



Annual Report 2016-2017



34th ANNUAL REPORT
OF
KWALITY PHARMACEUTICALS LIMITED
2016-17

**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 HDFC Bank Limited Plot No. 39, The Mall, Amritsar, Punjab, India – 143 601. Tel: 0183 - 5007507
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: +91- 0183-2774321-25; Fax: +91- 0183-2774477; Website: www.kwalitypharma.com , E-mail: cs@kwalitypharma.com	ANNUAL GENERAL MEETING ON SATURDAY SEPTEMBER 30, 2017 AT 11:30 A.M. AT VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601

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KWALITY PHARMACEUTICALS LIMITED

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

CIN No. :- L24232PB1983PLC005426; Phone no. :- 0183-2774321-25; Fax No.:-0183-2774477

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

Notice

Notice is hereby given that the **34th Annual General Meeting** of the members of **KWALITY PHARMACEUTICALS LIMITED** will be held on Saturday 30th September, 2017 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, 2017, 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, 2017 and the Report of the Auditors thereon.
2. To confirm the Interim Dividend paid of Re. 0.60 (Sixty Paise only) per Equity Share as final dividend for the year ended on March 31, 2017.
3. To appoint a Director in place of Mrs. Geeta Arora, (DIN : 03155615), liable to retire by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Mrs. Anju Arora, (DIN : 03155641), liable to retire by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers herself for reappointment.
5. 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 2017-18 on such remuneration as may be determined by the Board of Directors.”

SPECIAL BUSINESS:

6. Appointment of Mr. Janibhasha Shaik as Director of the Company.

To Consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :

“**RESOLVED THAT Mr. Janibhasha Shaik (DIN: 06738842)**, who was appointed as an Additional Director with effect from 25th March 2017 on the Board of the Company in terms of Section 161 of the Companies Act, 2013 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and who holds office up to the date of this Annual General Meeting, and in respect of whom a notice has been received from a member in writing, under Section 160 of the Companies Act, 2013 along with requisite deposit, proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the company.”



7. **Increase in Authorised Capital of The Company**

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 Sections 13, 14, 15, and 64 or other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification (s) or re-enactment thereof for the time being in force) of the Companies Act, 2013, the consent of the shareholders of the Company be and is hereby accorded to increase the Authorized Share Capital of the Company from Rs. 8,00,00,000/- (Rupees Eight Crore) divided into 80,00,000 (Eighty Lacs) Equity shares of Rs. 10/- (Ten) each to Rs. 16,00,00,000/- (Sixteen Crore) divided into 1,60,00,000 (One Crore Sixty Lacs) Equity shares of Rs. 10/- each ranking pari passu with the existing Shares of the Company.

FURTHER RESOLVED THAT consequent upon the increase in the Authorized Share Capital, the existing Clause 5 of the Memorandum of Association of the Company be and is hereby amended as under:

5. The Authorized Share Capital of the company is Rs. 16,00,00,000/- (Rupees Sixteen Crore) divided into 1,60,00,000 (One Crore Sixty Lacs) Equity shares of Rs. 10/- (Rupees Ten) each.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient for giving effect to this resolution and/or otherwise considered by them in the best interest of the Company.”

8. **Issuance of Bonus Equity Shares by capitalization of Reserves and Securities Premium Account**

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

“RESOLVED THAT pursuant to the provisions of section 63 of the Companies Act, 2013 and all other applicable provisions, if any, of the Companies Act, 2013, read with the relevant Rules thereof (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), SEBI (LODR) Regulations, 2015, SEBI (ICDR) Regulations, 2009, including any amendment or modifications thereto and subject to the approval of the Reserve Bank of India and other appropriate Authorities, where applicable, a sum not exceeding Rs. 5,18,80,990/- (Rupees Five Crore Eighteen Lac Eighty Thousand Nine Hundred Ninety Only) out of its Free Reserves and Securities Premium Account of the Company, as appropriate, for the financial year ended March 31, 2017 be capitalized and accordingly the Board of Directors of the Company (“the Board” which term shall be deemed to include any committee thereof) be and is hereby authorized to appropriate the said sum for distribution to and amongst the members of the Company whose name will appear in the Register of Members as on the Record Date (to be decided in consonance with the Stock Exchange and the Board of Directors of the Company) and to apply the said sum in paying up in full a maximum of 5188099 Equity Shares (“the Bonus Shares”) of the Company of Rs. 10 (Rupees Ten) each at par, to be allotted, distributed and credited as fully paid up Equity shares to and amongst the members in the proportion of 1 (one) Bonus Share for every 1 (one) existing fully paid up Equity share held by them respectively as on the Record Date and that the Bonus shares so distributed, for all purposes, be treated as an increase in the nominal amount in the capital of the Company held by each member, not as income.

RESOLVED FURTHER THAT the issue and allotment of the said bonus shares to the extent that they relate to Non-Resident Indians (NRIs), Persons of Indian Origin / Overseas Corporate Bodies and other foreign investors of the company, will be subject to the approval of the Reserve Bank of India and any other regulatory authority, as the case may be.



RESOLVED FURTHER THAT the Company shall not issue fraction share certificate, instead consolidate all such fractional entitlement(s), if any, arising and thereupon issue and allot equity shares in lieu thereof to a Director or an Officer of the Company or such other person, as the Board of Directors shall appoint in this behalf who shall hold the equity shares in trust on behalf of the members entitled to fractional entitlements with the express understanding that such Director(s) or Officer(s) or Person(s) shall sell the same, as early as possible, at such price or prices and to such person or persons as he / they may deem fit, and pay to the Company, the net sale proceeds thereof, whereupon the Company shall distribute such net sale proceeds, subject to taxes, if any, to the members of the Company in proportion to their respective fractional entitlements.

RESOLVED FURTHER THAT the Bonus Shares so allotted shall always be subject to the terms and conditions contained in the Memorandum and Article of Association of the Company and shall rank pari-passu in all respect with the existing fully paid Equity shares of the Company.

RESOLVED FURTHER THAT no letter of allotment shall be issued but in the case of Members who hold shares in dematerialized mode, the Bonus Shares shall be credited to the respective beneficiary accounts of the Members maintained with their respective Depository Participants and in case of Member who hold shares in physical mode, the share certificate(s) in respect of the Bonus Shares shall be dispatched within the prescribed time limit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Bonus Shares on the Stock Exchanges where the Equity Shares of the Company are listed, in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable Rules and Regulations.

RESOLVED FURTHER THAT for the purposes of giving effect to the aforesaid resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things and to give such directions from time to time as may be necessary, expedient usual or proper and to settle any question or doubt that may arise in relation thereto or otherwise reconsider the matter within changed circumstances, if any, as it may at its discretion deem necessary or desirable for such purpose and delegate all or any of the powers as conferred by this resolution on it, to any Committee of Directors of the Company to give effect to the aforesaid resolution.”

9. Revision of Remuneration of Mr. RAMESH ARORA (DIN: 00462656), Managing Director

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

“**RESOLVED THAT** in accordance with the provisions of Sections 196, 197, 198, 203, read with Schedule V and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), Memorandum and Articles of Association of the Company, any other authority, if applicable, and subject to such conditions or modifications as may be prescribed or imposed by such authorities while granting such approval, consents, permissions and sanctions, consent of the Company be and is hereby accorded for the revision in remuneration of **Mr. RAMESH ARORA (DIN: 00462656)**, Managing Director of the Company from the existing Rs. 2,00,000/- per month to Rs. 2,50,000/- per month from 01-10-2017 to 30-09-2019 as prescribed and as calculated according to Schedule V as amended from time to time.”

“**RESOLVED FURTHER THAT** the aforesaid remuneration shall be paid as the minimum remuneration, even if in any year, during the tenure of the managerial personnel, the company has no profits or its profits are inadequate as may be determined by the Board/ Nomination & Remuneration committee after making an assessment of company's performance and subject to necessary approvals, if any.”



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

10. Revision of Remuneration of Mr. AJAY ARORA (DIN: 00462664), Whole Time Director

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

“RESOLVED THAT in accordance with the provisions of Sections 196, 197, 198, 203, read with Schedule V and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), Memorandum and Articles of Association of the Company, any other authority, if applicable, and subject to such conditions or modifications as may be prescribed or imposed by such authorities while granting such approval, consents, permissions and sanctions, consent of the Company be and is hereby accorded for the revision in remuneration of **Mr. AJAY ARORA (DIN: 00462664)**, Whole Time Director of the Company from the existing Rs. 2,00,000/- per month to Rs. 2,50,000/- per month from 01-10-2017 to 30-09-2019 as prescribed and as calculated according to Schedule V as amended from time to time.”

“RESOLVED FURTHER THAT the aforesaid remuneration shall be paid as the minimum remuneration, even if in any year, during the tenure of the managerial personnel, the company has no profits or its profits are inadequate as may be determined by the Board/ Nomination & Remuneration committee after making an assessment of company’s performance and subject to necessary approvals, if any.”

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

11. Revision of Remuneration of MR. ADITYA ARORA (DIN: 07320410), Whole Time Director

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

“RESOLVED THAT in accordance with the provisions of Sections 196, 197, 198, 203, read with Schedule V and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), Memorandum and Articles of Association of the Company, any other authority, if applicable, and subject to such conditions or modifications as may be prescribed or imposed by such authorities while granting such approval, consents, permissions and sanctions, consent of the Company be and is hereby accorded for the revision in remuneration of **Mr. ADITYA ARORA (DIN: 07320410)**, Whole Time Director of the Company from the existing Rs. 40,000/- per month to Rs. 1,00,000/- per month from 01-10-2017 to 30-09-2019 as prescribed and as calculated according to Schedule V as amended from time to time.”

“RESOLVED FURTHER THAT the aforesaid remuneration shall be paid as the minimum remuneration, even if in any year, during the tenure of the managerial personnel, the company has no profits or its profits are inadequate as may be determined by the Board/ Nomination & Remuneration committee after making an assessment of company’s performance and subject to necessary approvals, if any.”

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



12. Increase In Borrowing Power / Limits

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

“RESOLVED THAT in supersession of resolution passed by the members at their meeting held on 16th December 2015, consent be and is hereby accorded to the Board of Directors of the Company pursuant to Section 180 (1) (c) and any other applicable provisions of the Companies Act, 2013 for borrowing from time to time either from the Company's Bank or any other Bank, Financial Institution or any other lending Institutions on such terms and conditions as may be considered suitable by the Board of Directors any sum of sums of money which together with the money already borrowed by the company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) shall not exceed in the aggregate at any time Rs. 75,00,00,000/- (Rupees Seventy Five Crores Only) irrespective of the fact that such aggregate amount of borrowing outstanding at any time may exceed the aggregate of the paid up share capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose. “

13. Creation of Charges / Mortgages on the moveable and immovable properties of the Company, both present and future, in respect of borrowings :

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

“RESOLVED THAT in supersession of resolution passed by the members at their meeting held on 16th December 2015 pursuant to the provisions of Section 180 (1) (a) and other applicable provisions, if any, of the Companies Act, 2013, including any statutory modifications or re-enactments thereof, approval of the Members of the Company be and is hereby accorded to the Board of Directors of the Company to create such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company, on all or any of the immovable and movable properties of the Company wheresoever situate, both present and future, in such manner as the Board may deem fit, to or in favour of all or any of the financial institutions/banks/ lenders/any other investing agencies and trustees for the holders of debentures/bonds/other financial instruments which may be issued to and subscribed by all or any of the financial institutions/ bank/ lenders / other investing agencies or any other person(s) bodies corporate by private placement or otherwise, to secure rupee / foreign currency loans and / or the issue of debentures, bonds or other financial instruments (hereinafter collectively referred to as “Loans”) provided that the total amount of Loans together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitments charges, premia on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company to the aforesaid parties or any of them under the arrangements entered into / to be entered into by the Company in respect of the said Loans, shall not, at any time exceed the limit of Rs. 75,00,00,000/- (Rupees Seventy Five Crores Only).

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to decide on all matters and finalise with the aforesaid parties or any of them, the documents for creating the aforesaid mortgages / charges / hypothecations, and to accept or make any alterations, changes, variations to or in the terms and conditions, and to execute all such deeds, documents and writings as it may think fit and containing such terms, conditions and covenants as it may consider fit and proper in connection with the aforesaid borrowings, and to do all such acts, deeds, matters and things as it may consider necessary, for the purposes of giving effect to this Resolution.”

14. 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'**:



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“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, 2018.”

By Order Of The Board

Date:- 05-09-2017

Place:- Amritsar

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

NOTES

1. The relevant Explanatory Statements pursuant to section 102 (1) of the Companies Act, 2013, in respect of Special Business at the meeting, are annexed hereto and forms part of this notice.
2. The information required pursuant to SEBI (LODR) Regulations, 2015 about director(s) proposed to be reappointed/appointed is given as an Annexure to this notice.
3. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself 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 34th Annual General Meeting of the Company for year ended 31.03.2017 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 31.03.2017 is being sent in the permitted mode.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 25th September, 2017 to Saturday, 30th September, 2017.
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 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 ,
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.
 - Quote their Folio No. / Client ID No. in their correspondence with the Registrar and Share Transfer Agent.
 - Send their queries related to accounts and operations of the Company at least 10 days in advance so that the required information can be made available at the meeting.
 - 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 advice 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.

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

Item No. 6.

The Board of Directors of the Company had appointed **Mr. Janibhasha Shaik (DIN: 06738842)** as an Additional Director of the Company with effect from March 25, 2017 in accordance with the provisions of section 161 of the Companies Act, 2013. Mr. Janibhasha Shaik shall hold office up to the forthcoming Annual General Meeting and is eligible to be appointed as an Executive Director of the company. The Company has received a notice under section 160 of the Companies Act, 2013 from a member signifying his candidature as Director of the Company. Brief Profile of Mr. Janibhasha Shaik is as follows:

Mr. Janibhasha Shaik aged 32 years is B.Tech & MBA (USA). He has experience of Seven years in Staff Accounting & three years in Pharmaceuticals business.

- Directorship in other companies

Mr. Janibhasha Shaik not holds directorship in any other Company.



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The Board feels that presence of Mr. Janibhasha Shaik as director on the Board is desirable and would be beneficial to the company and hence recommend for adoption.

None of the Directors or Key Managerial Personnel and their relatives, except Mr. Janibhasha Shaik, is concerned or interested (financially or otherwise) in this Resolution.

The Board recommends resolution under Item No. 6 to be passed as an ordinary resolution.

Item No. 7:

As a consequence of the proposed issue of Bonus shares as set out in item no. 8 in the notice, it is necessary to increase the Authorized capital of the Company. In accordance with the Articles of Association of the Company, the Company can increase its authorized share capital in general meeting.

In view of the increase in Authorized share capital of the Company, it is necessary to amend clause 5 of the Memorandum of Association of the Company by incorporating the new amount of Authorized capital clause 5 of the Memorandum of Association. Any change in capital structure of the Company requires approval from the shareholders in the general meeting.

Your Directors recommend the resolution for your approval.

None of the Directors and Key Managerial Personnel or their relatives, is concerned or interested in this resolution.

Item No. 8

The Company has recorded consistent and steady growth in revenue and profits over the past years with significant addition to its free reserves. There is also an accumulation of Rs. 2037.01 Lacs in the Securities Premium Account / Free Reserves. Your Directors have always believed in the philosophy of rewarding the shareholders and passing on the benefits of business to them on the principle of creation and distribution of wealth. In keeping with this philosophy, your Directors have recommended issuing Bonus Shares in the proportion of one Equity Share for every one fully paid Equity shares held by the Members of the Company on the Record Date, by capitalizing the funds in the Securities Premium Account and Free Reserves in the manner in the proposed resolution, by the Board in accordance with law. Owing to the issue of the aforesaid Bonus Shares, the Authorized Capital of the Company needs to be increased which is proposed in this notice by separate Resolution.

Accordingly, the Securities Premium Account and/or Free Reserves are proposed to be capitalized in the manner deemed appropriate by the Board and applied in paying up Equity Shares of Rs. 10/- each and distributed as fully paid Bonus Shares to and amongst the Members of the Company. This proposal is subject to approval by Members by passing a special Resolution. Issue and allotment of Bonus Shares to the non-resident Members of the Company may be subject to the approval of the Reserve Bank of India. Application will be made to the Stock Exchange/s where the existing shares of the Company are listed for permission to deal in the Bonus Shares.

Such Fully Paid-up Bonus Shares shall be distributed to the Members of Company in the proportion of 1 (One) new equity share for every 1 (One) existing equity share held by them respectively on the Record Date.

The Bonus Shares so allotted shall rank pari passu in all respects including dividend with the existing equity shares of the Company. The proposed issue of bonus shares will be made in accordance with the provisions of Companies Act, 2013 and guidelines issued by the Securities Exchange Board of India (ICDR) Regulations, 2009 from time to time and subject to such approvals, if required, from the relevant statutory authorities.



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Further, it is necessary to authorize the Board of Directors / Committee of the Board to complete all the regulatory formalities prescribed by SEBI, Stock Exchanges on which the shares of the Company are listed and / or any other regulatory or statutory authority in connection with the issue of bonus shares.

Your Board of Directors recommends the above Resolution for your approval.

The Directors and Key Managerial Personnel of the Company and their relatives may be deemed to be concerned or interested in the above Resolution to the extent of their respective shareholdings or entitlement to Bonus in the Company. Save as aforesaid, None of the Directors, Key Managerial Personnel, including their relative may be deemed to be interested in the above resolution.

Item No: 9

The Board of Directors of the Company, at its meeting held on 05-09-2017 approved revision in remuneration of Mr. RAMESH ARORA, Managing Director of the Company for the period from 01-10-2017 to 30-09-2019.

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

I. General Information

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

II. INFORMATION ABOUT THE APPOINTEE

(1).	Background details	Mr. Ramesh Arora is on board of Company since inception and has more than 4 decades of experience in the areas of management, marketing strategies and overall administration control and supervision. Under his leadership, Company has made a strong presence in the Pharmaceutical Sector today. He is a visionary and guides the Company and its management at all the stages of its development and strategic decisions. Your Board is of opinion that he will bring to the Company the exceptional breath of experience and maturity which is essential in the present circumstances.
(2).	Past Remuneration	Rs. 2,00,000/- per month
(3).	Recognition or awards	N.A.
(4).	Job Profile and his suitability	4 decades experience in the areas of management, marketing strategies, administration control and supervision. Having spent a long time in the industry and the moving spirit of the Company, he



		is best suited to take up the job.
(5).	Remuneration proposed	As set out in the resolution for the item no. 9 of the notice
(6).	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The proposed remuneration is in tune with the current remuneration packages of the similar industry at this level, qualifications and experience of the appointee and the responsibilities shouldered by him.
(7).	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:	Mrs. Anju Arora (Whole Time Director) Wife Mr. Ajay Arora (Whole Time Director) Brother Mrs. Geeta Arora (Whole Time Director) Brother's wife Mr. Aditya Arora (Whole Time Director & CFO) Brother's Son
(8).	Reasons for Losses / Inadequate profits	<ol style="list-style-type: none">1. The Company is investing heavily in expansion activities in different areas and also in existing plant and machinery up-gradations.2. Interest cost is still very high on loans for Companies like us, this includes both long terms as well as short term loans.3. Due to Steady increase in fixed cost like salary, wages, admin Cost etc. without proportionate increase in sales rates.4. The company is confident that it will be able to increase the level of profits by inducting managerial remuneration with proven track record and experience and by increasing the volumes of business.
(9).	Steps taken or proposed to be taken for improvement	<ol style="list-style-type: none">1. Company is striving to explore new customers and extend its reach to global markets which should provide the Company better opportunities in terms of volume and reach.2. Over a period, Company is making representations with various customers in view of the increase in input costs and making a strong pitch for sales price increase.3. Company has also been working towards improving plant efficiencies.4. Company has been in dialogue with its bankers and has been representing its case to them towards cheaper and alternative credit terms for various facilities.5. Various cost reduction measures also being worked out for reduction in indirect overheads, efforts are being



		made of increase in sales by introducing new products and developing new customer, increasing volumes of present customers etc. 6. Company is taking initiatives in increasing efficiency and cost reduction making progress in turnover.
(10).	Expected increase in productivity and profits in measurable terms	Expected turnover around Rs. 125/- Crore and expected PAT in measurable terms 2017-18 is around Rs. 6 Crore
	Disclosures	NIL

Revision of remuneration is approved by resolution passed by the Nomination and Remuneration Committee in its meeting dated 05th September, 2017.

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

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

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

Item No: 10

The Board of Directors of the Company, at its meeting held on 05-09-2017 approved revision in remuneration of Mr. AJAY ARORA, Whole Time Director of the Company for the period from 01-10-2017 to 30-09-2019.

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

I. General Information

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

II. INFORMATION ABOUT THE APPOINTEE

(1).	Background details	Mr. Ajay Arora has more than 3 decades of experience in the overall operations of our Company. Under his leadership, Company has made a strong presence in the Pharmaceutical Sector today. He is adept to the new technological changes taking place in the Industry all over the world. He is responsible for overall planning and development of our Company. He drives
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		our Company with his insights and vision. His strong interpersonal skill, technical knowledge and leadership quality has helped our Company to make the strong presence in Pharmaceutical Sector
(2).	Past Remuneration	Rs. 2,00,000/- per month
(3).	Recognition or awards	N.A.
(4).	Job Profile and his suitability	3 decades of experience in the overall operations of our Company. Having spent a long time in the industry and the moving spirit of the Company, he is best suited to take up the job.
(5).	Remuneration proposed	As set out in the resolution for the item no. 10 of the notice
(6).	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The proposed remuneration is in tune with the current remuneration packages of the similar industry at this level, qualifications and experience of the appointee and the responsibilities shouldered by him.
(7).	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:	Mrs. Anju Arora (Whole Time Director) Brother's Wife Mr. Ramesh Arora (Managing Director) Brother Mrs. Geeta Arora (Whole Time Director) Wife Mr. Aditya Arora (Whole Time Director & CFO) Son
(8).	Reasons for Losses / Inadequate profits	<ol style="list-style-type: none"> 1.The Company is investing heavily in expansion activities in different areas and also in existing plant and machinery up-gradations. 2. Interest cost is still very high on loans for Companies like us, this includes both long terms as well as short term loans. 3. Due to Steady increase in fixed cost like salary, wages, admin Cost etc. without proportionate increase in sales rates. 4. The company is confident that it will be able to increase the level of profits by inducting managerial remuneration with proven track record and experience and by increasing the volumes of business.
(9).	Steps taken or proposed to be taken for improvement	<ol style="list-style-type: none"> 1. Company is striving to explore new customers and extend its reach to global markets which should provide the Company better opportunities in terms of volume and reach. 2. Over a period, Company is making representations with various customers in view of the increase in input costs and making a strong pitch for sales price increase. 3. Company has also been working



		towards improving plant efficiencies. 4. Company has been in dialogue with its bankers and has been representing its case to them towards cheaper and alternative credit terms for various facilities. 5. Various cost reduction measures also being worked out for reduction in indirect overheads, efforts are being made of increase in sales by introducing new products and developing new customer, increasing volumes of present customers etc. 6. Company is taking initiatives in increasing efficiency and cost reduction making progress in turnover.
(10).	Expected increase in productivity and profits in measurable terms	Expected turnover around Rs. 125/- Crore and expected PAT in measurable terms 2017-18 is around Rs. 6 Crore
	Disclosures	NIL

Revision of remuneration is approved by resolution passed by the Nomination and Remuneration Committee in its meeting dated 05th September, 2017.

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

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

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

Item No: 11

The Board of Directors of the Company, at its meeting held on 05-09-2017 approved revision in remuneration of Mr. ADITYA ARORA, Whole Time Director of the Company for the period from 01-10-2017 to 30-09-2019.

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

I. General Information

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

II. INFORMATION ABOUT THE APPOINTEE



(1).	Background details	Mr. Aditya Arora , is Whole Time Director and CFO of our Company. He is an active, energetic, dynamic and assisting to take our Company in the growth path.
(2).	Past Remuneration	Rs. 40,000/- per month
(3).	Recognition or awards	N.A.
(4).	Job Profile and his suitability	He is an active, energetic, dynamic and assisting to take our Company in the growth path.
(5).	Remuneration proposed	As set out in the resolution for the item no. 11 of the notice
(6).	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The proposed remuneration is in tune with the current remuneration packages of the similar industry at this level, qualifications and experience of the appointee and the responsibilities shouldered by him.
(7).	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:	Mrs. Anju Arora (Whole Time Director) Father's Brother's Wife Mr. Ramesh Arora (Managing Director) Father's Brother Mrs. Geeta Arora (Whole Time Director) Mother Mr. Ajay Arora (Whole Time Director) Father
(8).	Reasons for Losses / Inadequate profits	<ol style="list-style-type: none"> 1. The Company is investing heavily in expansion activities in different areas and also in existing plant and machinery up-gradations. 2. Interest cost is still very high on loans for Companies like us, this includes both long terms as well as short term loans. 3. Due to Steady increase in fixed cost like salary, wages, admin Cost etc. without proportionate increase in sales rates. 4. The company is confident that it will be able to increase the level of profits by inducting managerial remuneration with proven track record and experience and by increasing the volumes of business.
(9).	Steps taken or proposed to be taken for improvement	<ol style="list-style-type: none"> 1. Company is striving to explore new customers and extend its reach to global markets which should provide the Company better opportunities in terms of volume and reach. 2. Over a period, Company is making representations with various customers in view of the increase in



		<p>input costs and making a strong pitch for sales price increase.</p> <ol style="list-style-type: none">3. Company has also been working towards improving plant efficiencies.4. Company has been in dialogue with its bankers and has been representing its case to them towards cheaper and alternative credit terms for various facilities.5. Various cost reduction measures also being worked out for reduction in indirect overheads, efforts are being made of increase in sales by introducing new products and developing new customer, increasing volumes of present customers etc.6. Company is taking initiatives in increasing efficiency and cost reduction making progress in turnover.
(10).	Expected increase in productivity and profits in measurable terms	Expected turnover around Rs. 125/- Crore and expected PAT in measurable terms 2017-18 is around Rs. 6 Crore
	Disclosures	NIL

Revision of remuneration is approved by resolution passed by the Nomination and Remuneration Committee in its meeting dated 05th September, 2017.

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

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

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

Item No. 12 & 13

Keeping in view the Company's existing and future financial requirements to support its business operations, the Company needs additional funds. For this purpose, the Company is desirous of raising finance from various Banks and/or Financial Institutions and/or any other lending institutions and/or Bodies Corporate and/or such other persons/ individuals as may be considered fit, which, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and the free reserves of the Company. Hence it is proposed to increase the maximum borrowing limits upto Rs. 75,00,00,000/- (Rupees Seventy Five Crores Only). Pursuant to Section 180(1)(c) of the Companies Act, 2013, the Board of Directors cannot borrow more than the aggregate amount of the paid-up capital of the Company and its free reserves at any one time except with the consent of the members of the Company in a general meeting. In order to facilitate securing the borrowing made by the Company, it would be necessary to create charge on the assets or whole of the undertaking of the Company. Section 180(1)(a) of the Companies Act, 2013 provides for the power to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company subject to the approval of members in the general meeting.



The Board recommends these resolutions for the approval of the members as Special resolutions.

None of the Directors or the Key Managerial Personnel of the Company including their relatives are in any way concerned or interested in the resolutions.

Item No. 14

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, 2018. 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. 14 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 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. 14 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No. 14 of the Notice for approval by the members.

By Order Of The Board

Date:- 05-09-2017

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, 2017
ANJU ARORA (DIN: 03155641)	01/02/1962	Mrs. Anju Arora aged 55 years is BA. She has experience of eleven years in Marketing.	Other Directorship: Nil Committee positions held in Kwalita Pharmaceuticals Limited :- Member in Stakeholders Relationship Committee Positions held in other Public Companies: Nil Relationship with other directors :- Relative of Directors Mr. Ramesh Arora, Mr. Ajay Arora, Mrs. Geeta Arora & Mr. Aditya Arora No of Shares held in the Company :- 67817
GEETA ARORA (DIN: 03155615)	29/11/1970	Mrs. Geeta Arora aged 46 years is MA. She has experience of ten years in Administration.	Other Directorship: Nil Committee positions held in Kwalita Pharmaceuticals Limited :- Member in Stakeholders Relationship Committee Positions held in other Public Companies: Nil Relationship with other directors :- Relative of Directors Mr. Ramesh Arora, Mr. Ajay Arora, Mrs. Anju Arora & Mr. Aditya Arora No of Shares held in the Company :- 55750
JANIBHASHA SHAIK (DIN: 06738842)	14/06/1985	Mr. Janibhasha Shaik aged 32 years is B.Tech & MBA (USA). He has experience of Seven years in Staff Accounting & three years in Pharmaceuticals business.	Other Directorship: Nil Committee positions held in Kwalita Pharmaceuticals Limited :- Nil Committee Positions held in other Public Companies: Nil Relationship with other directors :- No Relation No of Shares held in the Company :- Nil

**DIRECTORS' REPORT**

To
The Members
KWALITY PHARMACEUTICALS LIMITED.

Your Directors have pleasure in presenting the 34th Annual Report of KWALITY PHARMACEUTICALS LIMITED along with the Audited Financial Statements for the year ended 31st March 2017.

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	
	2016-17	2015-16	2016-17	2015-16
Total Income	9683.83	7642.25	9952.41	7453.90
Less: Expenditure & Depreciation	9102.94	7334.36	9387.54	7206.33
Profit before Tax (PBT)	580.89	307.89	564.87	247.57
Less: Tax (including deferred tax)	236.99	119.37	236.98	119.38
Profit After Tax (PAT)	343.90	188.52	327.89	128.19

PERFORMANCE REVIEW

During the year under review, on standalone basis, revenue of the company was Rs. 9683.83 Lakhs as compared to Rs. 7642.25 Lakhs in the corresponding previous year. The Company earned a profit after tax of Rs. 343.90 Lakhs as compared to Rs. 188.52 Lakhs in the previous year. During the period under review the company's reserves and surplus increased from Rs. 1755.65 Lakhs to Rs. 2125.22 Lakhs.

On consolidated basis, revenue of the company was Rs. 9952.41 Lakhs as compared to Rs. 7453.90 Lakhs in the corresponding previous year. The Company earned a profit after tax of Rs. 327.89 Lakhs as compared to Rs. 128.19 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

Based on the Company's performance, the Board of Directors of the Company at its meeting held on 22nd December, 2016 has considered and approved interim dividend @ 6% i.e. Re. 0.60 (Sixty Paise only) per equity share of Rs. 10/- each on the equity share capital of the company for the year 2016-17. The Board of Directors has not recommended any Final Dividend for the Financial Year 2016-2017. The company had also received three demand drafts of dividends back from the members returned unpaid and the same were then deposited with the bank for transfer in 'Unpaid dividend A/c' within seven days from the date of expiry of the period of thirty days from the date of the declaration of dividend. But due to some



technical problem in opening of 'Unpaid dividend A/c' by the bank, bank could transfer these drafts in this account, only after the end of the financial year 2016-17.

RESERVES

The Company does not transfer any amount to general reserves during F.Y. 2016-2017.

LISTING ON SME PLATFORM

Your directors are pleased to inform you that the securities of the company have been listed on the SME platform of BSE on 18th of July, 2016 and the company has paid listing fees for the Financial year 2016 – 17.

EXTRACT OF THE ANNUAL RETURN

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

CHANGES IN DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. JANIBHASHA SHAIK (DIN: 06738842) was appointed as Additional Independent Director of the Company w.e.f. March 20, 2017. But later he informed the company by letter dated 22-03-2017 that he would not be able to comply in future with all the criteria of Independent Director as envisaged in the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 and Companies Act, 2013 and wished to continue as 'Professional Director' of the company. As there was no system to change his designation from 'Additional Independent Director' to 'Additional Professional Director' so he resigned from directorship on 22-03-2017 and again appointed as Additional Director w.e.f. March 25, 2017. Now he will hold office up to the date of the ensuing Annual General Meeting of the Company. The Company has received a requisite notice in writing from a member proposing his appointment as Director. The Board feels that presence of Mr. Janibhasha Shaik as director on the Board is desirable and would be beneficial to the company and hence recommend for adoption.

Mr. Kiran Kumar Verma, Mr. Pankaj Takkar and Mr. Ravi Shanker Singh who were appointed as the Additional Independent Directors of the company with effect from February 01, 2016, were appointed as Independent Directors of the company for a period of 5 years in the annual general meeting of the company held on 30-09-2016.

Mr. Aditya Arora was appointed as the Whole Time Director of the company for a period of 5 years with effect from September 30, 2016, in the annual general meeting of the company held on 30-09-2016, liable to retire by rotation.

RETIREMENT BY ROTATION

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

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

During the Financial Year 2016-17, 19 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 D**". The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

COMMITTEES OF THE BOARD

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



AUDIT COMMITTEE

The Audit Committee comprises of Sh. Pankaj Takkar as Chairman and Sh. Kiran Kumar Verma and Sh. Aditya Arora as members. The details of term of reference of the Audit Committee 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.

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 20/03/2017.

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.

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.

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 and 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

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



Annual Report 2016-2017

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 observation 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**, have been appointed as the Cost Auditors of the Company for the financial year 2016-17 by the Board of Directors and their remuneration has been ratified by members at the 33rd Annual General Meeting 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 in its meeting held on 05TH November 2016 appointed M/s Rishi Mittal & Associates, Company Secretaries, Amritsar as the Secretarial Auditor of the Company. The Secretarial Audit Report for Financial Year 2016-17 forms part of the Annual report as "**Annexure C**" to the Board's report.

INTERNAL AUDITOR

The board of directors in its meeting held on 05TH November 2016 appointed M/s Bhavesh Mahajan & Co., Chartered Accountants, Amritsar as the Internal Auditor of the Company. His scope of works includes, review of processes of safeguarding the assets of the Company, review of operational efficiency, effectiveness of systems and processes, and assessing the internal control strengths in all areas.

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 D**".

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 E”.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The CSR provisions were not applicable on the company during the year under review.

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 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 2017 (Rs. In Lakhs)	Year Ended 31 st March 2016 (Rs. In Lakhs)
Earnings		
Export Sales	3565.00	3476.96
Outgo		
Capital Goods	91.52	33.73
Raw Materials	217.60	295.93

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 is Rs 8,00,00,000/- (Rupees Eight Crore) divided into 80,00,000 (Eighty Lacs) Equity shares of Rs 10/- each. The paid up Equity Share Capital of the Company as on March 31, 2016 was Rs. 500.81 Lakhs. The company has made an initial public offer of 13,80,000 equity shares of face value of Rs. 10.00 each at a price of Rs. 45 per equity share (including share premium of Rs 35.00 per equity share) consisting of a fresh issue of 1,80,000 equity shares and an offer for sale of 12,00,000 equity shares by an existing shareholder of the company after balance sheet date and the shares of the company were listed thereafter in BSE-SME exchange. The proceeds from the issue of the Company have been utilized / are in process of utilization for the purpose for which they were raised and there is no deviation in the utilization of proceeds.

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 proper and adequate system of internal control to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transaction are authorized, recorded and reported correctly. The Company has effective system in place for achieving



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efficiency in operations, optimum and effective utilization of resources, monitoring thereof and compliance with applicable laws. The company has developed an internal software for many portions of internal controls like making of Standard testing procedure in raw material, attaching the raw data of QC with finished formulation and raw material. Similarly attaching the BMR (Batch Manufacturing Record), BPR (Batch Packing Record) and BTR (Batch Testing Record) batch wise.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Due to personal reasons, Ms. Pallavi Aggarwal (M. No. 23138) Company Secretary, KMP and compliance officer of the company has resigned from the company with effect from Monday, 31st July, 2017.

Mr. Gaurav Bajaj (M. No. 49505) appointed as Company Secretary, KMP and compliance officer of the company with effect from Thursday, 10th August, 2017.

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.



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:05-09-2017

**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 31.03.2017

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. :- 0183-2774321-25
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	Kwalita Pharmaceuticals Africa, Limitada Mozambique, Maputo Province, City Of Matola	100428873	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[As on 31-March-2016]				No. of Shares held at the end of the year[As on 31-March-2017]				% Chang during the year
	De-mat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									



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a) Individual/ HUF	NIL	2601420	2601420	51.94	2508665	92755	2601420	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):	NIL	2601420	2601420	51.94	2508665	92755	2601420	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)	NIL	2601420	2601420	51.94	2508665	92755	2601420	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) FIs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
h) Foreign Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
i) Others (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (B)(1):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. Non- Institutions									



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a) Bodies Corp.									
i) Indian	NIL	1680000	1680000	33.55	1023735	NIL	1023735	19.74	-39.06
ii) Overseas	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	NIL	NIL	NIL	NIL	312000	NIL	312000	6.01	NIL
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	NIL	726679	726679	14.51	818664	429280	1247944	24.05	+71.73
c) Others (Public)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Non Resident Indians	NIL	NIL	NIL	NIL	3000	NIL	3000	0.06	NIL
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):-	NIL	2406679	2406679	48.06	2157399	429280	2586679	49.86	+7.47
Total Public Shareholding (B)=(B)(1)+ (B)(2)	NIL	2406679	2406679	48.06	2157399	429280	2586679	49.86	+7.47
C. Shares held by Custodian for GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	NIL	5008099	5008099	100%	4666064	522035	5188099	100%	+3.59

ii) Shareholding of Promoter-

S. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Ramesh Arora	1483008	29.61	NIL	1483008	28.58	NIL	NIL
2	Anju Arora	67817	1.35	NIL	67817	1.30	NIL	NIL
3	Ajay Arora	697814	13.93	NIL	697814	13.45	NIL	NIL



4	Jugal Kishore HUF	46175	0.92	NIL	46175	0.90	NIL	NIL
5	Anu Mehra	120466	2.41	NIL	120466	2.32	NIL	NIL
6	Geeta Arora	55750	1.11	NIL	55750	1.07	NIL	NIL
7	Aarti Seth	46580	0.93	NIL	46580	0.90	NIL	NIL
8	Sachin Seth	12810	0.26	NIL	12810	0.25	NIL	NIL
9	Aditya Arora	71000	1.42	NIL	71000	1.37	NIL	NIL
	TOTAL	2601420	51.94	NIL	2601420	50.14	NIL	NIL

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

S. No	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	N.A.	N.A.	N.A.	N.A.
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	N.A.	N.A.	N.A.	N.A.
	At the end of the year	N.A.	N.A.	N.A.	N.A.

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

S. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	T R METALS PRIVATE LIMITED				
	At the beginning of the year	NIL	NIL		
	Transactions / (Transfers) during financial year 2016-2017	690735	13.31	690735	13.31
	At the end of the year			690735	13.31
2	GUINNESS SECURITIES LIMITED				
	At the beginning of the year	NIL	NIL		
	Transactions / (Transfers) during financial year 2016-2017	249000	4.79	249000	4.79
	At the end of the year			249000	4.79
3	AMBIKA ANIL RAIKA				
	At the beginning of the year	NIL	NIL		
	Transactions / (Transfers) during financial year 2016-2017	72000	1.39	72000	1.39
	At the end of the year			72000	1.39
4	NEERAJ JAIN				
	At the beginning of the year	NIL	NIL		
	Transactions / (Transfers) during financial year 2016-2017	66000	1.27	66000	1.27



	At the end of the year			66000	1.27
5	NEERAJ JAIN				
	At the beginning of the year	NIL	NIL		
	Transactions / (Transfers) during financial year 2016-2017	45000	0.87	45000	0.87
	At the end of the year			45000	0.87
6	PINALBEN RAKSHITBHAJ SHAH				
	At the beginning of the year	NIL	NIL		
	Transactions / (Transfers) during financial year 2016-2017	42000	0.81	42000	0.81
	At the end of the year			42000	0.81
7	POOJA KAPOOR				
	At the beginning of the year	41654	0.83		
	Transactions / (Transfers) during financial year 2016-2017	NIL	NIL	NIL	NIL
	At the end of the year			41654	0.80
8	KIRAN MAHAJAN				
	At the beginning of the year	34759	0.69		
	Transactions / (Transfers) during financial year 2016-2017	NIL	NIL	NIL	NIL
	At the end of the year			34759	0.67
9	VIJAY MARTIN				
	At the beginning of the year	33896	0.68		
	Transactions / (Transfers) during financial year 2016-2017	NIL	NIL	NIL	NIL
	At the end of the year			33896	0.65
10	SHANKAR DAYAL				
	At the beginning of the year	33886	0.68		
	Transactions / (Transfers) during financial year 2016-2017	NIL	NIL	NIL	NIL
	At the end of the year			33886	0.65

V) Shareholding of Directors and Key Managerial Personnel:

S. No	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of 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	29.61		
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	At the end of the year			1483008	28.58
2	AJAY ARORA – WHOLE TIME DIRECTOR				
	At the beginning of the year	697814	13.93		



	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	At the end of the year			697814	13.45
3	GEETA ARORA - WHOLE TIME DIRECTOR				
	At the beginning of the year	55750	1.11		
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	At the end of the year			55750	1.07
4	ANJU ARORA - WHOLE TIME DIRECTOR				
	At the beginning of the year	67817	1.35		
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	At the end of the year			67817	1.3
5	ADITYA ARORA- WHOLE TIME DIRECTOR & CFO				
	At the beginning of the year	71000	1.42		
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	At the end of the year			71000	1.37
6	KIRAN KUMAR VERMA- INDEPENDENT DIRECTOR				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	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
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	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



	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	At the end of the year	NIL	NIL	NIL	NIL
9	JANIBHASHA SHAIK - ADDITIONAL DIRECTOR				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	At the end of the year	NIL	NIL	NIL	NIL
10	PALLAVI AGARWAL- COMPANY SECRETARY				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	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	1200.03	18.24	NIL	1218.27
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	1200.03	18.24	NIL	1218.27
Change in Indebtedness during the financial year				
* Addition	967.39	31.97	NIL	999.36
* Reduction	(395.09)	NIL	NIL	(395.09)
Net Change	572.3	31.97	NIL	604.27
Indebtedness at the end 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

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

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



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S. No.	Particulars of Remuneration	Name of MD/WTD/ Manager					Total Amount (in Rs.)
		Ramesh Arora (MD)	Ajay Arora (WTD)	Anju Arora (WTD)	Geeta Arora (WTD)	Aditya Arora (WTD & CFO)	
1	Gross salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2400000	2400000	480000	480000	480000	62,40,000
	(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)	2400000	2400000	480000	480000	480000	62,40,000
	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	9000	12000	12000	NIL	33000
	Commission	NIL	NIL	NIL	NIL	NIL
	Others, please specify	NIL	NIL	NIL	NIL	NIL
	Total (1)	9000	12000	12000	NIL	33000
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)	9000	12000	12000	NIL	33000
	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
--------	-----------------------------	--------------------------



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		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	247500	NIL	247500
	(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	247500	NIL	247500

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:05-09-2017

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

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

**ANNEXURE 'B'****Particulars of Employees**

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	33.44
AJAY ARORA	33.44
ANJU ARORA	6.69
GEETA ARORA	6.69
ADITYA ARORA	6.69

B. The percentage increase in remuneration of each director, chief financial officer and the company secretary in the financial year

Name	% increase in remuneration in the financial year
RAMESH ARORA	24.67
AJAY ARORA	24.67
ANJU ARORA	Nil
GEETA ARORA	Nil
ADITYA ARORA	128.57 % (Appointed director w.e.f. 22-10-2015)
PALLAVI AGARWAL	Not Applicable

C. The percentage increase in the median remuneration of employees in the financial year:
12.49%

D. The number of permanent employees on rolls of the company as on 31st March 2017:- 274.

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. 2015-16	F. Y. 2016-17	% increase
Employees' Salary (in Rupees Lakhs)	156.55	248.26	58.58
Managerial Remuneration (in Rupees Lakhs)	50.20	62.40	24.30

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:05-09-2017

**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 2017

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

To

**The Members,
KWALITY PHARMACEUTICALS LIMITED.
(CIN: L24232PB1983PLC005426)**

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 **KWALITY PHARMACEUTICALS LIMITED'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 **31st March 2017** 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 **KWALITY PHARMACEUTICALS LIMITED** for the financial year ended on 31st March 2017 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 (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Not applicable to the Company during Audit Period)**;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during Audit Period)**;
 - (f) 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;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during Audit Period)**;
 - (h) 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:



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- i. Secretarial Standards issued by The Institute of Company Secretaries of India and
 - ii. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
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. However there was delay in opening of 'Unpaid dividend A/c' but the company has clarified us that it had deposited the unpaid demand drafts with the bank for transfer in 'Unpaid dividend A/c' within seven days from the date of expiry of the period of thirty days from the date of the declaration of dividend but due to technical problem in opening of the said account by the bank, it could transfer these drafts in this account only after the end of the financial year 2016-17.
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 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) Majority decision is carried through and there were no dissenting views on any matter.
6. 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.
7. We further report that during the Audit Period under review:-
- i. The equity shares of the Company were listed on SME platform of BSE Limited by initial public offer of 13,80,000 equity shares of face value of Rs. 10.00 each at a price of Rs. 45 per equity share (including a share premium of Rs 35.00 per equity share) consisting of a fresh issue of 1,80,000 equity shares and an offer for sale of 12,00,000 equity shares by an existing shareholder of the company.
 - ii. The Board of Directors of the Company at its meeting held on 22nd December, 2016 has considered and approved interim dividend @ 6% i.e. Re. 0.60 (Sixty Paise only) per equity share of Rs. 10/- each on the equity share capital of the company for the year 2016-17.

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 : 05-09-2017

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 : 05-09-2017

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

ACS No. 12613

C P No.: 3004



ANNEXURE 'D'
REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

KWALITY's philosophy on Corporate Governance is based on practices, such as fair and transparent business practices, effective management controls at all levels, adequate representation of 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 a Woman director. 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 during the year 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 was 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



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During the year 19 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.	02-04-2016
2.	11-04-2016
3.	20-04-2016
4.	03-05-2016
5.	05-05-2016
6.	26-05-2016
7.	06-06-2016
8.	15-06-2016
9.	13-07-2016
10.	29-07-2016
11.	13-08-2016
12.	05-09-2016
13.	05-11-2016
14.	14-11-2016
15.	17-11-2016
16.	22-12-2016
17.	02-02-2017
18.	20-03-2017
19.	24-03-2017

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 31-03-2017	No. of Committee/ membership in which he/she is a Member or Chairperson
Mr. Ramesh Arora (DIN: 00462656)	Managing Director	19	Yes	1	None
Mr. Ajay Arora (DIN: 00462664)	Whole Time Director	19	Yes	Nil	None
Mr. Aditya Arora (DIN: 07320410)	Whole Time Director & Chief Financial Officer	19	Yes	Nil	Member in one Committee
Mrs. Geeta Arora (DIN: 03155615)	Whole Time Director	19	Yes	Nil	Member in one Committee
Mrs. Anju Arora (DIN: 03155641)	Whole Time Director	19	No	Nil	Member in one Committee
Mr. Kiran Kumar Verma (DIN: 07415375)	Non Executive Independent Director	6	Yes	Nil	Member in one Committee and Chairman in one Committee
Mr. Pankaj Takkar (DIN: 07414345)	Non Executive Independent Director	6	Yes	Nil	Member in one Committee and Chairman in one Committee



Mr. Ravi Shanker Singh (DIN: 02303588)	Non Executive Independent Director	5	No	1	Member in one Committee and Chairman in one Committee
Mr. Janibhasha Shaik (DIN: 06738842)	Additional Director	1	No	Nil	None

E) Shares held by Non-Executive Directors as at 31st March 2017:

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 20th March, 2017.

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

- 1) **Audit Committee**
- 2) **Nomination & Remuneration Committee**
- 3) **Stakeholders Relationship 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**



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During the year, 4 Audit Committee meetings were held on the following dates 26-05-2016, 05-09-2016, 22-12-2016 and 02-02-2017.

* 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;



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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 26-05-2016 and 22-12-2016.

* Composition & Attendance of Nomination and Remuneration Committee

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

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

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

Role & Responsibilities of Nomination & Remuneration committee are:

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



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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 2016-17 to Executive Directors are:

Name of Director	Designation	Yearly Remuneration (Rs.)
RAMESH ARORA	Managing Director	24,00,000
AJAY ARORA	Whole Time Director	24,00,000
GEETA ARORA	Whole Time Director	4,80,000
ANJU ARORA	Whole Time Director	4,80,000
ADITYA ARORA	Whole Time Director & Chief Financial Officer	4,80,000

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 22-12-2016 and 20-03-2017.

*** 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 2016-17, 2 complaints have been received by the Company and all of which have been redressed.



MEANS OF COMMUNICATION

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

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

ANNUAL GENERAL MEETINGS HELD TILL DATE:

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

Financial Year	Date & Time	Venue	Special Resolution Passed
2013-14	September 30, 2014 at 11:00 A.M.	VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR.	NIL
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

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 is complying with all mandatory requirements of SEBI (Listing 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.



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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_Subsidiaries.pdf

GENERAL SHAREHOLDER INFORMATION:

ANNUAL GENERAL MEETING

The ensuing Annual General Meeting ("the AGM") of the company will be held on Saturday, 30th September, 2017 at 11.30 am, at the 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. 2017-18 is:-

Half yearly un-audited results	Within 45 days from 30th September, 2017
Annual audited result	Within 60 days from 31st March, 2018

DIVIDEND PAYMENT

Based on the Company's performance, the Board of Directors of the Company at its meeting held on 22nd December, 2016 has considered and approved interim dividend @ 6% i.e. Re. 0.60 (Sixty Paise only) per equity share of Rs. 10/- each on the equity share capital of the company for the year 2016-17. The Board of Directors has not recommended any Final Dividend for the Financial Year 2016-2017.

BOOK CLOSURE

25.09.2017 to 30.09.2017 (both days inclusive)

LISTING ON STOCK EXCHANGE

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

Scrip Code and Name: 539997 – KPL

DEMAT NUMBER FOR ISIN: INE552U01010

Corporate Identity Number (CIN):

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

RECONCILIATION OF SHARE CAPITAL AUDIT

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

MARKET PRICE DATA OF EACH MONTH



Month	BSE SME Platform Kwalita Pharmaceuticals Limited (in Rs.)	
	High	Low
July, 2016	45.80	40.85
August, 2016	45.10	43.50
September, 2016	45.05	43.25
October, 2016	51.80	45.50
November, 2016	61.60	53.30
December, 2016	78.45	64.65
January, 2017	86.80	70.00
February, 2017	91.50	78.40
March, 2017	96.00	96.00

DEMATERIALIZATION OF SHARES

As on March 31, 2017, 46,66,064 (i.e. 89.94 %) Equity Shares of the Company were held in dematerialised form & 5,22,035 were held in physical form. The breakup of the equity shares as on March 31, 2017 is as follows:

SHARE HOLDING PATTERN AS ON 31ST MARCH, 2017

Category	No. of Shares held	% of Shareholding
1. Promoters and Promoter Group	2601420	50.14
2. Bodies Corporate	999735	19.27
3. Clearing Members	24000	0.46
4. Non-Resident Indians	3000	0.06
5. Indian Public	1559944	30.07
TOTAL	5188099	100

Distribution Schedule as on 31/03/2017
(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
20001-30000	50	34.01	150000	2.90
50001-100000	28	19.05	201000	3.87
100001-9999999999	69	46.94	4837099	93.23
TOTAL	147	100.00	5188099	100.00

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.



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

Contact info.: 01832774321, **E-mail Id-** cs@kwalitypharma.com **Web:** www.kwalitypharma.com

On behalf of Board of Directors
KWALITY PHARMACEUTICALS LIMITED

Sd/-
RAMESH ARORA
Managing Director
DIN: **00462656**
Amritsar, September 05, 2017

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**, declare that all the Board Members and Senior Management Personnel have complied with the Code of Conduct applicable to them for the financial year ended March 31, 2017.

AMRITSAR
SEPTEMBER 05, 2017

Sd/-
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 financial statements and the cash flow statement for the year ending 31st March, 2017 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

Amritsar
September 05, 2017

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 conditions on Corporate Governance by **KWALITY PHARMACEUTICALS LIMITED**, for the financial year ended 31st March, 2017, as per SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

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

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

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

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

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

**Place : Amritsar
Date : 05-09-2017**



ANNEXURE 'E'

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENT

Global Pharmaceutical markets are in the midst of major discontinuities. While growth in developed markets will slow down, emerging markets will become increasingly important in the coming decade. The Indian pharmaceutical market along with the markets of the China, Brazil, and Russia will spearhead growth within these markets.

The Indian Pharmaceutical markets has characteristics that make it unique. First: branded generics dominate , making upto 70-80 per cent of the retail market. Second: local players have enjoyed a dominant position driven by formulation development capabilities and early investments. Third: price level are low, driven by intense competition. While India rank tenth globally in terms of the value, it is ranked third in volumes. These characteristics present their own opportunities and challenges.

A robust revenue growth of the global pharmaceutical market is poised to break horizon from the pharmerging market. The spending growth in the pharmerging market is expected to grow with a CAGR of 12% to 15% which will expedite the market growth in these countries. Pharmerging markets have been classified into three categories as tier 1, tier 2 and tier 3 markets. Tier 1 pharmerging market includes China which is the largest and fastest growing pharmaceutical market. Tier 2 category includes India, Brazil and Russia. Tier 3 category includes the rest 17 countries which is further differentiated based on the average pharmaceutical spend per capita.

In the United Kingdom too, the growth remained strong where spending proved resilient in the aftermath of June, 2016 referendum in favor of leaving the European Union. Activity surprised on the upside in Japan due to strong net exports, as well as in euro market countries, such as Germany and Spain, as a result of strong domestic demand. Economic performance across emerging markets and developing economies has remained mixed. Whereas China's growth remained strong, reflecting continued policy support, economic activity has slowed in India because of the impact of demonetization as well as in Brazil, which has been mired in deep recession. With the rebound in activity in advanced economies, stabilization of commodity prices and sustainable pattern of growth in developing economies, the overall global economy is projected to grow at 3.5% in 2017.

OPPORTUNITIES, RISKS, CONCERNS & THREATS

Generic competition, less margins is a concern. The Management is fully acquainted with these risks and concerns associated with the industry and continue to address them from time to time as required. The industry in which we operate is highly competitive and fragmented. Competition emerges from small as well as big players in the Pharma industry. The organized players in the industry compete with each other by providing high quality time bound products and value added services. We have a number of competitors offering services similar to us. We believe the principal elements of competition in Pharma industry are price, quality, timely delivery and reliability. Market growth is shifting towards emerging markets in Asia, Latin America, where pharmaceutical sales are forecast to expand at double digit rates. Further reforms of legislative systems, especially regarding patent protection and enforcement, as well as improving regulatory conditions, will make these markets increasingly attractive. The increased growth in Pharmerging markets, the continued rise of generics in these markets, and the greater importance of specialty medicines will reduce the share of the top pharmaceutical companies in the global pharmaceutical market.

OUTLOOK

The current scenario defines that the market conditions will be favorable for the company and it is expected that the company will thrive in future only if it adapt the changes 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.



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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 is looking at different opportunities in untapped markets and also across a value chain. It plans for alliances with business associates in the global market, giving a huge boost to the selective products that it already deals in.

The company has developed internal software for many portions of internal controls like making of Standard testing procedure in raw material, attaching the raw data of QC with finished formulation and raw material. Similarly attaching the BMR (batch manufacturing record), BPR (batch packing record) and BTR (batch testing record) batch wise.

In the next three years, four new structures will be constructed for Cephalosporin, Betalactum, generic injection and generic tablet. The new facility is as per USFDA guidelines with preapproval of USFDA office in New Delhi. There is also expansion program in himachal unit where Anticancer section is working and hormone section will be added by making amendment in the internal infrastructure using the existing building. The facility of Himachal will be WHO GMP. The Cephalosporin facility will start its operation within two years.

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.

FINANCIAL AND OPERATIONAL PERFORMANCE

(In Rupees Lacs)

Particulars	Current Year	Previous Year
Total Income	9683.83	7642.25
Profit before Tax (PBT)	580.89	307.89
Profit After Tax (PAT)	343.90	188.52

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The industrial relations remained cordial 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.

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:05-09-2017



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 M/s Kwalita Pharmaceuticals Private Limited), which comprise the Standalone Balance Sheet as at 31st March, 2017, 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, 2017, 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, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 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 42 of notes and disclosures forming part of standalone financial statements annexed with the stand alone 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.



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- iv) The company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the company.

**For Vijay Mehra & Co.
Chartered Accountants
FRN- 001051N**

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

**Place: Amritsar
Dated: 30-05-2017**



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

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

We have audited the internal financial controls over financial reporting of **M/s Kwalita Pharmaceuticals Limited** (erstwhile M/s Kwalita Pharmaceuticals Private Limited) as of March 31, 2017 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, 2016, 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.

Place: Amritsar
Dated: 30-05-2017

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

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



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

Referred to in of our report of even date

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

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immoveable properties are held in the name of the company.
- (ii) (a) As explained to us, the inventory has been physically verified at reasonable intervals during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and on the basis of our examination of the records, the company is generally maintaining proper records of its inventories. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.
- (iii) As explained to us, the company has granted loan to its subsidiary listed in register maintained under section 189 of The Companies Act, 2013 (Act). The subsidiary Company named Kwalita Pharmaceuticals Africa Limitada incorporated on 20.09.2013 under the laws of Africa having identification number as 100428873. The registered office of the Company is located at Mozambique, Maputo Cidade, Distrito Urbano 1, Bairro de Central, Africa.
 - a) The subsidiary is incorporated with the intention of import export and marketing of pharmaceutical products of the company. The terms of the aforementioned loan are not prejudicial to the interest of the company.
 - b) The terms of the loan do not prescribe any schedule of repayment of principal and payment of interest.
 - c) As informed, there are no overdues in the amount of loan.
- (iv) The company has not given any loans, investments, guarantees, and security during the year.
- (v) The Company has not accepted any deposits from the public.
- (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 generally 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, Cess and other material statutory dues applicable to it.
 - (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



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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.

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) The monies raised by way of initial public offer and the term loans by the company during the year have been applied for the purpose for which those are raised.
- (x) Based upon the audit procedures performed and according to the information and explanations given to us, no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the course of our audit, that causes the financial statements to be materially misstated.
- (xi) According to the information and explanations given to us, managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provision of Section 197 read with schedule 5 to the Companies Act, 2013.
- (xii) The company is not a Nidhi Company hence this clause is not applicable.
- (xiii) Based upon the audit procedures performed and according to the information and explanations given to us, all transactions with related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the Financial statements etc. as required by the applicable accounting standards.
- (xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the company has not entered into any non-cash transactions with directors or persons connected with him and provisions of section 192 of the Act are not applicable.
- (xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For Vijay Mehra & Co.
Chartered Accountants
FRN- 001051N**

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

**Place: Amritsar
Dated: 30-05-2017**



KWALITI PHARMACEUTICALS LIMITED
STANDALONE BALANCE SHEET AS AT 31ST MARCH, 2017

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Rupees in Lakhs

Particulars	Note	As at 31 March, 2017 (Audited)	As at 31 March, 2016 (Audited)
A			
EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	1	518.81	500.81
(b) Reserves and surplus	2	2,125.22	1,755.65
		2,644.03	2,256.46
2 Share application money pending allotment			
3 Non-current liabilities			
(a) Long-term borrowings	3	313.46	253.06
(b) Deferred tax liabilities (net)	4	39.70	45.03
(c) Other long-term liabilities			
(d) Long-term provisions	5	54.11	17.36
		407.27	315.45
4 Current liabilities			
(a) Short-term borrowings	6	1,509.08	965.21
(b) Trade payables	7	1,274.37	966.68
(c) Other current liabilities	8	1,138.51	594.04
(d) Short-term provisions	9	230.00	127.68
		4,151.97	2,653.60
TOTAL		7,203.26	5,225.51
B			
ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	1,577.36	1,135.11
(b) Non-current investments	11	372.65	276.87
(c) Long-term loans and advances	12	12.33	12.33
(d) Other non-current assets	13	10.38	13.84
		1,972.72	1,438.16
2 Current assets			
(a) Current investments	14	293.62	190.81
(b) Inventories	15	1,373.54	863.28
(c) Trade receivables	16	2,270.09	1,978.67
(d) Cash and cash equivalents	17	236.06	99.97
(e) Short-term loans and advances	18	1,053.57	650.75
(f) Other current assets	19	3.66	3.86
		5,230.54	3,787.35
TOTAL		7,203.26	5,225.51
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 : 30-05-2017

For and on behalf of the Board of Directors

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

Sd/-
(Pallavi Aggarwal)
Company Secretary

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

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



KWALITY PHARMACEUTICALS LIMITED
STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

Particulars		Note	As at 31 March,2017 (Audited)	As at 31 March,2016 (Audited)
A	CONTINUING OPERATIONS			
1	Revenue from operations (gross)	20	9,532.19	7,587.21
2	Other income	21	151.64	55.04
3	Total revenue (1+2)		9,683.83	7,642.25
4	Expenses			
	(a) Cost of materials consumed	22	7,183.98	5,742.73
	(b) Purchases of stock-in-trade		36.38	5.17
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	(256.02)	39.65
	(d) Employee benefits expense	24	415.15	255.20
	(e) Finance Cost	25	187.68	119.20
	(f) Depreciation and amortisation expense	10	236.97	169.02
	(g) Other expenses	26	1,298.80	1,003.39
	Total expenses		9,102.95	7,334.36
5	Profit/(Loss) from operations before Exceptional items (3-4)		580.89	307.89
6	Exceptional items		-	-
7	Profit / (Loss) before extraordinary items and tax (6-7)		580.89	307.89
8	Extraordinary items		-	-
9	Profit / (Loss) before tax (7+ 8)		580.89	307.89
10	Tax expense:		236.98	119.37

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11	Profit / (Loss) from continuing operations (9 +10)		343.90	188.52
B DISCONTINUING OPERATIONS				
12	Profit / (Loss) from discontinuing operations		0.00	0.00
13	Profit / (Loss) for the year (11 + 12)		343.90	188.52
14	Paid up equity share capital(Face value of the share shall be indicated)		518.81	500.81
15	Reserve excluding revaluation reserves as per balance sheet of previous accounting year		2,045.22	1,594.74
16	Earning Per Share(EPS)			
	(a) Basic and diluted EPS before extraordinary items for the period,for the year to date and for the previous year (not to be annualised)		6.70	4.14
	(b) Basic and diluted EPS after extraordinary items for the period,for the year to date and for the previous year (not to be annualised)		6.70	4.14
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 : 30-05-2017

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/-
(Pallavi Aggarwal)
Company Secretary

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



KWALITY PHARMACEUTICALS LIMITED

Annual Report 2016-2017

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 SHARE CAPITAL

	As at 31 March, 2017		As at 31 March, 2016	
	Number of shares	Rs. In Lakhs	Number of shares	Rs. In Lakhs
(a) Authorised				
Equity shares of Rs. 10 each with voting rights	8,000,000	800.00	8,000,000	800.00
(b) Issued				
Equity shares of Rs. 10 each with voting rights	5,188,099	518.81	5,008,099	500.81
(c) Subscribed and fully paid up				
Equity shares of Rs. 10 each with voting rights	5,188,099	518.81	5,008,099	500.81
(d) Subscribed but not fully paid up				
	-	-	-	-
Total	5,188,099.00	518.81	5,008,099	500.81

Note 2 RESERVES AND SURPLUS

	As at 31 March, 2017		As at 31 March, 2016	
(a) Securities premium account				
Opening balance	783.77		639.77	
Add : Premium on calls paid	63.00		144.00	
Closing balance		846.77		783.77
(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	883.67		800.72	
Add: Profit / (Loss) for the year	343.90		188.52	
Less Adjustment of prior period items due to restatement of previous year financial statements			(105.56)	
Less: Appropriations				
Interim Dividend	31.13			
Dividend Distribution Tax	6.21			
Closing balance		1,190.24		883.67
Total		2,125.22		1,755.65

Note 3 LONG TERM BORROWINGS

	As at 31 March, 2017		As at 31 March, 2016	
(a) Term loans				
From Banks (Secured)		178.03		218.89
From other parties				
Secured	85.21		15.93	
Unsecured	50.21		18.24	
		135.43		34.17
(b) For the current Maturities of Long Term debt refer Note Other Current Liabilities				
Total		313.46		253.06

Note 4 DEFERRED TAX LIABILITY

	As at 31 March, 2017		As at 31 March, 2016	
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		45.03		51.98
Current Year Adjustment of deferred Tax Asset		(5.33)		-6.95
Net deferred tax (liability) / asset		39.70		45.03



Note 5 LONG TERM PROVISIONS

	As at 31 March,2017		As at 31 March,2016	
Provision for Gratuity		54.11		17.36
Total		54.11		17.36

Note 6 SHORT TERM BORROWINGS

	As at 31 March,2017		As at 31 March,2016	
Loans repayable on demand				
From Banks				
(a) Cash Credit Facility		1192.48		294.37
(b) Packing Credit Facility		316.59		670.84
Loans from Banks are secured against Inventory, Book Debts and Collateral securities in Immovable Properties		1509.08		965.21
Total		1,509.08		965.21

Note 7 TRADE PAYABLES

	As at 31 March,2017		As at 31 March,2016	
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		1,274.37		966.68
Total		1,274.37		966.68

Note 8 OTHER CURRENT LIABILITIES

	As at 31 March,2017		As at 31 March,2016	
(a) Current Maturities of Long-Term Debts		66.34		53.42
(b) Interest Accrued but not due on borrowings		1.64		1.29
(c) Other payables				
Statutory Remittances		23.79		6.43
Security Deposits Received		4.50		4.50
Credit balances in Directors Salary A/c		3.55		5.06
Other Expenses Payable		40.59		22.72
Advances from customers		998.11		500.62
		1070.54		539.33
Total		1,138.51		594.04

Note 9 SHORT TERM PROVISIONS

	As at 31 March,2017		As at 31 March,2016	
Provision for Gratuity		-		2.68
Provision for Taxation		230.00		125.00
Total		230.00		127.68

Note 11 NON CURRENT INVESTMENTS

	As at 31 March,2017		As at 31 March,2016	
Investment in equity instruments				
10 shares of Rs.100 eachfully paid of R.B.woollen Mills Pvt Ltd		0.01		0.01
Gold Coins		2.88		2.88
Trustline Securities Ltd.		4.68		
Gratuity Fund Investments		54.11		61.68
Investment in Subsidiary				
Kwality Pharmaceuticals Africa Lda (Mozambique)		310.97		273.98
		310.97		273.98
Total		372.65		276.87



Note 12 LONG TERM LOANS AND ADVANCES

	As at 31 March,2017		As at 31 March,2016	
Security Deposits		12.33		12.33
Total		12.33		12.33

Note 13 OTHER NON CURRENT ASSETS

	As at 31 March,2017		As at 31 March,2016	
Unamortised Share Issue Expenses		10.38		13.84
Total		10.38		13.84

Note 14 CURRENT INVESTMENTS

	As at 31 March,2017		As at 31 March,2016	
Fixed Deposits including deposits towards Margin Money Against Guarantees		293.62		190.81
Total		293.62		190.81

Note 15 INVENTORIES

(As taken valued and certified by the Directors)

	As at 31 March,2017		As at 31 March,2016	
(a) Raw materials at cost		696.33		556.95
(b) Finished goods at cost or net realisable value which ever is lower		365.90		109.88
(c) Packing Material at Cost		311.31		196.45
Total		1373.54		863.28

Note 16 TRADE RECEIVABLES

	As at 31 March,2017		As at 31 March,2016	
Trade receivables outstanding for a period exceeding six months from the date they were due for payment				
Secured, considered good		-		-
Unsecured, considered good	479.79		187.29	
Doubtful		-		-
Less: Provision for doubtful trade receivables		-		-
		479.79		187.29
Other Trade receivables				
Unsecured, considered good	1,790.30		1,791.39	
Less: Provision for doubtful trade receivables		-		-
		1,790.30		1,791.39
Total		2,270.09		1978.67



Note 17 CASH AND CASH EQUIVALENTS

	As at 31 March,2017		As at 31 March,2016	
(a) Cash on hand		1.97		5.93
(b) Balances with banks				
(i) In current accounts		234.09		94.05
Total		236.06		99.97

Note 18 SHORT TERM LOANS AND ADVANCES

	As at 31 March,2017		As at 31 March,2016	
(a) Security deposits		184.11		105.46
(b) Prepaid expenses		1.16		1.47
(c) Balances with government authorities		751.25		439.26
(d) Advances for supply of goods and services		117.05		104.56
Total		1,053.57		650.75

Note 19 OTHER CURRENT ASSETS

	As at 31 March,2017		As at 31 March,2016	
Deferred Revenue Expenditure:				
(a) Share Issue expenses		3.46		3.46
(b) Others		0.20		0.40
Total		3.66		3.86

Note 20 REVENUE FROM OPERATIONS

	As at 31 March,2017		As at 31 March,2016	
Sale of products				
Domestic		4839.32		2948.31
Export Sales		3565.01		3476.99
Sales Deemed Export		1127.86		1161.91
Total		9532.19		7587.21

Note 21 OTHER INCOME

	As at 31 March,2017		As at 31 March,2016	
Interest on:				
Interest on FDR		11.76		7.79
Interest on loan,Mozambique		36.99		19.81
Interest on Electricity		0.83		0.60
		49.58		28.20
D.E.P.B Income		100.16		16.71
Sales Promotion		0.00		3.91
Export Document Charges		0.00		3.78
Rebate and Discount		0.00		2.24
Miscellaneous Income (Income Tax Refund)		0.23		0.2
Settlement of Forward Contracts		1.68		
Total		151.64		55.04



Note 22 COST OF MATERIAL CONSUMED

	As at 31 March,2017		As at 31 March,2016	
Opening stock Raw material and Packing material	753.40		496.32	
Add: Purchases Raw material and Packing material	7438.22		6009.42	
	8191.62		6505.74	
Less: Purchase return	-	8191.62	9.61	6496.13
Less: Closing stock Raw material and Packing material		1007.64		753.40
Total		7,183.98		5742.73

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

	As at 31 March,2017		As at 31 March,2016	
Opening stock Finished Goods	109.88		149.53	
Less: Closing stock of Finised Goods	365.90		109.88	
		-256.02		39.65
Total		-256.02		39.65

Note 24 EMPLOYEE BENEFITS EXPENSE

	As at 31 March,2017		As at 31 March,2016	
Salaries and wages		248.27		156.55
Directors Remuneration		62.40		50.20
Provision for gratuity		34.07		5.37
Contributions to provident and other funds		32.64		13.42
Staff welfare expenses		37.78		29.66
Total		415.15		255.20

Note 25 FINANCE COSTS

	As at 31 March,2017		As at 31 March,2016	
(a) Interest expense on:				
(i) Bank Borrowings		174.37		105.55
(ii) Interest on deposits		2.19		5.22
(iii) Interest & financial chgs on vehicle & other loans		9.48		7.14
(iv) Interest Accrued but not due on borrowings		1.64		1.29
Total		187.68		119.20



Note 26 OTHER EXPENSES

	As at 31 March,2017		As at 31 March,2016	
Accountancy Charges		1.35		0.99
Adjustment in foreign currency		1.91		0.90
Director's Sitting Fees		0.33		0.14
Bank Rating Charges		2.83		1.01
Business promotion		7.14		2.71
Commision on Purchase		3.37		0.31
Communication		7.14		5.43
Customs Duty Charges		25.10		14.86
Donations and contributions		1.38		0.97
Excise on Stock Transfer		6.23		60.78
Export Ocean Freight		56.86		52.58
Exports Agency Charges		4.62		4.63
Exports Clearing Charges		1.24		1.59
Export Documents Charges		0.51		-
Factory Exp.		145.22		68.01
Fees and taxes		3.17		20.43
Freight and forwarding		358.71		237.14
Insurance		11.29		12.12
Inward expenses		1.46		2.28
Job Work of Label & Printing		6.43		6.58
Legal and professional		39.64		31.13
Loss on disposal of Assets				36.36
Management & Consultancy expenses		5.25		4.58
Miscellaneous expenses		0.46		0.84
Office Expenditure		9.59		7.14
Payments to auditors :				
As Auditors	3.50		1.824	
For other Services	1.45		2.78	
		4.95		4.60
Postage & Telegram		15.17		16.67
Power, Fuel , Gases & Electricity		279.94		229.73
Printing and stationery		6.10		1.00
Rent including lease rentals		3.72		2.74
Repairs and maintenance		44.78		74.23
Sales commission		69.59		30.12
Tender Expenses		4.35		3.09
Testing, Laboratory charges		85.85		64.18
Travelling and conveyance		18.14		3.52
Share Issue Expense		3.66		-
Rebate & Discount		1.69		-
Rate Difference		59.63		-
Total		1,298.80		1003.39



Note 10 FIXED ASSETS

Description of Assets	Gross Block (At Cost)			Accumulated Depreciation			Net Block		
	As at 01.04.16	Additions during the year	Deductio ns during the year	As at 31.03.2017.	Upto 31.03.2016	Dep on mach sold	For the year ended 31.03.2017	As at 31.03.2017	As at 01.04.16
Plant & Machinery	885.95	309.13	0.00	1196.08	406.69		89.62	496.31	699.76
Buildings	715.45	136.25	0.00	851.71	326.22		38.65	364.87	486.84
Furniture	21.32	13.08	0.00	34.40	14.61		3.58	18.18	16.22
Vehicles	279.55	93.86	0.00	373.41	149.34		44.35	193.69	179.72
Computer Equipment	68.03	23.84	0.00	91.85	52.16		18.81	70.97	20.90
Laboratory Equipment	104.83	78.34	0.00	183.17	32.92		36.53	69.46	113.71
Office Equipment	12.56	0.83	0.00	13.39	9.78		1.48	11.26	2.13
Lift A/c.	5.17	0.00	0.00	5.17	4.79		0.12	4.91	0.26
Electric Fittings	11.46	23.88	0.00	35.34	9.17		3.84	13.01	22.33
Land	35.48	0.00	0.00	35.48	0.00		0.00	0.00	35.48
Total	2140.80	679.22	0.00	2820.00	1005.67	0.00	236.98	1242.66	1577.36
Previous Year Figures	2131.31	258.68	249.21	2140.78	1037.13	200.49	169.02	1005.67	1135.11



KWALITY PHARMACEUTICALS LIMITED (erstwhile M/s Kwalita Pharmaceuticals Private Limited)
Standalone Cash Flow Statement for the year ended 31st March 2017

		Year ended 31st March 2017	Year ended 31st March 2016
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit Before Tax	580.89	307.89
	Adjustments for:		
	Depreciation	236.97	169.02
	(Profit)/loss on sale of Assets	0.00	36.36
	Long-term Provision for Gratuity	36.75	2.69
	Share issue expenses Written off	3.46	
	Interest & Finance Charges	187.68	119.20
	Interest on FDR	(11.76)	(7.79)
	Interest on Investment and advances	(36.98)	(19.81)
	Interest on Electricity Deposit	(0.83)	(0.60)
		415.29	299.07
	Operating Profit before Working Capital Changes	996.18	606.96
	Adjustments for:		
	Decrease/(Increase) in Receivables	(291.42)	(1,073.64)
	Decrease/(Increase) in Short Term Loans & advances	(402.81)	40.93
	Decrease/(Increase) in Inventories	(510.26)	(217.43)
	Decrease/(Increase) in Other Current Assets	0.20	(3.26)
	Decrease/(Increase) in Current Investments	(102.81)	(93.47)
	Increase/(Decrease) in Other current Liabilities	544.48	(7.50)
	Increase/(Decrease) in Short Term Provisions	102.32	69.68
	Increase/(Decrease) in Payables	307.70	548.11
		(352.60)	(736.58)
	Cash generated from operations	643.58	-129.62
	Less: Income Tax	242.31	126.32
	Net Cash flow from Operating activities (A)	401.27	(255.94)
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets	(679.22)	(258.68)
	Sale of Fixed Assets	0	12.37
	Increase in Investment	(95.77)	(19.81)
	Interest on Investment	36.98	19.81
	Increase in long term Advances	-	(2.74)
	Interest on Electricity Deposit	0.83	0.60
	Interest on FDR	11.76	7.79
	Net Cash used in Investing activities (B)	(725.42)	(240.66)

**Annual Report 2016-2017**

C	CASH FLOW FROM FINANCING ACTIVITIES			
	Proceeds from fresh issue of shares	18.00	-	
	Proceeds for call in arrears received	0.00	60.00	
	Securities Premium Received	63.00	144.00	
	Proceeds from Long term Borrowings	185.51	364.45	
	Proceeds from Short term Borrowings	15682.24	965.22	
	Repayment of Long Term Borrowings	(125.11)	(191.14)	
	Repayment of Short Term Borrowings	(15,138.38)	(663.04)	
	Interest paid	(187.68)	(119.20)	
	Dividend Distributed	(31.13)		
	Dividend Distribution Tax	(6.21)		
	Share Issue Expenses	-	(13.84)	
	Net Cash from financing activities (C)		460.24	546.45
	Net increase in cash & Cash Equivalents (A+B+C)		136.09	49.85
	Opening Cash and Cash equivalents		99.97	50.13
	Closing Cash and Cash equivalents		236.06	99.97
	Cash & Cash Equivalents		As on	As on
			31.03.2017	31.03.2016
	Cash in Hand		1.97	5.92
	Cash at Bank		234.09	94.05
	Cash & Cash equivalents as stated in Financial Statements		236.06	99.97

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 : 30-05-2017

For and on behalf of the Board of Directors

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& CFO**
DIN:07320410



M/S KWALTY PHARMACEUTICALS LIMITED
(erstwhile M/s Kwalty Pharmaceuticals Private Limited)

NOTES & DISCLOSURES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March, 2017

27. DISCLOSURES RELATING TO SHARE CAPITAL

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

i) Rights, Preferences and Restrictions attached to Equity Shares

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

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

Name of Shareholder	As at 31 st March 2017		As at 31 st March 2016	
	No. of Equity Shares held	% Holding	No. of Equity Shares held	% Holding
Ramesh Arora	1483008	28.58%	1483008	29.61%
Ajay Arora	697814	13.45%	697814	13.93%
Situs Promoters Pvt. Ltd.			1200000	23.96%
Classic International Limited			255000	5.09%
T R Metals Private Ltd.	690735	13.31%		

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 2017		As at 31 st March 2016	
	No. of Equity Shares held	Amount in Rupees	No. of Equity Shares held	Amount in Rupees
Opening Balance	5008099	4,40,80,990	5008099	4,40,80,990
Add: Unpaid Calls received during the year			1200000	60,00,000
Add: Fresh Issue	180000	1800000		
Closing Balance	5188099	5,18,80,990	5008099	5,00,80,990

28. TERMS OF BORROWINGS AND NATURE OF SECURITIES

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

The 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.	Truck	The loan is repayable in 60 instalments of Rs. 18,575/- each starting from June 2013
3.	Truck	The loan is repayable in 60 instalments of Rs. 26,080/- each starting from June 2013
4.	Swift Car	The loan is repayable in 36 instalments of Rs. 17,830/- each starting from June 2014



5.	Fortuner Car	The loan is repayable in 60 instalments of Rs. 40,800/- each starting from November 2014
6.	Chevrolet Cruze Car	The loan is repayable in 60 instalments of Rs. 28,992/- each starting from December 2015
7.	Machinery	The loan is repayable in 60 instalments of Rs. 4,62,734/- each starting from November 2015
8.	Polo Car	The loan is repayable in 60 instalments of Rs. 9,210/- each starting from May 2012
9.	Machinery	The loan is repayable in 24 instalments of Rs. 51,484/- each starting from November 2015
10.	Jaguar	The loan is repayable in 60 instalments of Rs. 1,17,010/- each starting from April 2016

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, owned by the Company in its name.

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, as well as provision for gratuity, not allowable as deduction under the 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 31.03.2016	DTA/(DTL) for the year 2016-17	DTA/(DTL) as on 31.03.2017
Opening balance of Deferred Tax	(45.03)		



Liability, as restated			
On Account of Difference between depreciation as per books of accounts and Income Tax Act, 1961		5.33	
Closing Balance of Deferred Tax Liability			(39.70)

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

Reference: **Note 5** and **Note 24** of the Standalone Financial Statements in relation to **“Long Term Provisions”** and **“Employee Benefit Expenses”**

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

	Year ended 31 st March 2017 (in Rs.)	Year ended 31 st March 2016 (in Rs.)
Contribution to Provident Fund	10,08,950/-	7,81,693/-
Contribution to Employee State Insurance Scheme	32,63,647/-	3,32,916/-
Provision for Gratuity	34,06,673/-	5,37,000/-

Provision for gratuity for the year ended March 31st, 2017 has been prepared on the basis of actuarial valuation report for calculation of gratuity.

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, 2017 are Rs. 1274.37 Lakhs and March 31st, 2016 are Rs. 966.68 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. 230.00 Lakhs (Previous Year Rs. 125.00 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”**

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. 21.96 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** and **Note 26** 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, 2017.

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, 2017 i.e. Rs. 2270.09 Lakhs and March 31st, 2016 i.e. Rs. 1978.66 Lakhs do include Trade Receivables in foreign currency to such extent as depicted as under:

CURRENCY	As at 31 st March 2017		As at 31 st March, 2016	
	Foreign Currency (in USD)	Amount in Rs. In Lakhs	Foreign Currency	Amount in Rs. In Lakhs
Amount Receivable in Foreign Currency	825264.7	534.77	1029721.66	682.55

As at the year end, the aforementioned trade receivables have not been hedged by a derivative instrument 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 2017		As at 31 st March 2016	
	% Consumption	Rs. In Lakhs	% Consumption	Rs. In Lakhs
Imported and Indigenous				
Imported	1.76	126.24	4.79	275.20
Indigenous	98.24	7057.74	95.21	5467.53



TOTAL	100.00	7183.98	100.00	5742.73
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39. EXCHANGE GAIN/(LOSS)

Reference: **Note 26** of the Standalone Financial Statements in relation to **“Other Expenses”**

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. 1,91,280.31/- [Previous Year Rs. 89,693/-].

40. SEGMENT REPORTING

In accordance with AS-17 "Segment Reporting", segment information has been given in the Consolidated Financial Statement of Kwalita Pharmaceuticals Ltd., and therefore, no separate disclosure on segment information is given in these financial statements.

41. CONTINGENT LIABILITIES AND PENDING LITIGATIONS

❖ Contingent Liabilities

Particulars	As at 31 st March 2017(Rs. In Lakhs)	As at 31 st March 2016 (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	230.35	114.82

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.

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.



42. SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The company was incorporated as private limited company on 04/05/1983 under the Companies Act, 1956, in the state of Punjab at Amritsar. The company was then converted into public limited company on 28/12/2015, subsequently name changed to Kwalita Pharmaceuticals Limited with CIN No.U4232PB1983PLC005426. During the year, company raised the funds through 'Initial Public offer' for 1,80,000 equity shares. 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, 2017.

v) Leases:



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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 premises is owned by Government of Himachal Pradesh and the lease is for initial period of 95 years. 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:

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.

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, 2017.

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



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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.

43. INCOME/EXPENDITURE IN FOREIGN CURRENCY

Particulars	Year ended 31 st March 2017 (Rs. In Lakhs)	Year Ended 31 st March 2016 (Rs. In Lakhs)
Income		
Sale of Products	3565.00	3476.96
Expenditure		
Capital Goods	91.52	33.73
Raw Materials	217.60	295.93

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

Name	Relationship	Nature of Transactions	Amount of Transactions for the year 2016-17 (Rs. In Lakhs)	Amount of Transactions for the year 2015-16 (Rs. In Lakhs)
Ajay Arora	Director	Remuneration	24.00	19.25
		Rent	1.08	1.055
Anju Arora	Director	Remuneration	4.80	4.80
Anu Mehra	Sister in law of Director	Interest	0.03	0.02
Arti Bajaj	Sister in law of Director	Interest	-	0.03
Geeta Arora	Director	Remuneration	4.80	4.80
Jugal Kishore HUF	Relative of director	Interest	0.18	0.13
Ramesh Arora	Director	Remuneration	24.00	19.25
		Rent	1.08	1.105
Aditya Arora	Director	Remuneration	4.80	4.80
Janibhasha Shaik	Director	Unsecured Loan	30.00	-
Kanika Arora	Daughter of Director	Salary	0.83	-
Pooja Kapoor	Relative of Director	Interest	-	0.02
		Repayment of Loan	-	0.23
Kwality	Subsidiary	Interest Accrued	36.99	19.81



Pharmaceuticals Africa Lda		Sale of Products	21.96	176.00
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45. ACCOUNTING STANDARD (AS-20) ON EARNINGS PER SHARE

	Year ended 31 st March 2017	Year ended 31 st March 2016
Profit used as numerator for calculating EPS	343.90	188.52
Weighted Average Number of shares used in computing basic and diluted earnings per share	51.36	45.58
Nominal/Face Value per share	10	10
Basic and Diluted Earnings per share	6.70	4.14

46. DISCLOSURE ON SPECIFIED BANK NOTES

During the year, the company had Specified Bank Notes (SBNs) or other denomination notes as defined in the MCA notification, G.S.R 308(E), dated 31st Mar, 2017. The details of SBNs and other denomination notes held and transacted during the period from November 8, 2016 to December 30, 2016, as per the notification are as follows:

	SBNs	Other Denomination Notes	Total
Closing Cash in hand as on November 08, 2016	8,60,000.00	2,73,865.00	11,33,865.00
(+) Permitted Receipts	-	-	-
(-) Permitted Payments	-	2,73,865.00	2,73,865.00
(-) Amount Deposited in banks	8,60,000.00	-	8,60,000.00
Closing Cash as on December 30, 2016	0	0	0

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/-
(Pallavi Aggarwal)
Company Secretary

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

Place : Amritsar
Date : 30-05-2017



**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, 2017, 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, 2017, 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. 324.10 Lakhs as at 31st March, 2017 and total revenues of Rs. 327.52 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 2017 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, 2017, from being appointed as a director in terms of Section 164(2) of the Act.



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- 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:
- 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.
 - iv The Parent has provided requisite disclosures in the Consolidated Financial Statements as regards the holding and dealing in Specified Bank Notes as defined in MCA notification, G.S.R 308(E), dated 31st March, 2017, during the period from 8th November, 2016 to 30th December, 2016 of the Group entities as applicable. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the relevant books of accounts maintained by those entities for the purpose of preparation of the Consolidated Financial Statements and as produced to us by the Management of the Group Entity.

For Vijay Mehra & Co.
Chartered Accountants
Firm Registration no.001051N

Sd/-

CA Amit Handa
Partner
Membership No.502400

Place:Amritsar
Date :30-05-2017



"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, 2017 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.

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 ,2017 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: 30-05-2017



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KWALITI PHARMACEUTICALS LIMITEE
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017

Rupees in Lakhs

Particulars	Note	As at 31 March, 2017 (Audited)	As at 31 March, 2016 (Audited)
A			
EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	1	518.81	500.81
(b) Reserves and surplus	2	2,039.60	1,674.74
		2,558.41	2,175.55
2 Minority Interest in Subsidiary		(49.73)	(41.23)
3 Non-current liabilities			
(a) Long-term borrowings	3	330.08	269.68
(b) Deferred tax liabilities (net)	4	39.70	45.03
(c) Other long-term liabilities		-	-
(d) Long-term provisions	5	54.11	17.36
		423.89	332.07
4 Current liabilities			
(a) Short-term borrowings	6	1,509.08	965.21
(b) Trade payables	7	1,274.37	966.68
(c) Other current liabilities	8	1,146.10	594.04
(d) Short-term provisions	9	230.00	127.68
		4,159.55	2,653.60
TOTAL		7,092.12	5,119.99
B			
ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	1,701.02	1,272.34
(b) Non-current investments	11	61.68	2.89
(c) Long-term loans and advances	12	12.33	12.33
(d) Other non-current assets	13	10.38	13.84
		1,785.40	1,301.41
2 Current assets			
(a) Current investments	14	303.14	190.81
(b) Inventories	15	1,385.25	1,034.57
(c) Trade receivables	16	2,261.32	1,802.66
(d) Cash and cash equivalents	17	299.08	134.52
(e) Short-term loans and advances	18	1,054.25	651.40
(f) Other current assets	19	3.66	4.63
		5,306.71	3,818.58
TOTAL		7092.12	5,119.99
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 : 30-05-2017

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/-
(Pallavi Aggarwal)
Company Secretary

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



KWALITY PHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

Particulars		Note	As at 31 March,2017 (Audited)	As at 31 March,2016 (Audited)
A	CONTINUING OPERATIONS			
1	Revenue from operations (gross)	20	9,831.52	7,417.49
2	Other income	21	120.88	36.40
3	Total revenue (1+2)		9,952.41	7,453.90
4	Expenses			
	(a) Cost of materials consumed	22	7,183.98	5,742.73
	(b) Purchases of stock-in-trade		35.05	5.17
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	-96.45	-131.64
	(d) Employee benefits expense	24	422.73	266.39
	(e) Finance Cost	25	187.68	119.20
	(f) Depreciation and amortisation expense	10	250.80	169.02
	(g) Other expenses	26	1,403.73	1,035.46
	Total expenses		9,387.53	7,206.33
5	Profit/(Loss) from operations before Exceptional items (3-4)		564.87	247.57
6	Exceptional items		-	-
7	Profit / (Loss) before extraordinary items and tax (5-6)		564.87	247.57
8	Extraordinary items		-	-
9	Profit / (Loss) before tax (7-8)		564.87	247.57

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10	Tax expense:			
	(a) Current tax expense		236.98	119.37
	(b) Deferred tax			
11	Profit / (Loss) from continuing operations (9 +10)		327.89	128.19
B	DISCONTINUING OPERATIONS			
12	Profit / (Loss) from discontinuing operations		0.00	0.00
13	Profit / (Loss) for the year (11 + 12)		327.89	128.19
14	Add/ (Less) Minority Interest in Subsidiary Profits		8.50	27.20
15	Profit / (Loss) for the year (13 + 14)		336.39	155.39
	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 : 30-05-2017

For and on behalf of the Board of Directors

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

Sd/-
(Pallavi Aggarwal)
Company Secretary

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

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



KWALITY PHARMACEUTICALS LIMITED

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 SHARE CAPITAL

	As at 31 March, 2017		As at 31 March, 2016	
	Number of shares	Rs. In Lakhs	Number of shares	Rs. In Lakhs
(a) Authorised				
Equity shares of Rs. 10 each with voting rights	8,000,000	800.00	8,000,000	800.00
(b) Issued				
Equity shares of Rs. 10 each with voting rights	5,188,099	518.81	5,008,099	500.81
(c) Subscribed and fully paid up				
Equity shares of Rs. 10 each with voting rights	5,188,099	518.81	5,008,099	500.81
(d) Subscribed but not fully paid up	-	-	-	-
Total	5,188,099	518.81	5,008,099	500.81

Note 2 RESERVES AND SURPLUS

	As at 31 March, 2017	As at 31 March, 2016
(a) Securities premium account		
Opening balance	783.77	639.77
Add : Premium on calls paid	63.00	144.00
Closing balance	846.77	783.77
(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	802.76	752.93
Add: Profit / (Loss) for the year	336.39	155.39
Less Adjustment of prior period items due to restatement of previous year financial statements	2.81	(105.56)
Less: Appropriations		
Interim Dividend	31.13	
Dividend Distribution Tax	6.21	
Closing balance	1,104.62	802.76
Total	2,039.60	1,674.74

Note 3 LONG TERM BORROWINGS

	As at 31 March, 2017	As at 31 March, 2016
(a) Term loans		
From Banks (Secured)	178.03	218.89
From other parties		
Secured	85.21	15.93
Loan in Mozambique	16.62	16.62
Unsecured	50.21	18.24
	152.05	50.79
(b) For the current Maturities of Long Term debt refer Note Other Current Liabilities		
Total	330.08	269.68

Note 4 DEFERRED TAX LIABILITY

	As at 31 March, 2017	As at 31 March, 2016
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	45.03	51.98
Current Year Adjustment of deferred Tax Asset	(5.33)	-6.95
Net deferred tax (liability) / asset	39.70	45.03



Note 5 LONG TERM PROVISIONS

	As at 31 March,2017		As at 31 March,2016	
Provision for Gratuity		54.11		17.36
Total		54.11		17.36

Note 6 SHORT TERM BORROWINGS

	As at 31 March,2017		As at 31 March,2016	
Loans repayable on demand				
From Banks				
(a) Cash Credit Facility	1192.48		294.37	
(b) Packing Credit Facility	316.59		670.84	
Loans from Banks are secured against Inventory, Book Debts and Collateral securities in Immovable Properties		1509.08		965.21
Total		1,509.08		965.21

Note 7 TRADE PAYABLES

	As at 31 March,2017		As at 31 March,2016	
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		1,274.37		966.68
Total		1,274.37		966.68

Note 8 OTHER CURRENT LIABILITIES

	As at 31 March,2017		As at 31 March,2016	
(a) Current Maturities of Long-Term Debts		66.34		53.42
(b) Interest Accrued but not due on borrowings		1.64		1.29
(c) Other payables				
Statutory Remittances	23.79		6.43	
Security Deposits Received	4.50		4.50	
Credit balances in Directors Salary A/c	3.55		5.06	
Other Expenses Payable	40.59		22.72	
Advances from customers	998.11		500.62	
Payables at Mozambique	7.59			
		1078.13		539.33
Total		1,146.10		594.04

Note 9 SHORT TERM PROVISIONS

	As at 31 March,2017		As at 31 March,2016	
Provision for Gratuity		-		2.68
Provision for Taxation		230.00		125.00
Total		230.00		127.68

Note 11 NON CURRENT INVESTMENTS

	As at 31 March,2017		As at 31 March,2016	
Investment in equity instruments				
10 shares of Rs.100 eachfully paid of R.B.woollen Mills Pvt Ltd		0.01		0.01
Gold Coins		2.88		2.88
Trustline Securities Ltd.		4.68		
Gratuity Fund Investment		54.11		
Total		61.68		2.89

Note 12 LONG TERM LOANS AND ADVANCES

	As at 31 March,2017		As at 31 March,2016	
Security Deposits		12.33		12.33
Total		12.33		12.33



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Note 13 OTHER NON CURRENT ASSETS

	As at 31 March,2017		As at 31 March,2016	
Unamortised Share Issue Expenses		10.38		13.84
Total		10.38		13.84

Note 14 CURRENT INVESTMENTS

	As at 31 March,2017		As at 31 March,2016	
Fixed Deposits including deposits towards Margin Money Against Guarantees		293.62		190.81
Fixed deposit at Mozambique		9.51		
Total		303.14		190.81

Note 15 INVENTORIES

(As taken valued and certified by the Directors)

	As at 31 March,2017		As at 31 March,2016	
(a) Raw materials at cost		696.33		556.95
(b) Finished goods at cost or net realisable value which ever is lower		377.61		281.17
(c) Packing Material at Cost		311.31		196.45
Total		1385.25		1034.57

Note 16 TRADE RECEIVABLES

	As at 31 March,2017		As at 31 March,2016	
Trade receivables outstanding for a period exceeding six months from the date they were due for payment				
Secured, considered good		-		-
Unsecured, considered good	389.16		187.29	
Doubtful		-		-
Less: Provision for doubtful trade receivables		-		-
		389.16		187.29
Other Trade receivables				
Unsecured, considered good	1,872.17		1,615.37	
Less: Provision for doubtful trade receivables		-		-
		1,872.17		1,615.37
Total		2,261.32		1802.66

Note 17 CASH AND CASH EQUIVALENTS

	As at 31 March,2017		As at 31 March,2016	
(a) Cash on hand		1.97		5.92
(b) Balances with banks				
(i) In current accounts		234.09		94.05
(c) Balances in Mozambique				
Cash on Hand		0.01		2.55
Bank balance		63.01		32.00
Total		299.08		134.52

Note 18 SHORT TERM LOANS AND ADVANCES

	As at 31 March,2017		As at 31 March,2016	
(a) Security deposits		184.11		105.46
(b) Prepaid expenses		1.16		1.47
(c) Balances with government authorities		751.25		439.26
(d) Advances for supply of goods and services		117.05		104.56
(e) Mozambique Balances with government authorities		0.69		0.65
Total		1,054.25		651.40

Note 19 OTHER CURRENT ASSETS

	As at 31 March,2017		As at 31 March,2016	
Deferred Revenue Expenditure:				
(a) Share Issue expenses		3.46		3.46
(b) Others		0.20		0.40
Mozambique Deferred Revenue Expense				
Preliminary expenses		-		0.77
Total		3.66		4.63



Note 20 REVENUE FROM OPERATIONS

	As at 31 March,2017		As at 31 March,2016	
Sale of products				
Domestic		4839.32		2948.31
Export Sales		3543.05		3300.98
Sales Deemed Export		1127.86		1161.91
Mozambique Sales		321.29		6.29
Total		9831.52		7417.49

Note 21 OTHER INCOME

	As at 31 March,2017		As at 31 March,2016	
Interest on:				
Interest on FDR		11.76		7.79
Interest from bank, Mozambique		0.66		1.17
Interest on Electricity		0.83		0.60
		13.25		9.56
D.E.P.B Income		100.16		16.71
Sales Promotion		0.00		3.91
Export Document Charges		0.00		3.78
Rebate and Discount		0.00		2.24
Miscellaneous Income		0.23		0.20
Settlement of Forward Contracts		1.68		-
Other Income at Mozambique		5.57		-
Total		120.88		36.40

Note 22 COST OF MATERIAL CONSUMED

	As at 31 March,2017		As at 31 March,2016	
Opening stock Raw material and Packing material		753.40		496.32
Add: Purchases Raw material and Packing material		7438.22		6009.42
		8191.62		6505.74
Less: Purchase return		-		9.61
Less: Closing stock Raw material and Packing material		1007.64		753.40
Total		7,183.98		5742.73

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

	As at 31 March,2017		As at 31 March,2016	
Opening stock Finished Goods		281.17		149.53
Less: Closing stock of Finished Goods		377.61		281.17
		-96.45		-131.64
Total		(96.45)		-131.64

Note 24 EMPLOYEE BENEFITS EXPENSE

	As at 31 March,2017		As at 31 March,2016	
Salaries and wages		248.27		156.55
Directors Remuneration		62.40		50.20
Provision for gratuity		34.07		5.37
Contributions to provident and other funds		32.64		13.42
Staff welfare expenses		37.78		29.66
Mozambique Staff Expense:				
Staff Salary		7.58		11.19
Total		422.73		266.39



Note 25 FINANCE COSTS

	As at 31 March,2017	As at 31 March,2016
(a) Interest expense on:		
(i) Bank Borrowings	174.37	105.55
(ii) Interest on deposits	2.19	5.22
(iii) Interest & financial chgs on vehicle & other loans	9.48	7.14
(iv) Interest Accrued but not due on borrowings	1.64	1.29
Total	187.68	119.20

Note 26 OTHER EXPENSES

	As at 31 March,2017	As at 31 March,2016
Accountancy Charges	1.35	0.99
Adjustment in foreign currency	1.91	0.90
Director's Sitting Fees	0.33	0.14
Bank Rating Charges	2.83	1.01
Business promotion	7.14	2.71
Commision on Purchase	3.37	0.31
Communication	7.14	5.43
Consumption of stores and spare parts	0.00	6.08
Customs Duty Charges	25.10	14.86
Donations and contributions	1.38	0.97
Excise on Stock Transfer	6.23	60.78
Export Ocean Freight	56.86	52.58
Exports Agency Charges	4.62	4.63
Exports Clearing Charges	1.24	1.59
Export Documents Charges	0.51	
Factory Exp.	145.22	61.93
Fees and taxes	3.17	20.43
Freight and forwarding	358.71	237.14
Insurance	11.29	12.12
Inward expenses	1.46	2.28
Job Work of Label & Printing	6.43	6.58
Legal and professional	39.64	31.13
Loss on disposal of Assets	-	36.36
Management & Consultancy expenses	5.25	4.58
Miscellaneous expenses	0.46	0.88
Office Expenditure	9.59	7.14
Payments to auditors :		
As Auditors	3.50	1.82
For other Services	1.45	2.78
	4.95	4.60
Postage & Telegram	15.17	16.66
Power, Fuel , Gases & Electricity	279.94	229.73
Printing and stationery	6.10	1.00
Rent including lease rentals	3.72	2.74
Repairs and maintenance	44.78	74.23
Sales commission	69.59	30.12
Tender Expenses	4.35	3.09
Testing, Laboratory charges	85.85	64.18
Travelling and conveyance	18.14	3.52
Share Issue Expense	3.66	-
Rebate & Discount	1.69	-
Rate Difference	59.63	-
Mozambique Subsidiary Expenditure:		
Office Expenses	0.91	2.04
Travelling	2.15	0.40
Rent	4.95	4.55
Mozambique Foreign Currency translation difference	78.89	4.80
Professional fee	1.13	9.88
Fuel and electricity	0.67	0.91
Bank Charges	4.89	2.18
Other Expenses	9.35	-
Fees and taxes	1.98	7.28
Total	1,403.73	1035.46



Note 10 FIXED ASSETS

Description of Assets	Gross Block (At Cost)			Accumulated Depreciation				Net Block		
	As at 01.04.16	Additions during the year	Deductions during the year	As at 31.03.2017	Upto 31.03.2016	Dep on mach sold	For the year ended 31.03.2017	As at 31.03.2017	As at 01.04.16	
Plant & Machinery	888.95	309.13	0.00	1196.08	406.89	0.00	89.62	498.31	699.76	480.25
Building	715.45	136.25	0.00	851.71	326.22	0.00	39.65	364.87	486.84	389.24
Furniture	21.32	13.08	0.00	34.40	14.61	0.00	3.58	18.18	16.22	6.71
Vehicles	279.55	83.86	0.00	373.41	149.34	0.00	44.35	193.69	179.72	130.22
Computer Equipment	68.03	23.84	0.00	91.85	52.16	0.00	18.81	70.97	20.90	15.85
Laboratory Equipment	104.83	78.34	0.00	183.17	32.92	0.00	36.53	69.46	113.71	71.91
Office Equipment	12.56	0.83	0.00	13.39	9.78	0.00	1.48	11.26	2.13	2.78
Lift A/c.	5.17	0.00	0.00	5.17	4.79	0.00	0.12	4.91	0.26	0.38
Electric Fittings	11.46	23.88	0.00	35.34	9.17	0.00	3.84	13.01	22.33	2.30
Land	35.48	0.00	0.00	35.48	0.00	0.00	0.00	0.00	35.48	35.48
Property and furniture at Mozambique	137.23	0.25	0.00	137.48	0.00	0.00	13.83	13.83	123.65	137.23
Total	2278.03	679.47	0.00	2957.48	1005.67	0.00	250.81	1256.49	1701.02	1272.34
Previous Year Figure	2268.55	258.68	249.21	2278.01	1037.13	200.49	169.02	1005.67	1272.34	1273.86



KWALITY PHARMACEUTICALS LIMITED (erstwhile M/s Kwalita Pharmaceuticals Private Limited)
Consolidated Cash Flow Statement for the year ended 31st March 2017

		Year ended 31st March 2017	Year ended 31st March 2016
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit Before Tax	564.87	247.57
	Adjustments for:		
	Depreciation	250.80	169.02
	(Profit)/loss on sale of Assets	0.00	36.36
	Long-term Provision for Gratuity	36.75	2.69
	Share issue expenses Written off	3.46	
	Interest & Finance Charges	187.68	119.20
	Interest on FDR	(11.76)	(1.17)
	Adjustment of Prior Period Item	2.81	
	Interest on Electricity Deposit	(0.83)	(0.60)
		468.91	325.50
	Operating Profit before Working Capital Changes	1,033.78	573.06
	Adjustments for:		
	Decrease/(Increase) in Receivables	(458.67)	(897.64)
	Decrease/(Increase) in Short Term Loans & advances	(402.86)	41.12
	Decrease/(Increase) in Inventories	(350.69)	(388.72)
	Decrease/(Increase) in Other Current Assets	0.97	(2.87)
	Decrease/(Increase) in Current Investments	(112.33)	(93.47)
	Increase/(Decrease) in Other current Liabilities	552.06	(7.50)
	Increase/(Decrease) in Short Term Provisions	102.32	69.68
	Increase/(Decrease) in Payables	307.70	548.12
		(361.50)	(731.28)
	Cash generated from operations	672.29	-158.22
	Less: Income Tax	242.31	126.32
	Net Cash flow from Operating activities (A)	429.98	(284.54)
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets	(679.47)	(258.68)
	Sale of Fixed Assets	0	12.37
	Increase in Investment	(58.78)	
	Interest on Investment	0.00	
	Increase in long term Advances	-	(2.74)
	Interest on Electricity Deposit	0.83	0.60
	Interest on FDR	11.76	1.17
	Net Cash used in Investing activities (B)	(725.66)	(247.28)

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<u>C</u>	<u>CASH FLOW FROM FINANCING ACTIVITIES</u>			
	Proceeds from fresh issue of shares	18.00	-	
	Proceeds for call in arrears received	0.00	60.00	
	Securities Premium Received	63.00	144.00	
	Proceeds from Long term Borrowings	185.51	381.06	
	Proceeds from Short term Borrowings	15682.24	965.25	
	Repayment of Long Term Borrowings	(125.11)	(191.14)	
	Repayment of Short Term Borrowings	(15,138.38)	(663.04)	
	Interest paid	(187.68)	(119.20)	
	Dividend Distributed	(31.13)		
	Dividend Distribution Tax	(6.21)		
	Share Issue Expenses	-	(13.84)	
	Net Cash from financing activities (C)		460.24	563.09
	Net increase in cash & Cash Equivalents (A+B+C)		164.56	31.27
	Opening Cash and Cash equivalents		134.52	103.25
	Closing Cash and Cash equivalents		299.08	134.52
	Cash & Cash Equivalents		As on	As on
			31.03.2017	31.03.2016
	Cash in Hand		1.98	8.47
	Cash at Bank		297.10	126.05
	Cash & Cash equivalents as stated in Financial Statements		299.08	134.52

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 : 30-05-2017

For and on behalf of the Board of Directors

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

Sd/-
(Pallavi Aggarwal)
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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2017

1. Corporate Information

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

2. Shareholding Pattern of Subsidiary

Name of Shareholder	% Shareholding
Kwalita 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 Kwalita 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, 2017.



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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
		2016-2017	2015-2016	
1	Kwalita Pharmaceuticals Africa Limited	51%	51%	Africa

III) Accounting for Investments other than in Subsidiary

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

IV) Consolidated Segment wise revenue, results and capital employed

The Company operates in one segment of business manufacturing of broad range of finished pharmaceutical formulations in a dosage form hence, business segment disclosure is not applicable. However the company operates in India and outside India thus company consider geographical segment as the reportable segment.

As Certain Expenses are often incurred and interchangeably across segments, it is impractical to allocate such expenses. Hence the details of same have been considered under Other Unallocable Expenditure Net of Income.



(Rs.In Lakhs)

Sr.No	Particulars	Year Ended 2016-17	Year Ended 2015-16
1	Segment Revenue		
	- Domestic	5987.26	4128.75
	- Export	3965.16	3325.15
	Total	9952.41	7453.90
2	Segment Results Profit/Loss before Tax and Unallocable Interest		
	- Domestic	1203.81	694.01
	- Export	702.82	537.89
	Total	1906.63	1231.90
	Less: Unallocable Interest Expenses	87.92	59.14
	Less: Other Unallocable Expenditure Net of Income	1253.84	925.19
	Profit/ (Loss) before Tax	564.87	247.57
3	Capital Employed (Segment Assets- Segment Liabilities)		
	- Domestic	874.13	686.15
	- Export	512.00	520.21
	Total	1386.13	1206.36
	Unallocable	1172.28	969.19

V) Other Accounting Policies

a) Fixed Assets (Tangible/ Intangible)

Fixed assets are carried at cost less accumulated depreciation / amortization 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, 2017.

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



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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 KaBagh, Tehsil Nurpur, District Kangra, Jassur, Himachal Pradesh is on also on leased premises. The same premises is owned by Government of Himachal Pradesh and the lease is for initial period of 95 years. 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)

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

Place : Amritsar
Date : 30-05-2017

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/-
(Pallavi Aggarwal)
Company Secretary

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



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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 = 0.92 INR as on 31.03.2017
4.	Share capital	40,00,000.00 MZN
5.	Reserves & surplus	9,49,575.28 MZN
6.	Total assets	2,46,05,091.54 MZN
7.	Total Liabilities	2,46,05,091.54 MZN
8.	Investments	10,33,500.00 MZN
9.	Turnover	2,88,02,332.28 MZN
10.	Profit before taxation	71,69,902.31 MZN
11.	Provision for taxation	50,506.17 MZN
12.	Profit after taxation	71,19,396.14 MZN
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/-
(Pallavi Aggarwal)
Company Secretary

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

Place : Amritsar
Date : 30-05-2017

**KWALITY PHARMACEUTICALS LIMITED**

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

CIN No. :- L24232PB1983PLC005426; Phone no. :- 0183-2774321-25; Fax No.:-0183-2774477

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

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

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

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

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

Name :	E-mail Id:
Address:	
Signature:	

as my/ our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **34th Annual General Meeting** of the company, to be held on **Saturday 30th September, 2017** 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, 2017 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, 2017 and the Report of the Auditors thereon.		
2.	To confirm the Interim Dividend		
3.	Re-appointment of Mrs. Geeta Arora, Whole Time Director who retires by Rotation and being eligible, offers herself for re-appointment		
4.	Re-appointment of Mrs. Anju Arora, Whole Time Director who retires by Rotation and being eligible, offers herself for re-appointment		
5.	To ratify the appointment of Statutory Auditors M/s Vijay Mehra & Co., Chartered Accountants & fixing their remuneration		
6.	To Appoint Mr. Janibhasha Shaik as Director		
7.	To increase in authorised share capital of the Company		
8.	To issue Bonus shares		



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9.	Revision of remuneration of Mr. Ramesh Arora		
10.	Revision of remuneration of Mr. Ajay Arora		
11.	Revision of remuneration of Mr. Aditya Arora		
12.	To increase in borrowing power/limits of the company		
13.	Creation of charges / mortgages on the moveable and immoveable properties of the Company in respect of borrowings		
14.	To ratify the remuneration of Cost Auditors		

Signed this _____ day of _____ 2017.

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. :- 0183-2774321-25; Fax No.:-0183-2774477

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

ATTENDANCE SLIP

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

34th Annual General Meeting to be held on Saturday, September 30, 2017.

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 34th Annual General Meeting of the **KWALITY PHARMACEUTICALS LIMITED to be held on Saturday 30th September, 2017 at 11:30 A.M. at the Registered Office of the Company at VILLAGE NAGKALAN, MAJITHA ROAD, AMRITSAR – 143601.**

(Member's /Proxy's Signature)

Notes:

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



ROUTE MAP FOR ANNUAL GENERAL MEETING



KWALITY PHARMACEUTICALS LIMITED