



Date: 12.06.2023

The Corporate Relationship Manager,  
Department Of Corporate Services,  
Bse Limited, Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai- 400 001

SCRIP CODE – 540756  
Sub - Disclosure of the impact of audit qualifications

Dear Sir,

Pursuant to the SEBI Notification No SEBI/ LAD-NRO/GN2016-17/001 Dated May 26th, 2016 and Circular No CIR/CFD/CMD/56/2016 Dated May 27, 2016 issued by the Securities & Exchange Board of India (SEBI) on Disclosure of the Impact of Audit qualifications by the Listed Entities prescribed in Schedule VII read with Regulation 33 and Regulation 52 of SEBI (LODR), (Amendment), Regulations, 2016. We submit here with enclosed statement on impact of Audit Qualifications for the financial result of the company March 31st, 2023.

You are requested to take it on record

For Kaarya Facilities and Services Limited



Vineet Pandey  
Joint Managing Director

**Kaarya Facilities And Services Ltd.**

Inspire Hub 115, 1st Floor, Western Heights, JP Road, Opp. Gurudwara,  
4 Bungalows, Andheri (West), Mumbai - 400 058.

CIN No. : L93090MH2009PLC190063 • E-mail : info@kaarya.co.in • url : www.kaarya.co.in



**Statement on Impact of Audit Qualifications (for audit report with modified opinion)**  
**submitted along-with Annual Audited Financial Results - (Standalone)**

**(Rs. In thousands)**

<b>I.</b>	<b>Sl. No</b>	<b>Particulars</b>	<b>Audited Figures (as reported before adjusting for qualifications)</b>	<b>Audited Figures (as reported after adjusting for qualifications)</b>
	1.	Turnover/Total Income	2,25,691	2,25,691
	2.	Total Expenditure	3,00,687	3,31,164
	3.	Net Profit/(Loss) Before tax effect	(74,996)	(1,05,473)
	4.	Earnings per Share (In Rs.)	(8.33)	(11.59)
	5.	Total Assets	1,69,935	1,46,608
	6.	Total Liabilities	1,35,755	1,42,904
	7.	Net Worth	34,181	3,704
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
<b>II.</b>	<b>Audit Qualification (each audit qualification separately):</b> <b>1. A. Details of audit Qualification:</b> The company is engaged in the business of providing property/facility management services, Housekeeping and other related specialized services. The adverse impact of Covid Pandemic on the business of the company resulted in deterioration in the value of consumables and other materials. During FY			

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2022-23, the company has assessed the diminution in the value of Inventories based on it's realizable value and have accordingly, written down the value of obsolete inventory amounting to Rs. 1.89cr.

**B. Type of Audit Qualification:** Qualified Opinion

**C. Frequency of Qualification:** First Time

**D. For Audit Qualification(s)where the impact is quantified:** Not Applicable

**E. For Audit Qualification(s)where the impact is not quantified:**

- i. Management's estimation on impact: The Company is in the process of assessing the adverse impact of Covid on its business. In view of the same, the management conducted analysis of the Inventory in hand which belonged to the covid or pre covid era that was now considered obsolete and accordingly, estimated its impact on the Financial Statements to be Rs. 1.89 crores.
- ii. If Management is unable to estimate the impact, reasons for the same:  
Not Applicable
- iii. Auditor's Comment on (i) or (ii) above: The impact of the said audit qualification has already been given in profit and loss account and is reported in exceptional item in the books of accounts to the tune of Rs. 1.89 Crores.

**2. A. Details of audit Qualification:**

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Till FY 2021-22, the company had the policy of booking salary on actual payment basis, implying that the salary for the month of March 2022 was booked in the subsequent Financial year. In compliance to the accrual system of accounting as prescribed in AS-1, the same has been rectified in the current Financial Year and therefore, salary for the month of March 2022 has been charged as an exceptional item in the Statement of Profit and Loss to the tune of Rs. 1.62crs.

**B. Type of Audit Qualification:** Qualified Opinion

**C. Frequency of Qualification:** First Time

**D. For Audit Qualification(s) where the impact is quantified:** Not Applicable

**E. For Audit Qualification(s) where the impact is not quantified:**

- i. Management's estimation on impact: The Company had the policy of booking Salary on payment basis till 31st of March, 2022. This policy was adopted on account of the structure of business in which the company is involved into. The salary was booked on payment basis only on approval received from their respective clients. However, in order to comply with the Accounting Standards and the principle of Accrual system of Accounting, the company has recorded the salary on accrual basis in FY 2022-23 and the salary for the month of March 2022 has been treated in the books of accounts and has been reported as an exceptional item.
- ii. If Management is unable to estimate the impact, reasons for the same:  
Not Applicable

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iii. Auditor's Comment on (i) or (ii) above: The impact of the said audit qualification has already been given in profit and loss account and is reported in exceptional item in the books of accounts to the tune of Rs. 1.62 Crores.

**3. A. Details of audit Qualification:**

We have been informed that considering the nature of business in which the company is engaged into; the company acts as an intermediary for supply of manpower to its customers and therefore, the company has a policy of making payment of Employee's and Employer's contribution to Provident Fund and other components of Employee Benefit Expenses solely based on the approvals/payments received from the Principal (Customer) or when the said amount of contribution is demanded by the concerned employee. Therefore, the company has accounted for the Employer's Contribution towards Provident Fund only to the extent approved by the customers and deposited by the company. The same has not been booked on accrual basis.

**B. Type of Audit Qualification:** Qualified Opinion

**C. Frequency of Qualification:** First Time

**D. For Audit Qualification(s) where the impact is quantified:** Not Applicable

**E. For Audit Qualification(s) where the impact is not quantified:**

i. Management's estimation on impact: As mentioned earlier, Payment of Salaries and Contribution to statutory funds is dependent on the approvals received from the respective clients. Therefore, the company

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	<p>has debited its Statement of Profit and Loss towards Employers contribution to PF only to the extent approvals have been obtained and the amount has actually been deposited. The impact of Employers Contribution to PF if made on accrual basis shall amount additionally to Rs. 71.49 Lakhs.</p> <p>ii. <u>If Management is unable to estimate the impact, reasons for the same:</u> Not Applicable</p> <p>iii. <u>Auditor's Comment on (i) or (ii) above:</u> The impact of the said audit qualification has not been given in the books of accounts or Financial Statements.</p>
	<p><b>4. A. Details of audit Qualification:</b></p> <p>Similarly, the effect of the said policy for payment of Provident Fund for earlier years in the Statement of Profit and Loss for FY 2022-23 amounts to Rs. 63.91 Lakhs. We are unable to comment on the total amount of Provident Fund Liability pending for earlier years.</p> <p><b>B. Type of Audit Qualification:</b> Qualified Opinion</p> <p><b>C. Frequency of Qualification:</b> First Time</p> <p><b>D. For Audit Qualification(s) where the impact is quantified:</b> Not Applicable</p> <p><b>E. For Audit Qualification(s) where the impact is not quantified:</b></p> <p>i. <u>Management's estimation on impact:</u> It is understood that ultimate liability for provident fund contribution is of principal ie Contractee</p>

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	<p>company. Accordingly company has the policy of accounting of PF contribution based on receipt of PF contribution from customer (Contractee). Hence there is no impact on the profit &amp; loss account.</p> <p>ii. <u>If Management is unable to estimate the impact, reasons for the same:</u> The company has not booked the provident fund liability for the earlier years on accrual basis for employer's contribution to Provident Fund. However, the employee or employer's contribution is paid on approval basis from the clients. Therefore, we are unable to quantify the amount of PF contributions pending in respect of the earlier years.</p> <p>iii. <u>Auditor's Comment on (i) or (ii) above:</u> The Company is unable to provide details of Outstanding PF liability of earlier years, therefore, we are unable to comment on the same.</p>
	<p><b>5. A. Details of audit Qualification:</b></p> <p>As per the information received from the company, the expenses incurred on behalf of certain clients/projects which are pending to be billed and recognized as revenue on account of pending approval/dispute with the customer has been recorded as WIP under Current Assets. The said amounts under dispute are pending for more than 3 years and the same amounts to Rs. 1.61Cr. In addition, the receivables in respect of the said Clients amounting to Rs. 0.71cr are under dispute with NCLT and therefore, shall be settled accordingly. The Management does not foresee the requirement to create any provision in respect of the said amounts as on the date of the Balance Sheet. We are unable to comment on the probability of recovery of the said amounts.</p> <p><b>B. Type of Audit Qualification:</b> Qualified Opinion</p> <p><b>C. Frequency of Qualification:</b> First Time</p>

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**D. For Audit Qualification(s) where the impact is quantified:** Not Applicable

**E. For Audit Qualification(s) where the impact is not quantified:**

i. Management's estimation on impact: The case with NCLT is currently under process and therefore, as on date there is no requirement of making any provision in this respect. However, in case of an adverse judgement of the NCLT, the company shall be required to make a write off its WIP and receivables totalling to Rs. 2.32 crores

ii. If Management is unable to estimate the impact, reasons for the same:  
Not Applicable

iii. Auditor's Comment on (i) or (ii) above: Since the outcome of the said litigation cannot be determined, provision on a reasonable basis would have ensured compliance with AS 29

**6. A. Details of audit Qualification:**

The Company has not made any provision for gratuity liability and the actuarial valuation is also not obtained as referred in the Accounting Standard 15 "Employee Benefits". The impact of same on statement of Profit and loss is unascertained.

**B. Type of Audit Qualification:** Qualified Opinion

**C. Frequency of Qualification:** First Time

**D. For Audit Qualification(s) where the impact is quantified:** Not Applicable

**E. For Audit Qualification(s) where the impact is not quantified:**

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iv. Management's estimation on impact: Not applicable

- i. If Management is unable to estimate the impact, reasons for the same: The Company has not made any provision for gratuity liability because the clients being the principal employers are liable for gratuity payment, and in the event of gratuity liability, the same is always billed to client and liability discharged.
- ii. Auditor's Comment on (i) or (ii) above: The said Audit Qualification states non-compliance with AS-15. In view of non-availability of Actuarial Valuation report as on 31.03.2023 we are unable to quantify the impact.

**7. A. Details of audit Qualification:**

As per the information received from the company, the following statutory liabilities for FY 2022-23 are outstanding as at 31st March, 2023:

Particulars	Amount (Rs.)
Goods and Service Tax	3,17,20,137
Employees contribution to Provident Fund	65,98,339
Profession Tax	2,77,975
ESIC	47,573

**B. Type of Audit Qualification:** Qualified Opinion

**C. Frequency of Qualification:** Repetitive

**D. For Audit Qualification(s) where the impact is quantified:** Not Applicable

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**E. For Audit Qualification(s) where the impact is not quantified:**

- i. Management's estimation on impact: The Company has been facing Cash Flow and Fund Flow Issues because of which there is considerable delay in discharging the said statutory liabilities. The total impact of outstanding statutory liabilities for FY 2022-23 stands at Rs. 3.86 crores as on 31st March, 2023.
- ii. If Management is unable to estimate the impact, reasons for the same:  
Not applicable
- iii. Auditor's Comment on (i) or (ii) above: The Outstanding dues as quantified herein is in agreement with the books of accounts



**Mr. Vishal Panchal   Mr. Vineet Pandey**

**Director**

**Director**

**DIN: 00687445**

**DIN: 00687215**

**CA. Jagdish Shetty**

**Statutory Auditor**

**Shetty Naik & Associates**

**Place: Mumbai**

**Date: 12-Jun-2023**

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