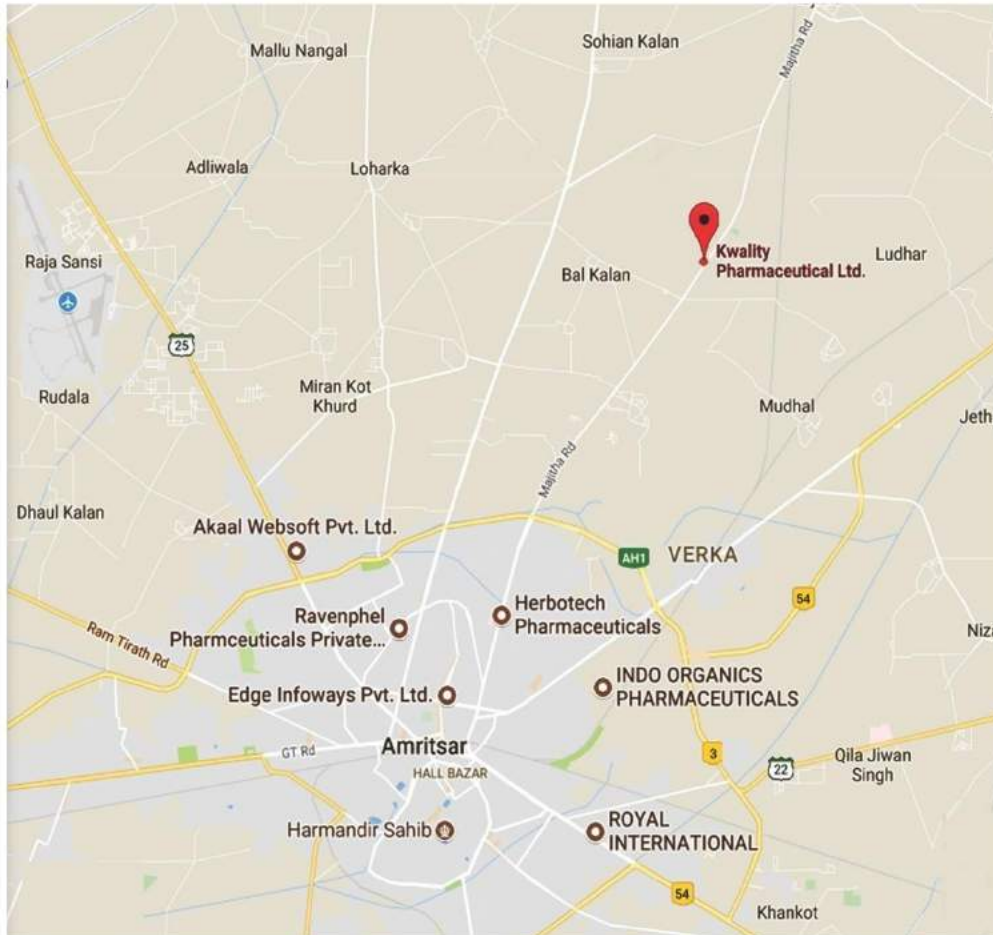
I certify that I am the registered shareholder/proxy for the registered shareholder of the Company.

I/We hereby record my/our presence at the 35th Annual General Meeting of the **KWALITY PHARMACEUTICALS LIMITED to be held on Saturday 29th September, 2018 at 11:30 A.M. at the Registered Office of the Company at VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601.**

(Member's /Proxy's Signature)

Notes:

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



ROUTE MAP FOR ANNUAL GENERAL MEETING



KWALITI PHARMACEUTICALS LIMITED