

Kwality Limited (“Kwality”)



Presentation



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Company Overview

Industry Snapshot

Business & Operations

The Road Ahead

Summary Financials



Company Overview



Overview

- ✓ Kwaliti is a private sector Company (*listed on BSE & NSE*) based in India primarily engaged in the business of processing & marketing of dairy products.
- ✓ Established in 1992 as a backward integration unit of Kwaliti Ice Creams India Limited and was acquired by current promoters in 2003.
- ✓ One of the largest manufacturer and processor of dairy products in private sector
- ✓ Company is ISO 22000:2005 certified and has obtained various certifications including ISI Mark, AGMARK, HACCP, Halal, Registration with US Food & Drug Administration and FDA Certificate.
- ✓ Procuring almost 15% of its milk requirement directly from more than 275000 farmers spread across approx.4000 villages through Village level collection centres. (VLC)
- ✓ Operating 20 Milk Chilling Centres (MCC) in Punjab, Haryana, Rajasthan and U.P
- ✓ Having six milk processing units across Rajasthan, Haryana and UP
- ✓ Processing capacity of more than 3.0 million litre of milk per day
- ✓ Product range include Milk both bulk and pouched, flavoured milk, pure ghee, pure cow ghee, curd, SMP and other dairy products

Overview (contd.)

- ✓ Institutional dairy product customers includes Who's Who of FMCG brands like Britannia, Hindustan Unilever, Café Coffee Day and ITC
- ✓ Developed PAN India distribution network comprising of super stockists and distributors.
- ✓ Has a wholly owned subsidiary in Dubai to cater to international market.
- ✓ Leading exporter of Dairy products
- ✓ Is building consumer brands and is transforming itself into a food FMCG company offering a wide range of products
- ✓ In line with this vision, the Company has rebranded itself and introduced its umbrella brand "Dairy Best"
- ✓ Is also working towards brand development, enhancement of product portfolio and strengthening of retail distribution network
- ✓ Revenues have witnessed a CAGR of 38% during FY10 to FY 15
- ✓ PAT has witnessed a CAGR of 51% during FY10 to FY 15
- ✓ Combined experience of the promoters, directors and the KMP in the dairy industry would be in excess of 5000 years.

Key Milestones



1992	<ul style="list-style-type: none"> The Company was incorporated as Kwaliti Dairy (India) Limited (Kwaliti).
2003	<ul style="list-style-type: none"> KDIL taken over by current promoters together with its manufacturing facility at Haryana MOU signed with Gujarat Co-operative Milk Marketing Federation Limited (GMMFL) for processing and packing milk to be sold under AMUL brand
2007	<ul style="list-style-type: none"> Strategic alliance with Britannia Industries for manufacturing and packing of Curd products
2008	<ul style="list-style-type: none"> Backward integration initiative by setting up first Milk Chilling Center (MCC) at Haryana
2010	<ul style="list-style-type: none"> Launched own brand “Dairy Best” to deliver premium quality Dairy products Agreement with Pashupati Dairies for Milk Processing on Job work basis at Saharanpur plant License granted by the National Research Development Corp for know how and process of manufacturing of low cholesterol Pure Ghee Launch of LivLite (85% low cholesterol ghee) with Bipasa Basu as Brand Ambassador
2011	<ul style="list-style-type: none"> Set up a wholly owned subsidiary in the Free Trade Zone of Dubai Penetrated new markets such as Gujarat, Maharashtra (West India) and Karnataka (South India) Added new institutional clients such as the Indian Railways and other Private Sector companies Set up its second manufacturing facility at Haryana Took on lease processing facility in Ajmer (Rajasthan)
2012	<ul style="list-style-type: none"> Started marketing of pouched milk, curd & paneer under own brand “Dairy Best”
2013	<ul style="list-style-type: none"> Acquired the processing facilities from Varshey Bandhu, Diba, which were earlier on lease Started the marketing of UHT milk under “Dairy Best” brand Name of the Company changed to Kwaliti Limited Agreement with Sonu Sood (<i>Bollywood Personality</i>) as Brand Ambassador for branding of products
2014	<ul style="list-style-type: none"> Started trial of value added products like Flavoured milk, ice cream, flavoured lassi, yogurt etc. Embarked on the expansion plan to increase capacities of existing plants and also add capabilities for new value added products like various variants of cheese, UHT milk, Table butter in tubs, cream in tetra packs etc. Started process of setting Company owned Milk Chilling centres having capacities of more than 50000 LPD Acquired two milk processing plants on lease

Key Highlights



Indian Market Opportunity

- ✓ Formal Indian dairy market to grow at CAGR of 13% to 15% till 2019-20¹
- ✓ Kwality aims to exploit the highly unorganized market and has a vision to emerge as one of the largest organized private sector players with a national footprint

Emerging FMCG Brand

- ✓ Building its umbrella brand “Dairy Best” across product lines.
- ✓ Undertaking large scale sale promotions and marketing campaigns
- ✓ Introducing new value added dairy products

Diversified Product Portfolio

- ✓ Current presence in dairy products like Pure Ghee, Cow Ghee, Milk, Dairy Whitener, Skimmed Milk Powder, Curd, pouched milk, pouched curd and pouched chaas and diversifying into other value added products like table butter, flavoured milk, cottage cheese , yogurt, cream, UHT milk

Strong Distribution Network

- ✓ Pan-India distribution network of Super Stockists & Distributors with direct selling to Institutional Buyers and Modern Trade outlets.

Robust Procurement

- ✓ Strong procurement network in North India extending to more than 275000 farmers over around 4000 villages through 24 MCC across Rajasthan, UP, Punjab and Haryana. Also setting upto MCC with capacities in excess of 50000 LDP under Company owned model.

Sticky Customer Base

- ✓ Institutional clientele like Mother Dairy, Britannia, HUL, Coffee Day, ITC etc. give repeat business.

Growth & Margin Improvement

- ✓ Growth in FY 2010-14 (CAGR: Revenues: 38%; PAT: 51%)
- ✓ With increasing focus on the branded FMCG segment, backward integration through own milk procurement network and economies of scale, there is scope for margin improvement

Diverse location of Plants and MCC

- ✓ Processing plants in milk belt of Haryana, UP and Rajasthan with milk collection centres at Punjab, Haryana, UP and Rajasthan

Experienced Promoters & KMP

- ✓ Key promoters are engaged in the Dairy business for more than 25 years.
- ✓ Combined experience of the management team in the dairy business is more than 5000 years

¹Rabobank report

Company Products



Desi Ghee



Pouched Milk & UHT Milk



Curd



Chaach & Lassi



Instant Dairy Whitener



Paneer



Flavoured Milk



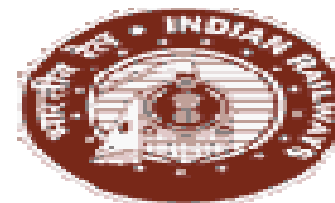
Skimmed Milk Powder



Pasteurised Table Butter



Key Institutional Clients



Is se *sasta* aur *accha* kahin nahi!

Quality Certifications





Kwality Dairy Products FZE & Exports

Kwality Dairy Products FZE (KDPF)

- Kwality has established its 100% subsidiary, Kwality Dairy Products, FZE (KDPF) at Jebel Ali Free Zone, Dubai to focus on international trade.
- KDPF has got trading license for trading of various milk based products.
- KDPF import the Dairy Products from India, Australia, New Zealand and Eastern European Countries including Turkey, Ireland, Holland, Poland and Ukraine, New Zealand and sell the products, both domestically and export to GCC, Middle East, Far East, Bangladesh, China, Thailand, Africa etc.
- Product portfolio consists of Pure Ghee, Cow Ghee, Livlite Ghee (85% Cholesterol Free), Skimmed Milk Powder, Whole Milk Powder, Butter, Dairy Creamer, Dairy Mix, Paneer and other dairy products.
- During the FY 14-15, Company has achieved the sales Turnover of AED 366.33 mn with Profit of AED 14.80 mn (4.04%).

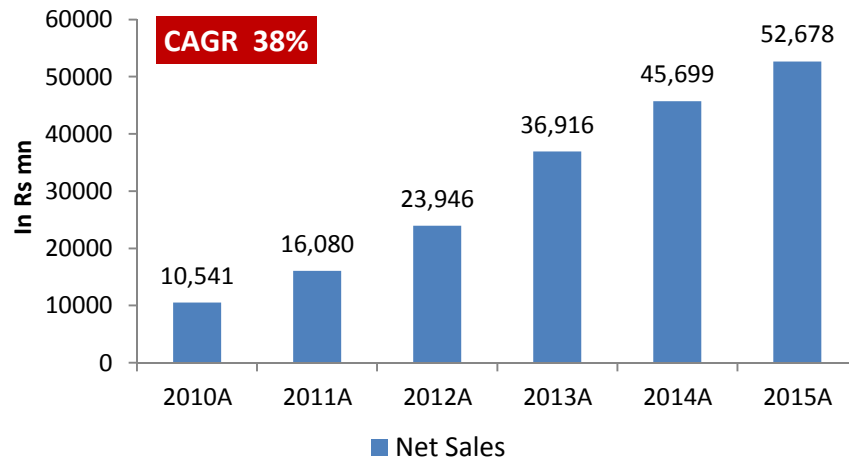
Exports from India

- With the removal of ban on export of milk powder, Kwality has increased its focus on export of dairy products from India. Kwality is emerged as one of the largest exporter of dairy products from India, exporting across continents like Asia, Africa & Australia and to more than 28 countries including Japan, UAE, Seychelles, Bangladesh, Sri Lanka, Jordan, Niger, Morocco etc.
- Kwality has posted Export Turnover of Rs. 5302 Mn during FY 2014-15.

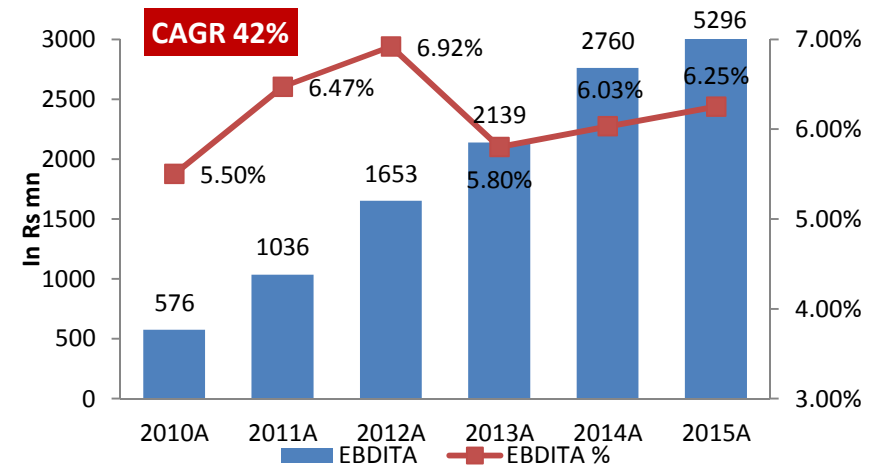
Financial Snapshot (Standalone)



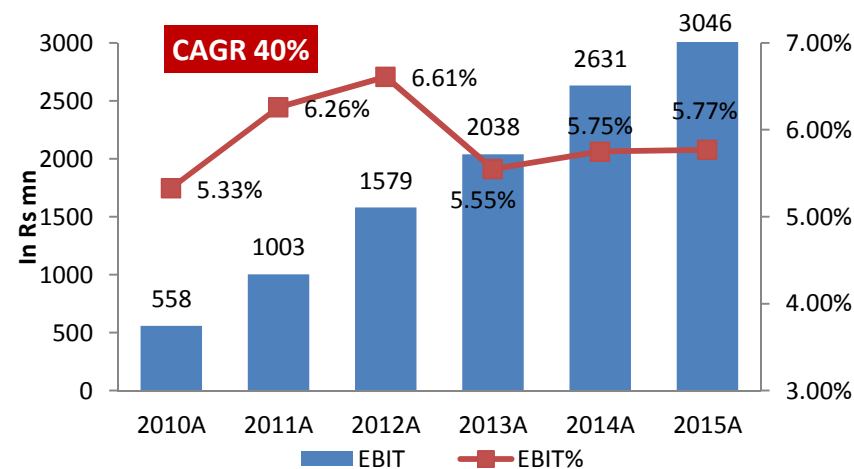
Total Revenues



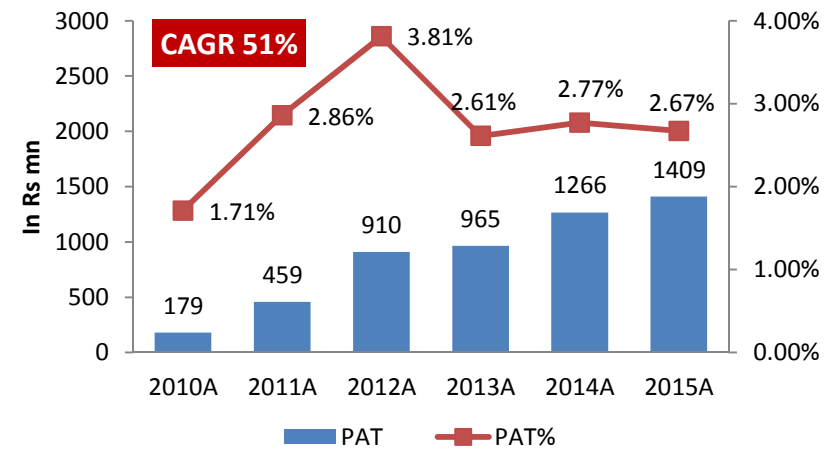
EBDITA



EBIT



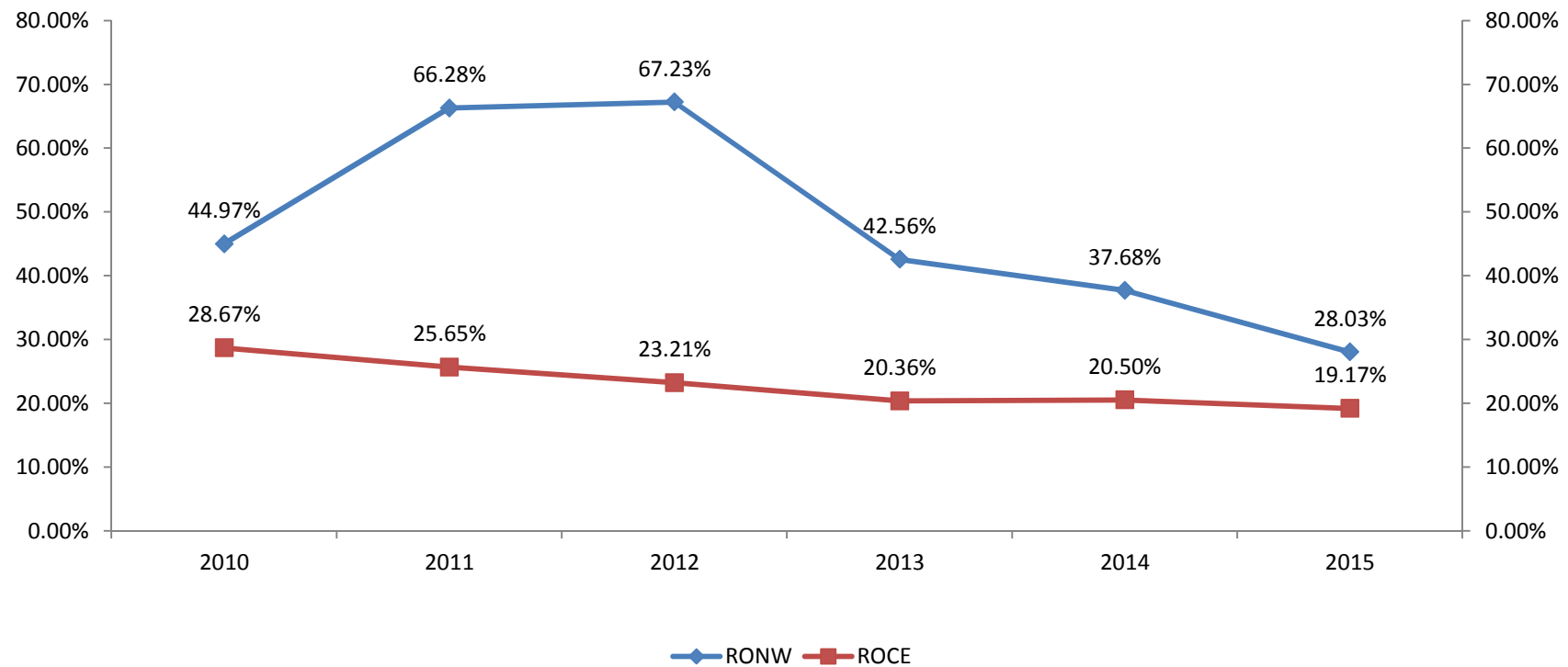
PAT



Current Financials & Ratios (Standalone)



Historical Return Ratios

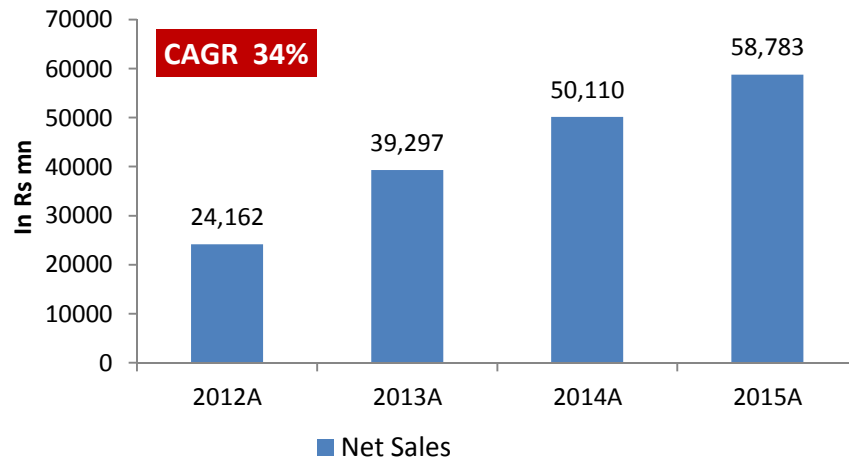


RONW = Average Net Worth / PAT
ROCE = Average Capital Employed / EBIT

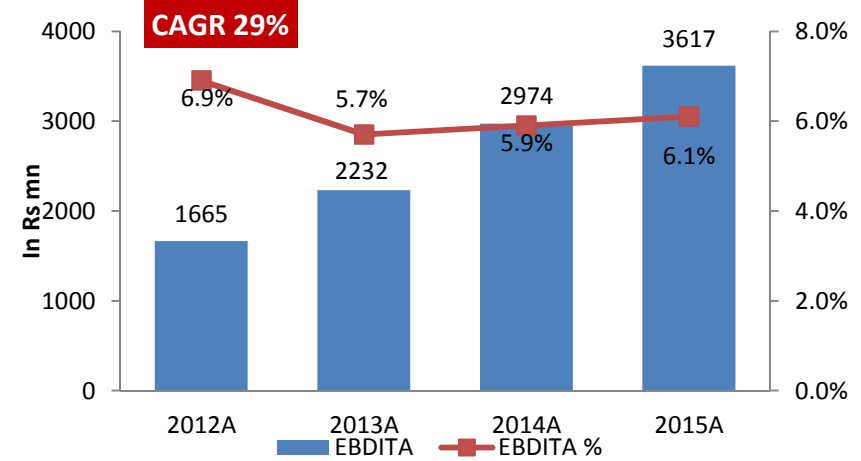
Financial Snapshot (Consolidated)



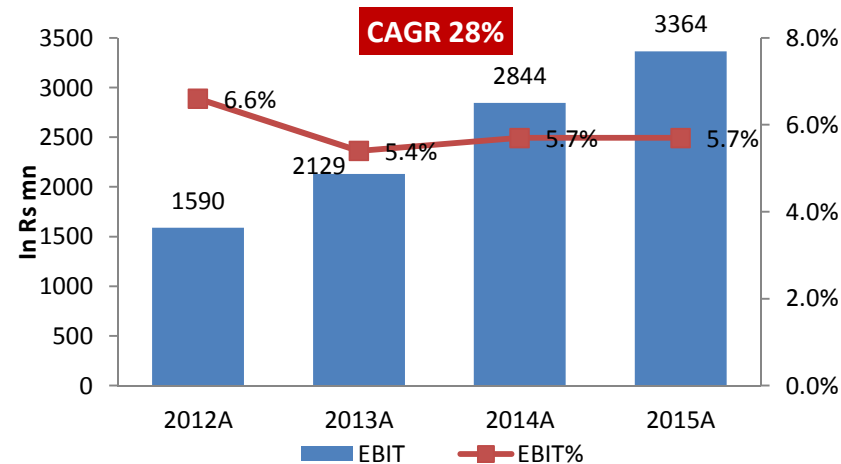
Total Revenues



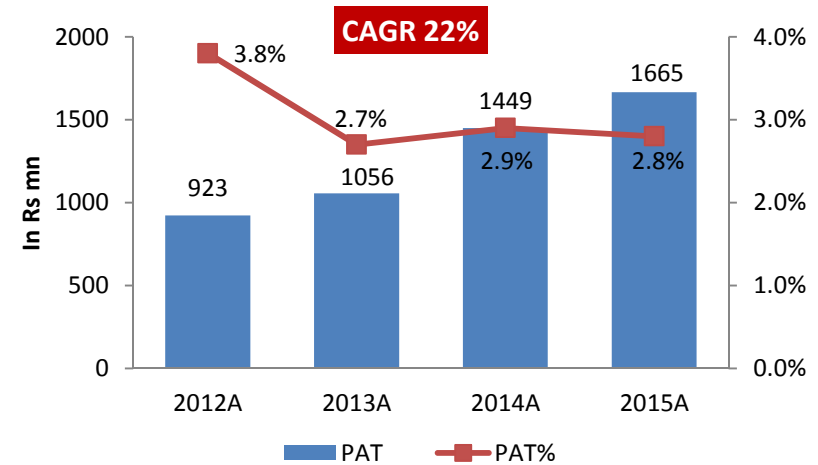
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EBIT



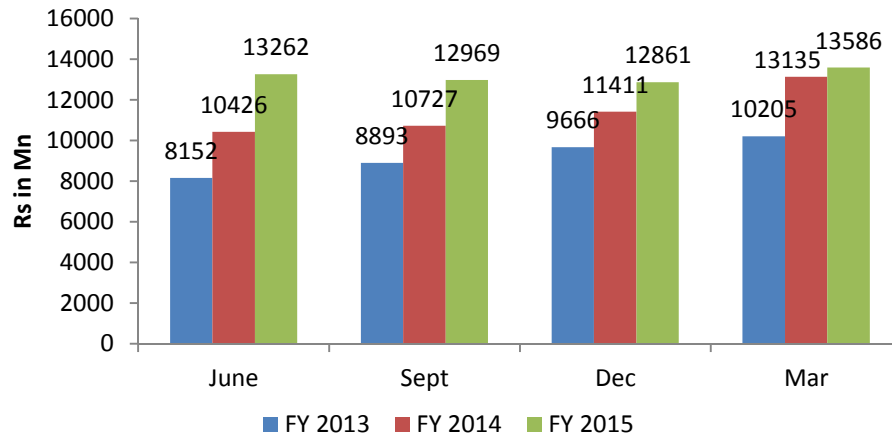
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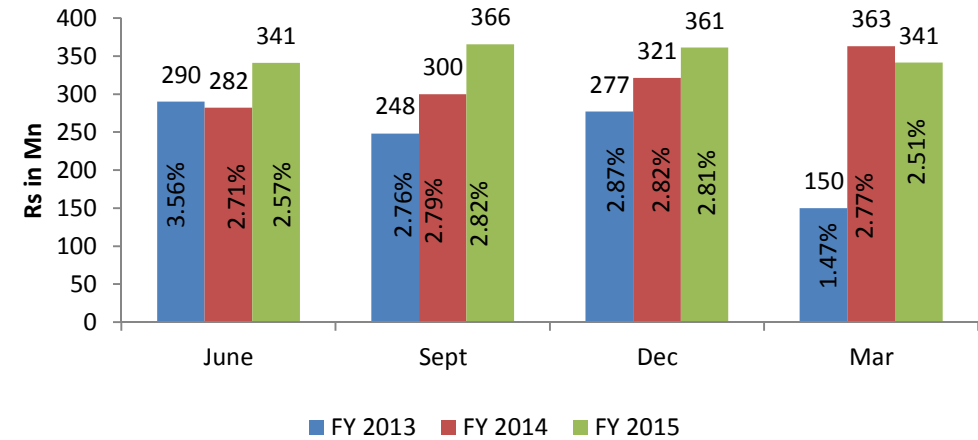
Financial Snapshot (Quarterly)



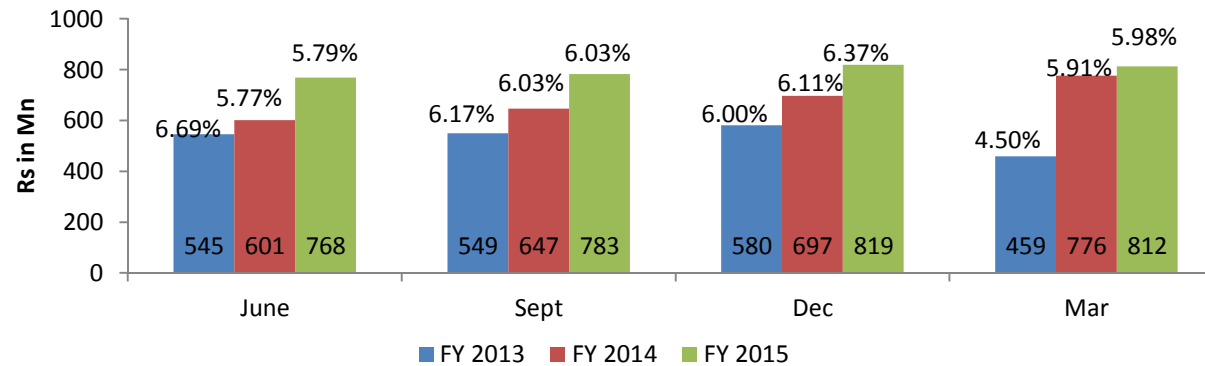
Total Revenues



PAT



EBDITA





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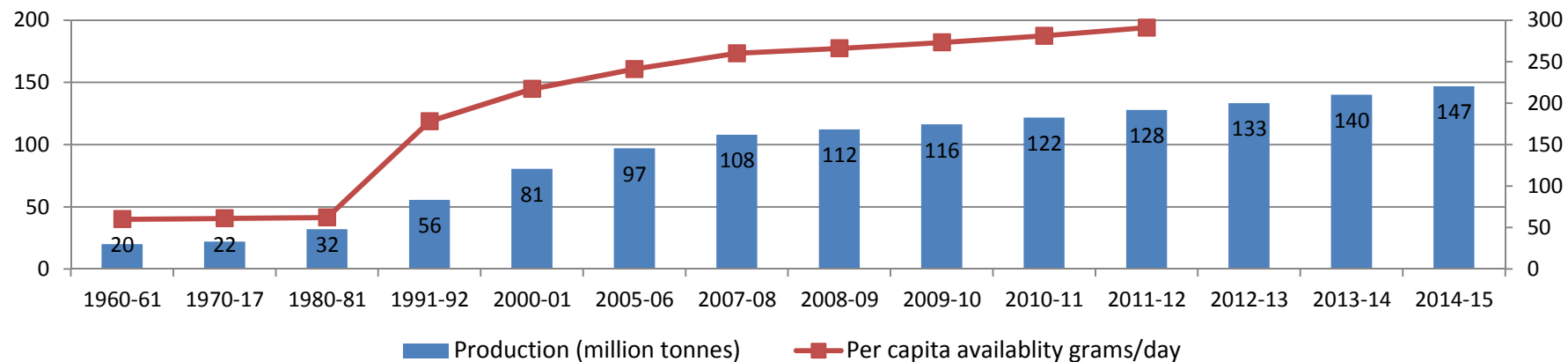


Brief Overview of the Indian Dairy Industry



- India is the largest milk producing nation in the world with production of ca.147 mn tonnes in 2014-15 (ca.20% of the global production). The consumption was 138 mn tonnes during this period
- As per the Planning Commission of India, the domestic demand for milk is expected to be ca.172 mn tonnes by 2021-22
- The milk production is growing at a CAGR of ca. 4-5% and consumption is growing at CAGR of ca. 5-6%
- The present per capita availability of milk in India is 290 grams/day – *higher than the average for the developing countries in the Asia-Pacific region, against the world average of 284 grams*
- The demand for dairy products is on the rise due to high economic growth, poverty alleviation, growth in population, increasing health consciousness, increasing disposable incomes and higher proportion of income being spent on processed milk products
- About 80% of milk produced is still handled by the unorganized sector and only the remaining 20% is equally shared by Co-operatives and Private Dairies
- Total dairy market is estimated to be U\$ 84 bn in 2014.

Trends in Milk Production and Per Capita Availability: 1960 to 2015

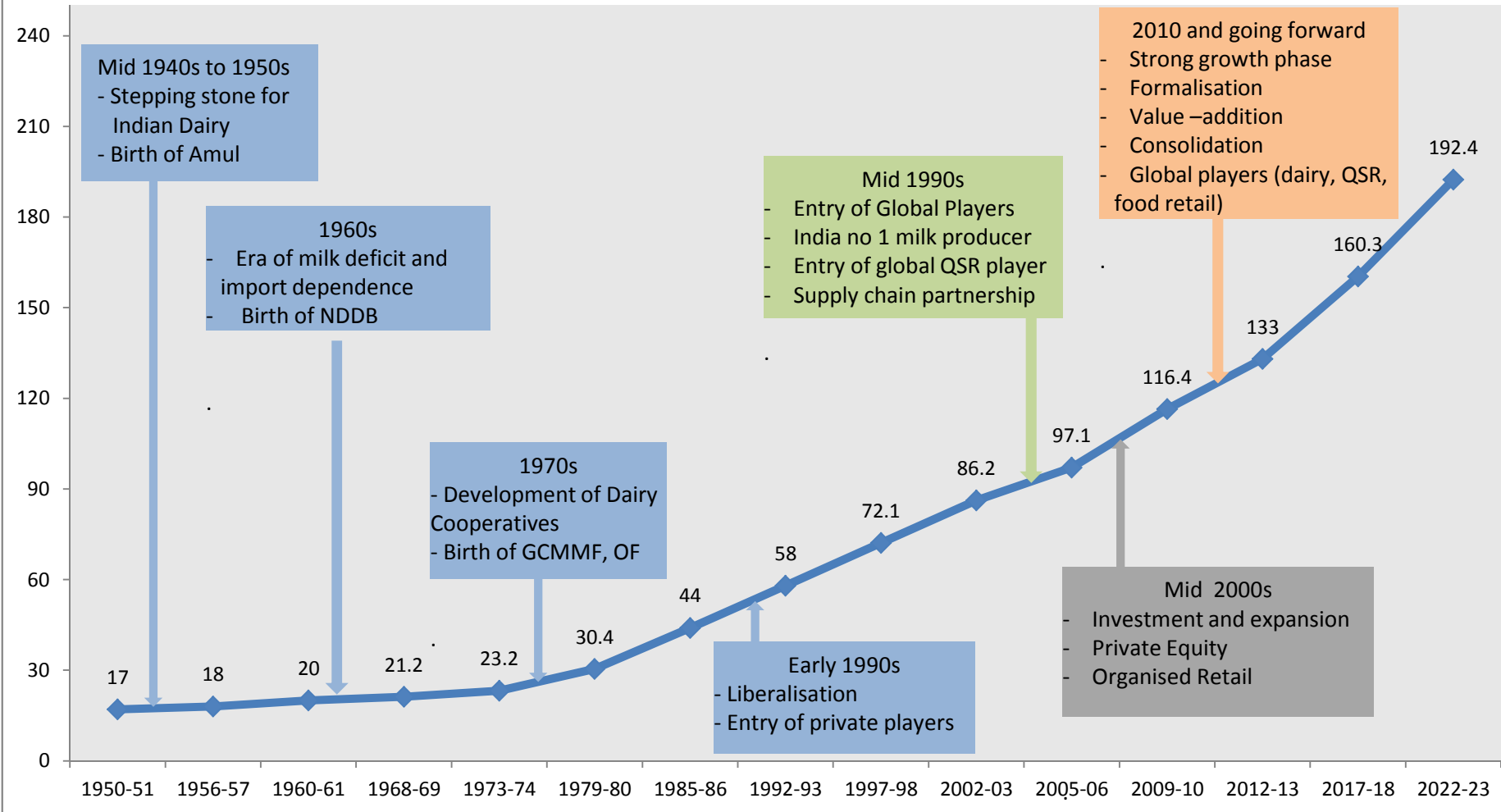


Source: FAOSTAT

Indian Dairy Industry - Journey and Future



Milk production (Million tonnes)



Source: Rabobank 2013



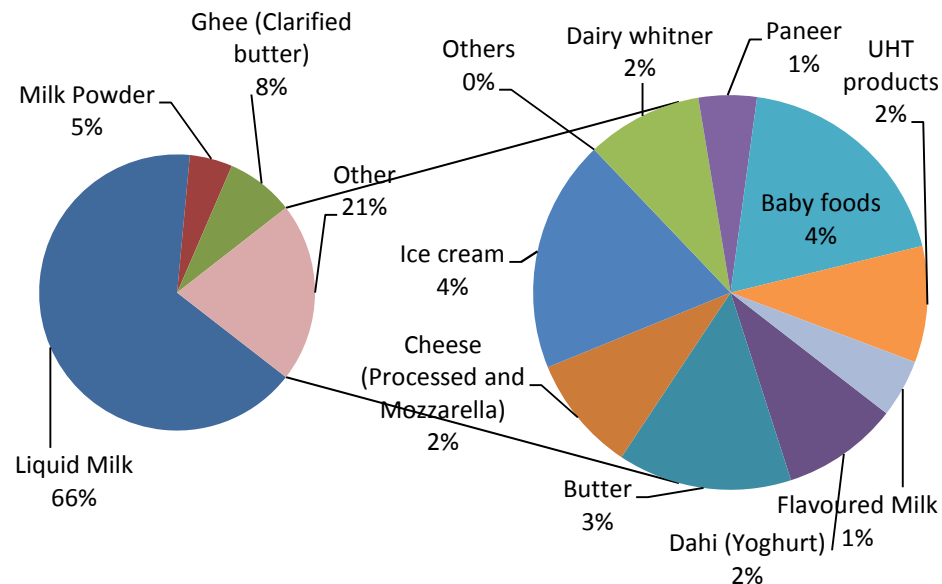
Dairy Products Segments: Organized Market

Organized market is growing at a healthy rate

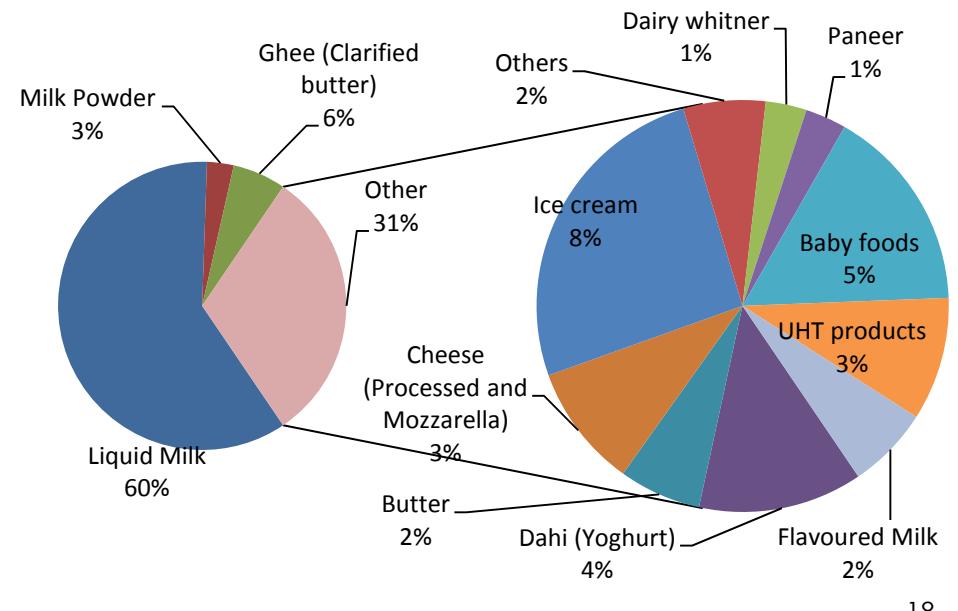
- Indian formal Dairy market size USD 10 billion in 2012-13 comprising of Cooperative and private players.
- This segment is expected to grow at a CAGR of 13 to 15% till 2019-20
- Market share of value added product to increase from 21% to 31% during this period
- Factors driving this growth
 - increased consumer interest in higher protein diet,
 - greater affordability due to higher disposable income,
 - increasing awareness and availability of dairy products through channels such as organised retail and food service segments
- Private players focusing on value added products

Formal Market size of Indian dairy - 2012/13 - 2019/20F

Market Size USD 10 bn in 2012/13



Market Size USD 24 bn in 2019/20



Source: Rabobank 2013

Dairy Products Segments: Organized Market

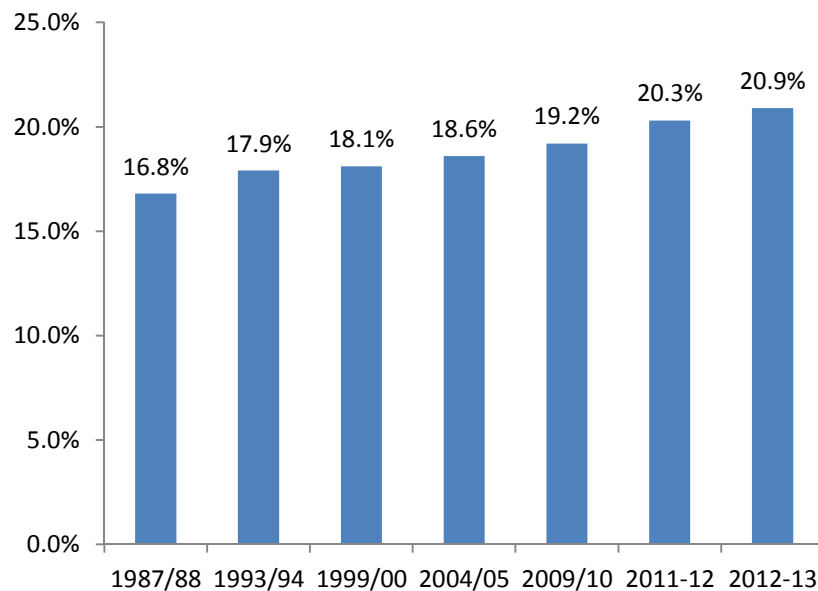


Value added products in the Organized market is growing at a healthy rate

- The market share of value added products will increase from 21 percent to 31 percent from 2012-13 to 2019-20.
- The market is expected to grow at a CAGR of 23%
- Factors driving this growth
 - Increasing young population
 - Female participation in work force
 - Growing concern about quality and safety of food products
 - Aggressive growth plans of QSR players

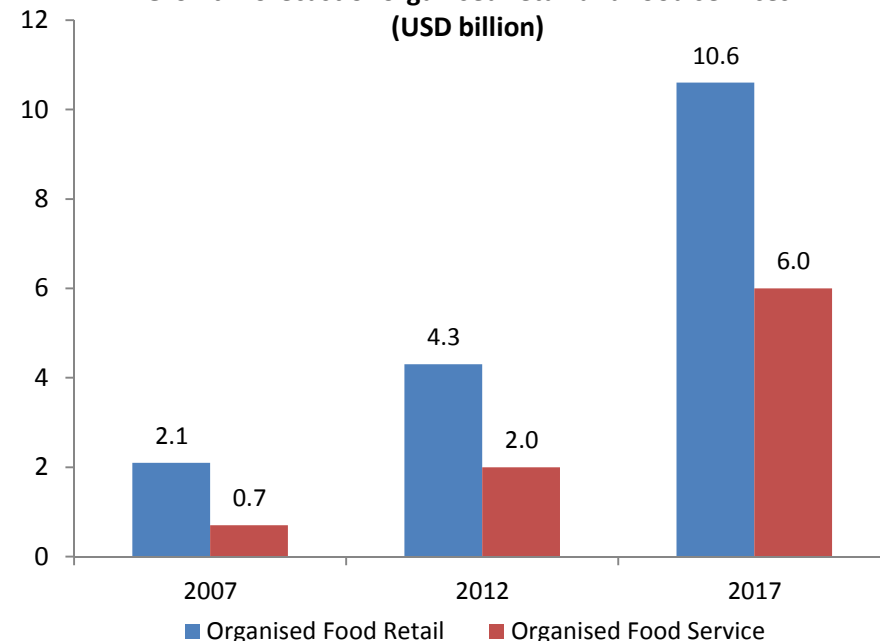
Factors driving value-added dairy products growth in India

Share of dairy in urban household food expenses

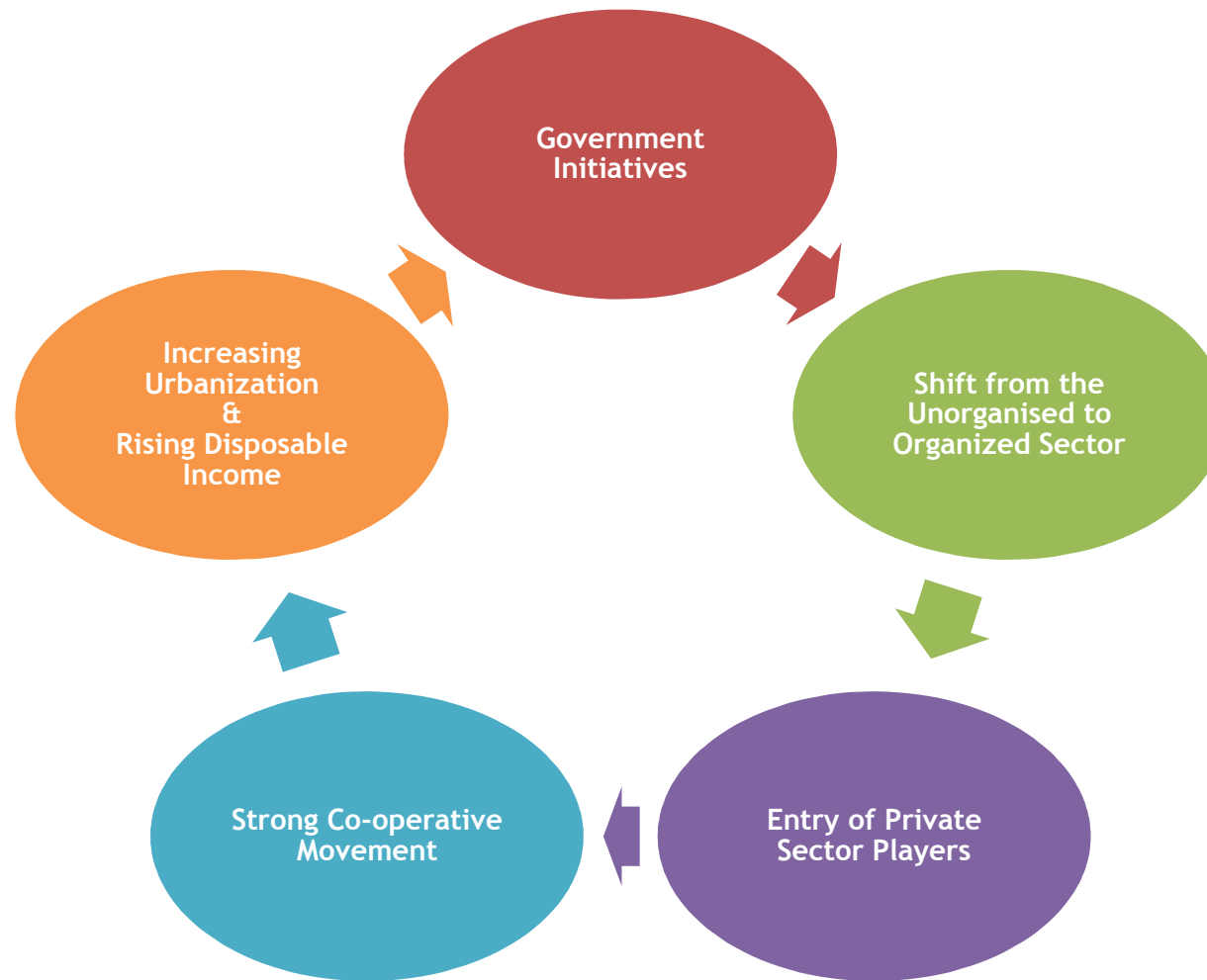


Source: Rabobank 2013

Growth forecast of organised retail and food services (USD billion)



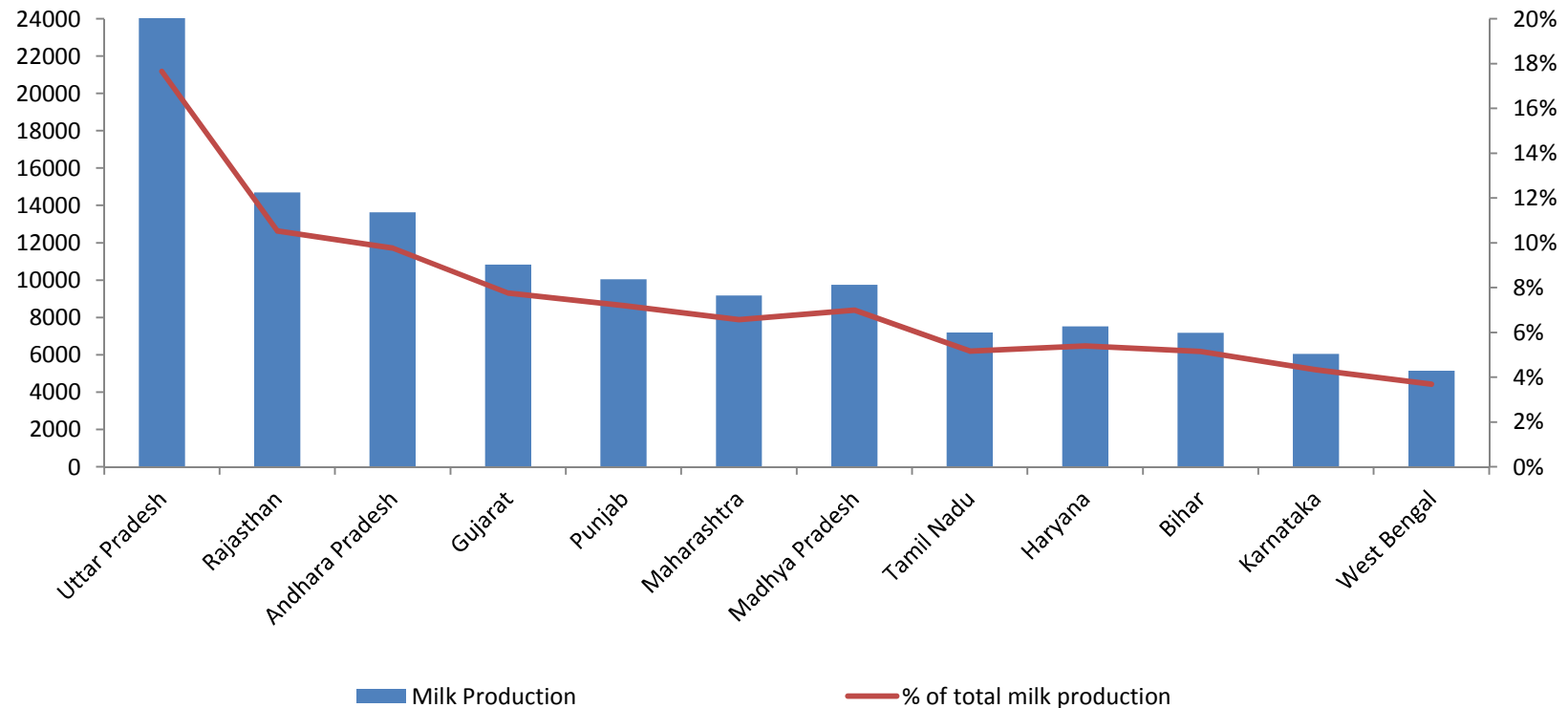
Growth Drivers



State wise milk production



State-wise Milk Production (in 000' tonnes) (2013-14)



- Top 12 states in India account for ca. 90% of the Milk Production
- These states also have a high consumption amongst the local population

Key Government Initiatives



Department of Animal Husbandry, Dairying & Fisheries (DADF)

- Emphasis on building up co-operative infrastructure
- Revitalisation of sick dairy co-operative federations
- Creation of infrastructure for production of good quality milk & milk products
- Implementing various development schemes
 - Intensive Dairy Development Programme (IDDP)
 - Strengthening Infrastructure for Quality & Clean Milk Production (CMP)
 - Dairy Entrepreneurship Development Scheme
 - Feed & Fodder Development Scheme
 - Livestock Health & Disease Control Programmes

National Project for Cattle and Buffalo Breeding (NPCBB)

- Launched by the Department in October 2000 to be implemented over a period of 10 years in two phases
- Envisages genetic upgradation of bovine population
- Development and conservation of important indigenous breeds
- 28 States and one Union Territory are participating in the project
- As per the impact analysis report by the National Bank for Agriculture and Rural Development (NABARD), overall conception rate has increased from 20% to 35%

National Dairy Plan (NDP)

- Initiated by The National Dairy Development Board (NDDB)
- Aims to increase the production of milk in the country to 180 million tonnes by 2021-22
- An estimated outlay of about INR 173.7 bn (US \$3.9 billion), the Plan has three major components :
 - enhancing milk production through increased productivity;
 - strengthening the infrastructure for procurement, processing, marketing and quality assurance
 - human resource development

Source: FAOSTAT



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Business Description



Product Portfolio

- Kwality produces a range of quality milk and milk products
- Kwality is transforming itself into a complete dairy products FMCG player
- In the last three years, the Company rebranded itself and has launched new products targeting the retail consumers viz. consumer packs for Pure Ghee, Pure Cow Ghee, Low Cholesterol Ghee, Pouched milk, pouched curd
- Going forward, Kwality plans to introduce several other premium products to offer an entire range of dairy products

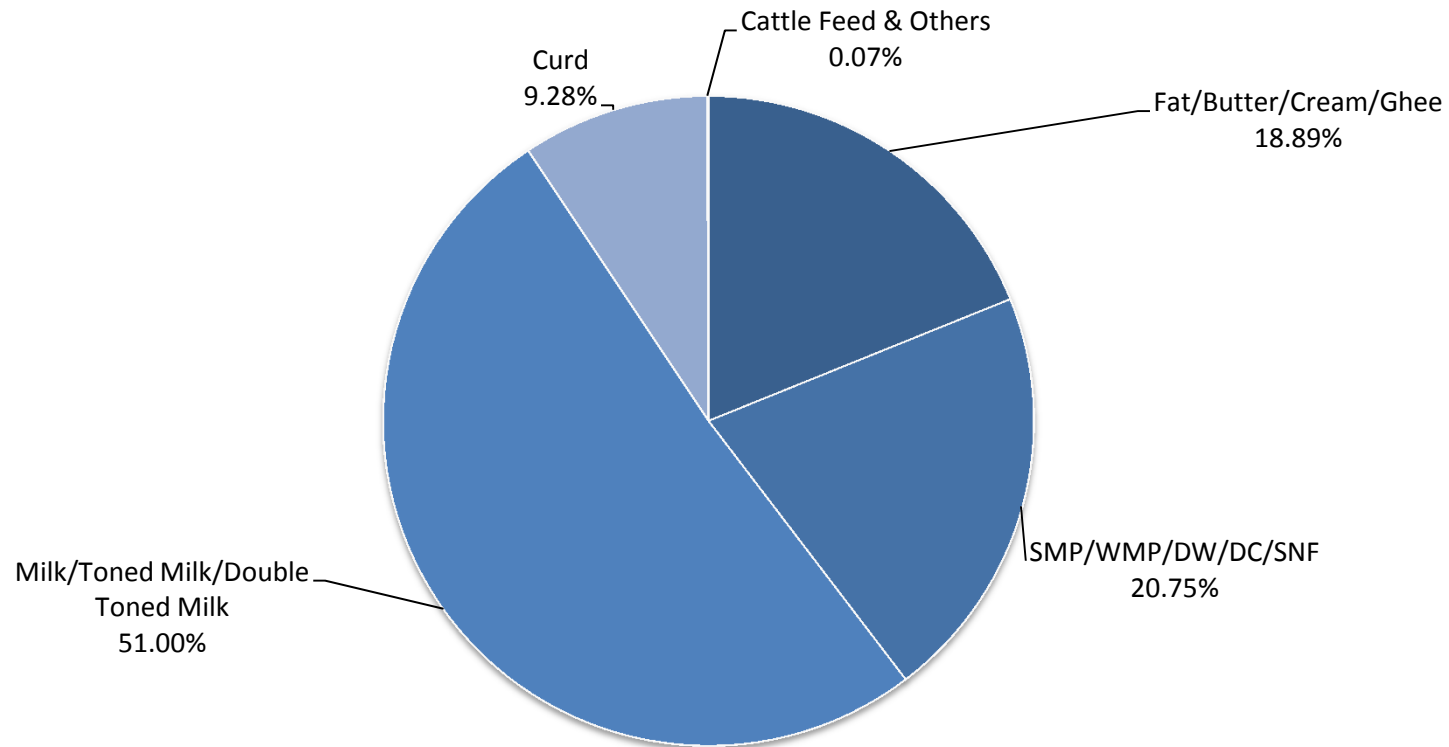
Segment	Ghee /Fat	Milk Powder	Milk	Curd & Chaas
Key Products	<ul style="list-style-type: none"> • Pure Ghee • Pure Cow Ghee • Low Cholesterol Ghee • Butter 	<ul style="list-style-type: none"> • Skimmed Milk Powder • Whole Milk Powder • Dairy Whitener 	<ul style="list-style-type: none"> • Full Cream Milk • Skimmed Milk • Pouched Milk 	<ul style="list-style-type: none"> • Set Curd • Pouched Curd • Chaas



Product Mix



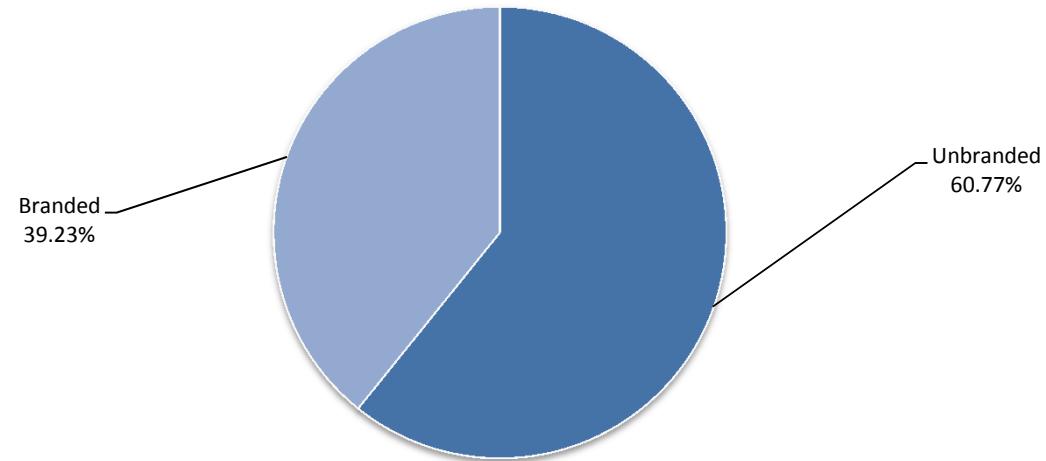
By Value (FY2015: 52,678 mn)



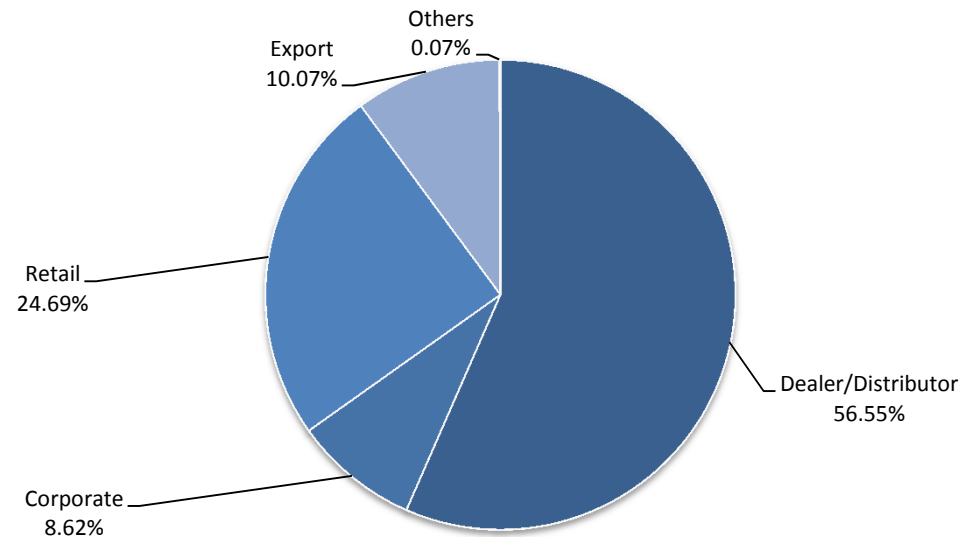
Revenue Mix & Customer Mix (FY 2015)



By Branding



By Customer Type



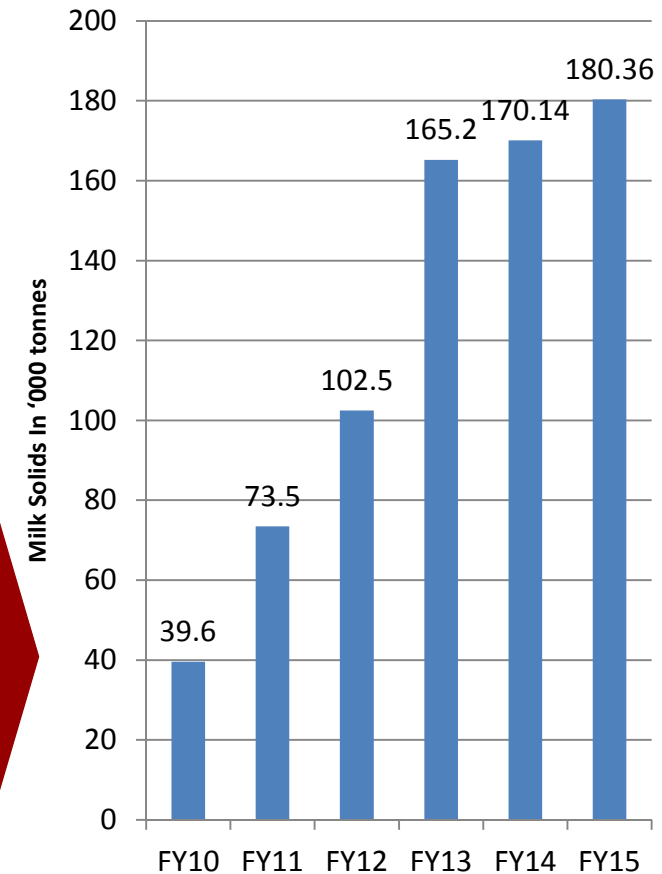
Milk Procurement



Milk Procurement Strategy

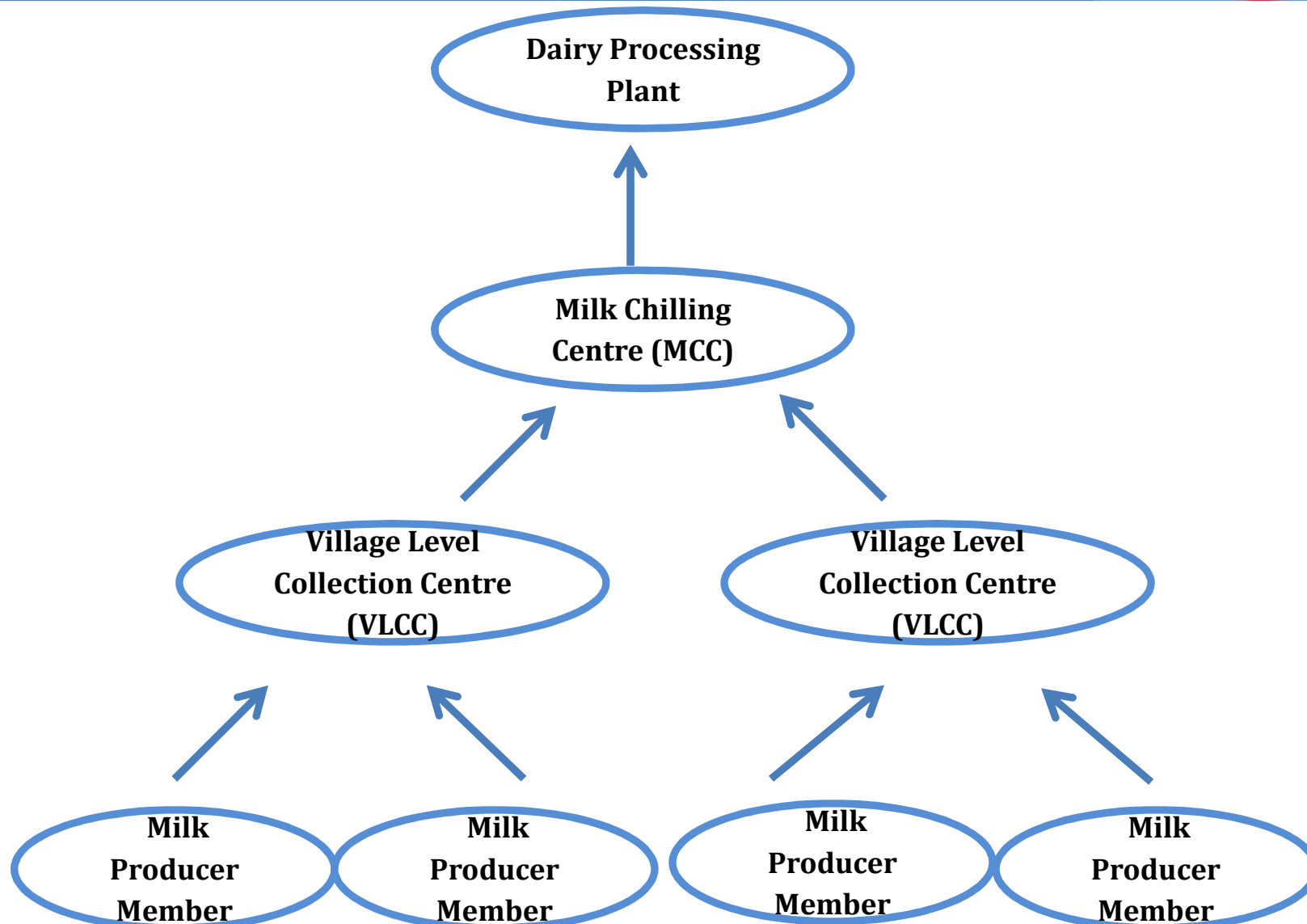
- Over the years, Kwality has developed a network of vendors to source quality milk - one of the most important success factors in the industry
- The Company has a strong reach in the rural regions of milk producing states surrounding the National Capital Region (NCR)
- Currently sources ca. 85% of milk from large contractors (Vendors) and the rest from its own procurement network comprising Milk Chilling Centers (MCC)
- Commenced its own procurement network from MCCs in 2008.
- Currently having 24 MCC in the states of Punjab, Rajasthan, Uttar Pradesh and Haryana
- Planning Company owned MCC in state of Rajasthan with capacities in excess of 50000 LPD

Annual Milk Procurement



Source: Company Management

Milk Collection Process at MCCs



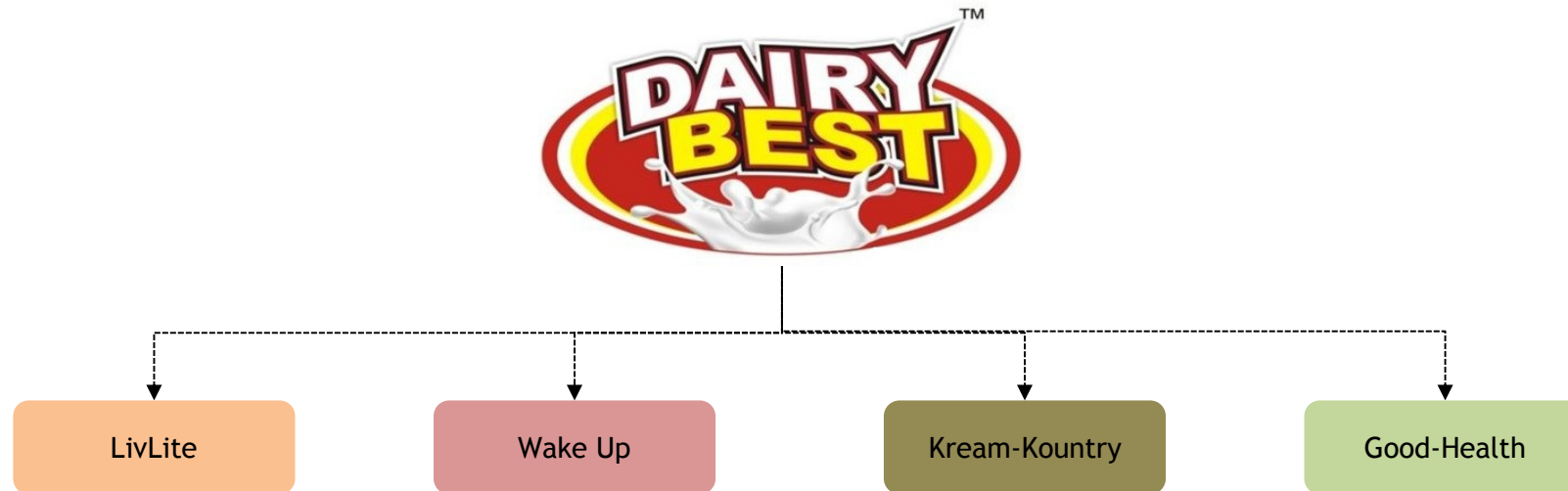
Collection Process & Milk Procurement



- Kwality has adopted a new model of milk collection over other conventional models to create overall transparency and quality control in the process.
- The farmers/milk producer households will be registered with the Company. Further, the farmers will be given a unique and permanent code number and the interaction/ transaction that the farmer/ milk producer has with the Company will be identified by this code.
- The milk collected will be tested at the VCC utilizing the state of art machinery and software. The entire system will be transparent with data back up to ensure the quality of milk to be procured. The data collected will be transferred to a pen drive and will also be stored locally. The tested milk is then stored in steel/ aluminum cans for transportation to the nearest MCC centre.
- The pooled sample will be tested again at MCC to double check the quality and quantity of the milk received at MCC. The data collected by MCC from VCC which contains entries of individual testing will be transferred to computer from pen drive for CDA report.
- The collected milk will be chilled at MCC and is transported by milk tankers to milk processing plant. The data will be further transmitted through internet from MCC to state office on every 7th day cycle for milk payment.



Brands Strategy



Overview

- The Indian consumer is entrenched in tradition whereby consumption of Milk, Ghee, Curd etc. is almost at 100% among all households in the country and this trend is expected to continue in the future
- The current generation though rooted in tradition has *a fast paced lifestyle, limited time for homemaking and increasing income levels*, leading them towards ready to eat / packaged / healthy products - aptly phrased as “Modern Tradition”
 - Kwality has thus positioned its brands as “traditional products backed by science” catering to this Modern Tradition
 - Cholesterol free Ghee was launched to cater to this “Modern Tradition” whereby Ghee, albeit very important in various Indian customs and rituals is still viewed as unhealthy because of the Fat & Cholesterol content
- LivLite Low Cholesterol Ghee is an answer to the health concerns of Ghee consumption with 85% less Cholesterol

Milk Processing Facilities



Company Owned



Location: Softa, Haryana



Location: Dibai (UP)

Outsourced

Location:	Saharanpur (UP)	Jarar (UP)	Sitapur (UP)	Ajmer, (Rajasthan)
	{Owned BY Group Company, Pashupati Dairies (P) Limited (PDPL)}			

Board of Directors



Sanjay Dhingra (CMD)

- Shri Sanjay Dhingra has significant experience of more than two decades in the business of FMCG products with varied exposure in manufacturing, trading and international marketing.
- His business acumen combined with his grass root level exposure in the FMCG industry has been instrumental in turning around the business post taking over in 2003 and establishing Kwality as a dominant player in the dairy industry in the Country.
- He was felicitated by, the then, Hon'ble Union Finance Minister Mr. Pranab Mukherjee for being a successful self industrialist and for his immense contribution to the Dairy sector.



Sidhant Gupta
(Director)

- A management graduate with rich experience of more than a decade, in strategic business development, liasoning & international trade.
- Mr. Gupta possesses versatile experience in dealing with various government entities such as the FCI, Ministry of Agriculture, Ministry of Defence, CSD, etc., while working simultaneously with various multinationals, including Fortune 500 groups such as Adani Wilmar, Cadbury, Britannia, Markfed, etc.
- Played a pivotal role in expanding the company's global footprint with tremendous growth and enhancement of the group's value by launching new dairy products.
- He has been instrumental in bringing about technological & managerial excellence in the company's operations.

Board of Directors



Dr. Rattan Sagar Khanna
(Independent Director)

- Aged 69 years and currently associated with a no. of reputed institutions in Dairy Sector including, Deptt. Of Animal Husbandry, Sikkim, Namastey India Foods, Ganesh Scientific Research Foundation, CIAHDD, Gerson Lehrman Group, New York etc.
- In past, served as a Consultant of Department of Animal Husbandry, Fisheries & Veterinary Services, CEO of Animal Feeds Business in Dabur Ayurveda Limited., Advisor to the GCMMF, GM in GCMMF, New Delhi, MD of Rajasthan Co-operative Dairy Federation, Resident Representative of National Dairy Development Board, head (Projects) of Indian Dairy Corporation, Baroda etc.
- Contributed about 100 researchers, reviews and sectoral articles.



Manjit Dahiya
(Director)

- More than 25 years of experience in the Dairy Industry
- Expert in setting dairy plants, development of dairy products and implementing latest developments in dairy industry.
- Responsible for handling technical issue at the Pant and milk chilling centers.
- Responsible for bringing lots of reforms in manufacturing of SMP, Ghee, Cheese, Paneer, Dairy Whitener and other dairy products. He has expert knowledge in the products manufactured by Kwality Limited and its utilization.



Pinki Singh
(Independent Director)

- An associate member of Institute of Company Secretaries of India and a graduate in commerce and law.
- Brings with her the vast expertise in the field of legal, Secretarial and Insurance compliances and is well versed with the Computation of Taxes, Finance activities, SEBI, FEMA and RBI Compliances.
- Has experience in strategic corporate matters, IPO, private placements, listing matters, FCCBs, etc which proved to be a great asset for the company. She is also serving on the committee of the Board.

Key Management Profile



Nawal Sharma (President- Business Transformation)	<ul style="list-style-type: none"> ➤ 22 years of rich experience across multiple industry including Business Transformation (Consulting), Telecom, BPO & FMCG and worked with companies like Reliance Communications, Bharti BT Internet etc. ➤ Key professional experience cuts across all layers of organization management, i.e., business layer, process layer, organization layer & execution layer.
Rajesh Verma (VP- International Marketing)	<ul style="list-style-type: none"> ➤ Having 2 decades of experience in FMCG majors & blue chip companies such as Blowplast Industries, VIP Industries, HUL, Bata India. ➤ Responsible for handling Sales & Marketing function including International Marketing.
Rajendra Singh (MCC State Head-U.P.)	<ul style="list-style-type: none"> ➤ An MBA from IGNOU and M.Sc in Agricultural Botany from Meerut University ➤ He has more than 32 years of experience in the implementation of the world's largest poverty alleviation programme "Operation Flood"
Jayant Karmakar (CGM- Palwal)	<ul style="list-style-type: none"> ➤ A Graduate in Dairy Technology, having more than 22 years of experience in Dairy Industry. ➤ Expert in Strategic decisions, planning and budgets, Milk Procurement, Quality Processing, cost control etc.
Adarsh Kumar Abrol (GM Works- Bulandsahar)	<ul style="list-style-type: none"> ➤ B.Sc Dairying (Dairy Technology) from Dairy Science College, National Dairy Research Institute, Karnal, Haryana ➤ He has more than 36 years of experience, an expert in manufacturing techniques of Condensed Milk, SMP and Desi Ghee and also have good knowledge for erection of Condensing Plant, Tetra Pack Unit, Recombination Section, Packing & Sterilization Plant
Sanjeev Tomar (GM Production, Palwal)	<ul style="list-style-type: none"> ➤ Dairy Technologist by qualification having an experience of more than 15 years. He has worked on all Dairy products on commercial scale namely Market Milk, Aseptic Milk, Flavoured Milk, milk powders of all types etc.
Naveen Sharma (Head – Purchase)	<ul style="list-style-type: none"> ➤ An MBA from Global Open University and MDP in Logistics and Supply chain from IIM Ahmedabad having an experience of more than 14 years ➤ Experience in Agro Chemical and FMCG Industry in areas of strategic sourcing, procurement, Packaging Materials (from Flexible to Rigid), logistics, performance optimization (Business Solutions), supplier development, business negotiations & supply-chain management

Key Management Profile



Sanjeev Kumar Kalra (GM-Works)	➤ B.Sc by qualification with experience of more than 15 years in Dairy Industry. He handled the position as Plant Supervisor, Production Manager and Works Manager in his carrier.
Sachin Sachdeva (GM Procurement)	➤ He has 15 years of experience in milk collection as well as MCC handling.
Anil Katyal (Head-Business Development Emergent Markets)	➤ He is having more than 24 years of experience in Sales and Marketing in FMCG Companies including VRS Foods
Inderjit Singh (GM-Institutional Sales)	➤ B.Com from Delhi University and has more than 30 years of experience in Dairy Industry including Milk Food, Cepham Milk Specialties, Parle Exports, HMM etc..
Surendra Pal Jajoria (Head Quality Control- Palwal)	➤ M. Sc (Dairy Microbiology) and B. Tech (Dairy Technology) with experience of more than 10 years in the areas of Production, Quality Assurance, Product Development & Improvement, Operations & MIS. He has worked with various FMCG Companies including Britannia & Amul.
Sunit Shangle (Chief Financial Officer)	➤ CA with more than 25 years of experience in the field of Finance & Accounts with specialization in raising of funds.
Sharad Bhandari (GM-Finance & Accounts)	➤ Cost Accountant by profession having an experience of more than 30 years in Finance, Resource Mobilization and Management.
Pawan Sharma (Vice President & Head-HR)	➤ MBA in HR with experience of more than 25 years. ➤ Responsible for developing, implementing and maintaining HR strategies, policies and procedures and monitor as well as to identify manpower requirements and make appropriate recommendation to management for implementation.
Anil Sehgal (DGM-Legal)	➤ An LL.B from Delhi University. He has more than 11 years experience in handling Legal matters, compliances, litigations, corporate governance, court cases, drafting and vetting of agreements.
Deepa Kapoor (C.S. & Compliance Officer)	➤ Company Secretary and LL.B by profession, she is having experience of more than 12 years in corporate law, Securities law, SEBI, secretarial and related compliance.



- Kwaliti has to-date taken conscious steps towards raising the quality & hygiene of raw milk obtained and also to improve the health and life style of the farmer community
- The Company organizes various camps and village meetings regularly to discuss the requirements of farmers and to assist in issues pertaining to Vaccination, Cattle feed, increasing milk yield and facilitating the loan requirements of farmers through financial institutions. Further these camps also educate farmers on the general quality of life improvement and hygienic living standards along with other social issues



Company organizes Animal Health and Fertility Camp.

Milk Procurement Team's CSR Activities

- **Animal Health:** Kwaliti deploys a team of veterinary doctors who are based in rural areas who look after the health of farmers' animals and provide necessary education
- **Artificial Insemination (AI):** Doctors deputed by KDIL also take care of AI needs of the farmers' animals
- **Cattle Feed:** KDIL provides good quality and balanced cattle feed at cost price to take care of nutrition needs of the milk animals
- **FMD vaccination:** An annual FMD vaccination program at subsidized cost is organized for vaccination of animals to protect them against Foot and Mouth disease
- **Loaning for farmers:** Kwaliti has tied up with various banks including Allahabad Bank, Central Bank of India, Bank of India, Syndicate Bank etc. to provide loans to its farmer for not only buying animals but also tractors etc.
- **Village Adoption programmes:** Kwaliti is adopting villages where it takes initiative in educating women about cleanliness, primary health, providing scholarship to girl child etc.
- **Insurance:** Providing insurance not only for the animals but also the farmers by providing them with medical & accidental insurance



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Future Strategy



	Milk Procurement	New Products & Consumer Brands	Overseas Expansion
Existing	<ul style="list-style-type: none"> Securing continuous supply of quality milk being an important success factor for the industry - Kwaliti has developed a reliable network of vendors to source milk. Kwaliti is also directly procuring milk from farmers through VCCs and MCC 	<ul style="list-style-type: none"> The Company is currently selling a diverse range of products from Liquid Milk, Milk Powders to Fat based products 	<ul style="list-style-type: none"> The Company has set up a 100% subsidiary in Dubai to cater to international market, keeping in the Indian governments policies on export of milk and milk products
Future Objective	<ul style="list-style-type: none"> For procurement of quality milk directly from farmers, Kwaliti is planning to open another 25-30 MCC in next 2 years to ensure sustained availability of quality milk. To achieve the milk collection from MCCs at 50% of total milk requirement in next 3 years time. Setting up Company owned MCC with a capacity of more than 50000 LPD To increase the facilities/ incentives to farmers including veterinary doctors to look after animal health and artificial insemination need, subsidised animal feed and annual FMD vaccination to ensure that farmers is associated to Kwaliti and thus increase the number of farmers under each VCC 	<ul style="list-style-type: none"> After launch of the Low Cholesterol Pure Ghee, 'Livlite', the Company plans to launch various new products catering to the increasing health needs of the Indian Consumer including flavoured milk Launch of milk powders for retail consumers in small packages under the "Wake Up" brand Setting up manufacturing facilities for products like variants of cheese, drinking yogurt, butter in tubs, cream in tetra pack etc. 	<ul style="list-style-type: none"> Kwaliti plans to import SMP, WMP and various derivatives of other Dairy Products from Eastern European countries - process, pack and sell the products under its brands, both domestically in Dubai and export to other countries in Middle East, Far East, Bangladesh, Thailand

SMP - Skimmed Milk Powder; WMP - Whole Milk Powder



Future Strategy - Action Plan

- Kwality has under taken an expansion plan at its plant location at Softa, Bulandshahr and Saharanpur.
- Expansion resulting in increase in the production capacities but also adding production capability for value added products like flavoured milk, variants of cheese, UHT milk, Butter in tubs, Cream in Tetrapacks etc.
- Installing latest processing machines including robotised which involve minimum human intervention
- Kwality is currently test marketing few value added products like flavoured milk, variants of cheese, etc. for early launch of these products
- Embarking on massive milk procurement linked CSR activity and formed its own Trust to carry out the CSR activity
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Summary Financials



Historical Financials (Standalone)



Income Statement		(Rs in mn)					
Particulars	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	
Total Income	10,541	16,080	23,946	36,923	45,780	52,692	
Growth in Income(%)	81%	52%	49%	54%	24%	15%	
Total Expenditure	9,899	14,594	21,672	33,736	41,800	47,924	
Gross Profit	642	1,212	2,274	3,187	3,981	4,768	
Gross Profit (%)	6.1%	7.5%	9.5%	8.6%	8.7%	9.04%	
Personnel Expenses	22	39	86	135	179	235	
Administration Expenses	99	185	537	919	1,081	1,351	
EBITDA	522	988	1,651	2,133	2,721	3,182	
EBITDA%	4.9%	6.3%	6.9%	5.8%	5.9%	6.04%	
Other Income	1	2	1	7	40	114	
Interest Expense	207	356	651	923	1,126	1,341	
Depreciation / Amortization	18	35	75	103	129	250	
Extraordinary Expenses				30			
Profit Before Tax (PBT)	297	599	926	1,084	1,505	1,705	
PBT%	2.8%	3.8%	3.9%	2.9%	3.3%	3.24%	
Tax	118	146	17	119	239	295	
Profit After Tax (PAT)	179	452	909	965	1,266	1,409	
PAT%	1.7%	2.9%	3.8%	2.6%	2.8%	2.67%	



Historical Financials (Standalone) (cont'd.)

Balance Sheet

(Rs in mn)

Particulars	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Sources of Funds						
Share Capital	182	203	203	203	203	219
Quasi Capital	450	600	750	750	750	
Money received against warrants						187
Reserves & Surplus	293	707	1,594	2,535	3,778	5,668
Net Worth	925	1,510	2,547	3,488	4,731	6,074
Secured Loans	1,683	3,646	5,665	7,950	9,008	9,426
Unsecured Loans	56	2	253	109	375	1,552
Total Loans	1,739	3,648	5,918	8,059	9,383	10,978
Deferred Tax Liability	6	8	5	-12	-8	-14
Total Sources of Funds	2,669	5,167	8,470	11,536	14,106	17,038
Application of Funds						
Net Block	179	419	640	729	991	607
CWIP	4	-	1	86	220	1,184
Investment			14	56	62	190
Current Assets						
Sundry Debtors	2,618	4,117	6,562	9,309	12,000	11,513
Inventories	486	634	987	987	1,675	2,646
Loans & Advances & Other Current Assets	133	371	672	1,197	860	2,392
Sub-Total of Current Assets	3,237	5,139	8,221	11,493	14,535	16,551
Current Liabilities						
Sundry Creditors	615	228	206	484	1,093	511
Other Current Liabilities & Provisions	135	165	200	344	609	983
Sub-Total of Current Liabilities	750	393	406	828	1,702	1,494
Net Current Assets	2,487	4,746	7,815	10,665	12,833	15,058
Total Application of Funds	2,669	5,167	8,470	11,536	14,106	17,038

Historical Financials (Consolidated)



Income Statement		(Rs in mn)			
Particulars	FY 12	FY 13	FY 14	FY 15	
Total Income	24162	39297	50110	58783	
Growth in Income(%)	-	63%	28%	17%	
Total Expenditure	21870	35980	45869	53658	
Gross Profit	2292	3317	4240	5125	
Gross Profit (%)	9.5%	8.4%	8.5%	8.7%	
Personnel Expenses	86	138	186	243	
Administration Expenses	541	947	1121	1383	
EBITDA	1665	2232	2934	3499	
EBITDA%	6.9%	5.7%	5.9%	5.6%	
Other Income	1	7	40	117	
Interest Expense	651	931	1156	1403	
Depreciation / Amortization	75	103	130	253	
Extraordinary Expenses	-	30	-	-	
Profit Before Tax (PBT)	940	1176	1688	1960	
PBT%	3.9%	3.0%	3.4%	3.3%	
Tax	17	119	239	295	
Profit After Tax (PAT)	923	1056	1449	1665	
PAT%	3.8%	2.7%	2.9%	2.8%	



Historical Financials (Consolidated) (cont'd.)

Balance Sheet

(Rs in mn)

Particulars	FY 12	FY 13	FY 14	FY 15
Sources of Funds				
Share Capital	203	203	203	219
Quasi Capital	750	750	750	
Money received against warrants				187
Reserves & Surplus	1607	2642	4081	6243
Net Worth	2560	3595	5034	6649
Secured Loans	5667	8343	9752	10912
Unsecured Loans	266	529	469	1580
Total Loans	5934	8872	10221	12492
Deferred Tax Liability	5	-12	-8	-15
Total Sources of Funds	8498	12456	15247	19126
Application of Funds				
Net Block	640	731	1058	673
CWIP	1	86	220	1184
Current Assets				
Sundry Debtors	6602	10091	13312	13246
Inventories	1001	1033	1874	2910
Loans & Advances & Other Current Assets	709	1780	1064	2631
Sub-Total of Current Assets	8311	12904	16250	18787
Current Liabilities				
Sundry Creditors	254	918	1663	520
Other Current Liabilities & Provisions	200	348	618	998
Sub-Total of Current Liabilities	454	1265	2280	1518
Net Current Assets	7857	11639	13969	17269
Total Application of Funds	8498	12456	15247	19126



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