

# Kwality Limited (“Kwality”)



## Presentation



# Disclaimer

This presentation has been prepared by Kwalita Limited (the “Company”) solely for information purposes, without regard to any specific objectives, financial situations or informational needs of any particular person. All information contained has been prepared solely by the Company. No information contained herein has been independently verified by anyone else. This presentation may not be copied, distributed, redistributed or disseminated, directly or indirectly, in any manner. No part of it should form the basis of or be relied upon in connection with any investment decision or any contract or commitment to purchase or subscribe for any securities. Any person placing reliance on the information contained in this presentation or any other communication by the Company does so at his or her own risk and the Company shall not be liable for any loss or damage caused pursuant to any act or omission based on or in reliance upon the information contained herein. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained in this presentation. Such information and opinions are in all events not current after the date of this presentation. Further, past performance is not necessarily indicative of future results. This presentation is not a complete description of the Company. This presentation may contain statements that constitute forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially include, among others, future changes or developments in the Company’s business, its competitive environment and political, economic, legal and social conditions. Given these risks, uncertainties and other factors, viewers of this presentation are cautioned not to place undue reliance on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements to reflect future events or developments. Except as otherwise noted, all of the information contained herein is indicative and is based on management information, current plans and estimates in the form as it has been disclosed in this presentation. Any opinion, estimate or projection herein constitutes a judgment as of the date of this presentation and there can be no assurance that future results or events will be consistent with any such opinion, estimate or projection. The Company may alter, modify or otherwise change in any manner the content of this presentation, without obligation to notify any person of such change or changes. The accuracy of this presentation is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the Company. This presentation is not intended to be an offer document or a prospectus under the Companies Act, 2013, as amended, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended or any other applicable law.

This presentation does not constitute an offer or invitation, directly or indirectly, to purchase or subscribe for any securities of the Company by any person in any jurisdiction, including India and the United States.



## Company Overview

Industry Snapshot

Business & Operations

The Road Ahead

Summary Financials

Annexure



# Kwality Ltd. - Key Highlights



## Overview

### ✓ One of the Largest Player in the Private Dairy Sector in India

- Kwality Limited is one of the largest manufacturer and processor of dairy products in the private sector in India
- Established in 1992 as backward integration unit of Kwality Ice Creams and acquired by the current promoters in 2003
- Currently, Processing capacity of more than 3.0 mn litres of milk per day with Six (6) milk processing units across Rajasthan, Haryana and UP, India

### ✓ Increasing Direct Procurement : Key to Success

- Currently, procuring ca. 15% of milk requirement directly from more than 280,000 farmers spread across ca. 4000 villages through 20 MCCs - Company intends to increase this procurement mix from the current ca. 15% to ca. 50% directly from farmers
- Ensuring consistent quality and taste which are important parameters for success in value added products
- Currently, operating 20 Milk Chilling Centres (MCCs) in U.P. Rajasthan and Haryana which the Company intends to expand to achieve the above objective to improve the procurement mix

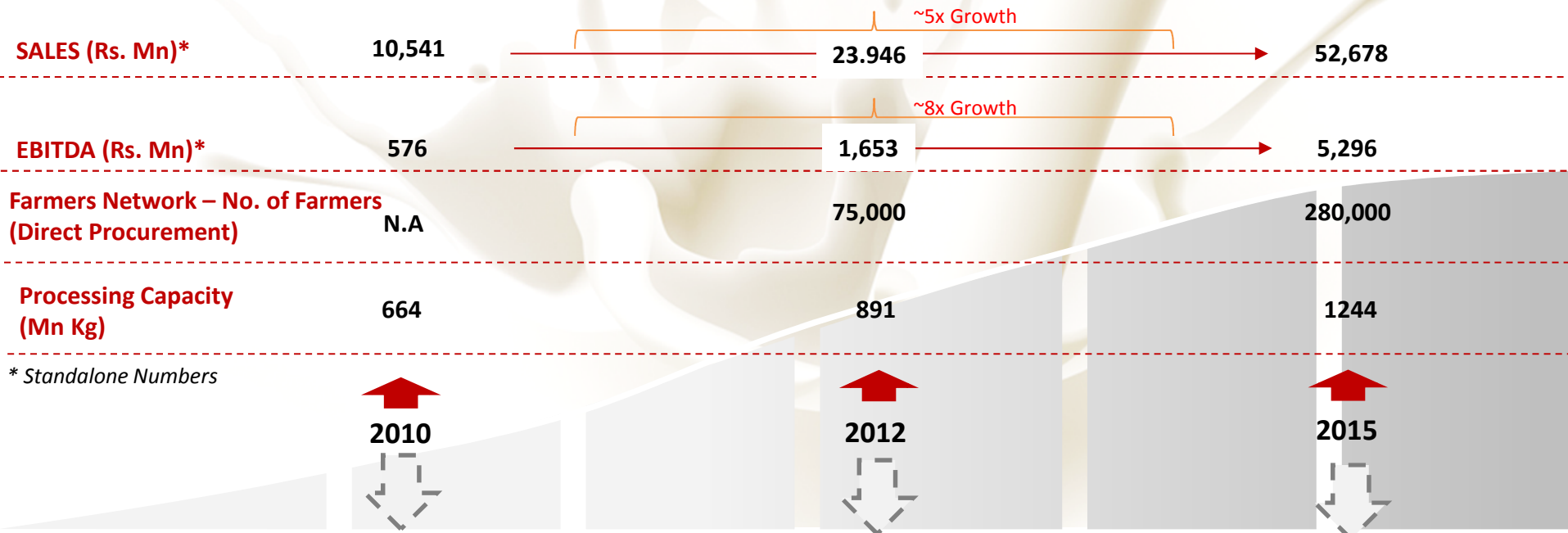
### ✓ Transforming Business

- Company's primary focus is to transform from a traditional B2B to B2C Company
- Strategically looking to change the current business mix from 70:30 (Institutional : Retail) to sharper focus on retail over a period of time
- Product Portfolio Expansion – Evolving from a Commoditised Player to a Branded Player in the dairy industry by adding Value Added Products like flavoured milk, cheese, UHT Milk, table butter in various variants and other dairy products
- Focusing on Brand Development with investments being planned in customer engagement channels
- Strengthening and Enhancing of its retail distribution network

### ✓ Strengthening Human Capital

- Building upon Management with recruits from leading FMCG companies and large corporates

# Kwality Limited - Growth Path till date . . .



\* Standalone Numbers

## PRODUCTS

Pasteurised/Standardised Milk
Ghee
Skimmed Milk
SMP
Curd
Other Milk Powder
Butter

Pasteurised/Standardised Milk
Ghee
Skimmed Milk
SMP
Curd
Other Milk Powder
Pouched Milk
Pouched Curd

Pasteurised/Standardised Milk
Ghee
Skimmed Milk
SMP
Curd
Other Milk Powder
Pouched Milk
Pouched Chaach
Pouched Curd
Butter

# Key Milestones



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



Company Overview

Industry Snapshot

Business & Operations

The Road Ahead

Summary Financials

Annexure



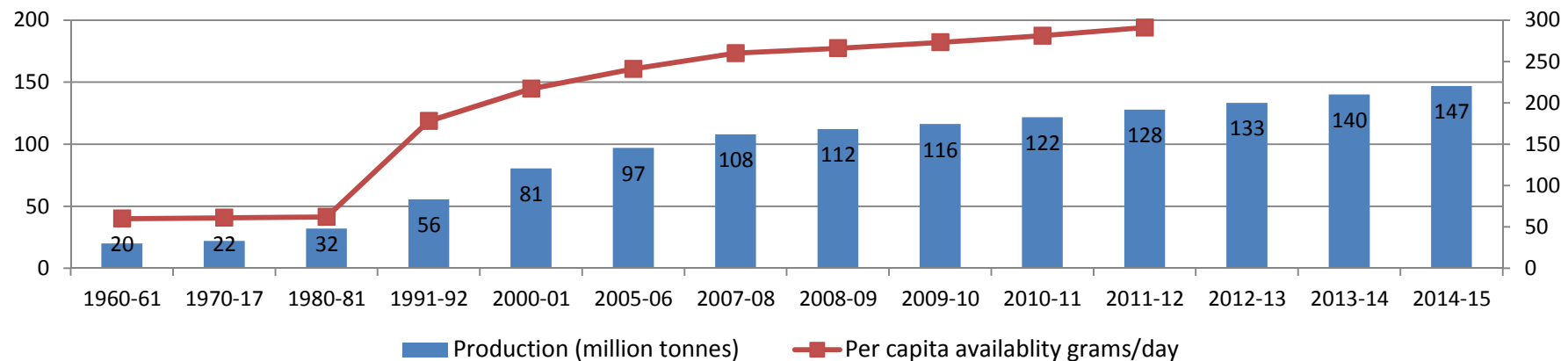
# Brief Overview of the Indian Dairy Industry



- India is the largest milk producing nation in the world - Production of ca. 147 mn metric tonnes in 2014-15
- Consumption in India stood at ca. 138 mn metric tonnes during this period and as per the Planning Commission of India, the domestic demand for milk is expected to be ca.172 mn metric tonnes by 2021-22
- Milk production growing at a CAGR of ca. 4-5% and consumption growing at CAGR of ca. 5-6%
- 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*
- 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 Rs. 5,030 Bn in 2014.

Source: IMARC Report

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



Source: FAOSTAT



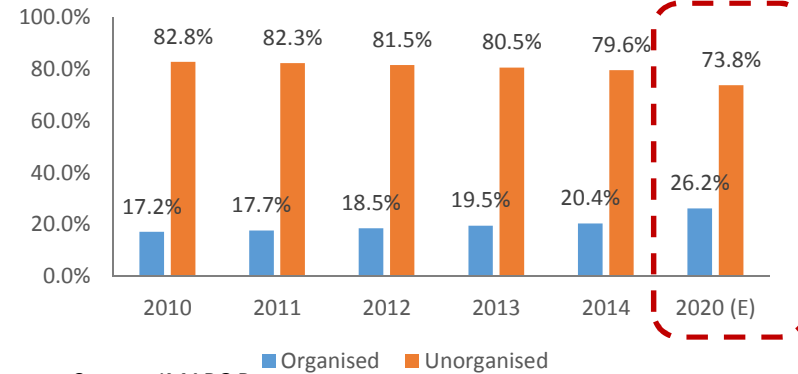
# Dairy Industry : Growing Organized Market



## Organized market is growing at a healthy rate

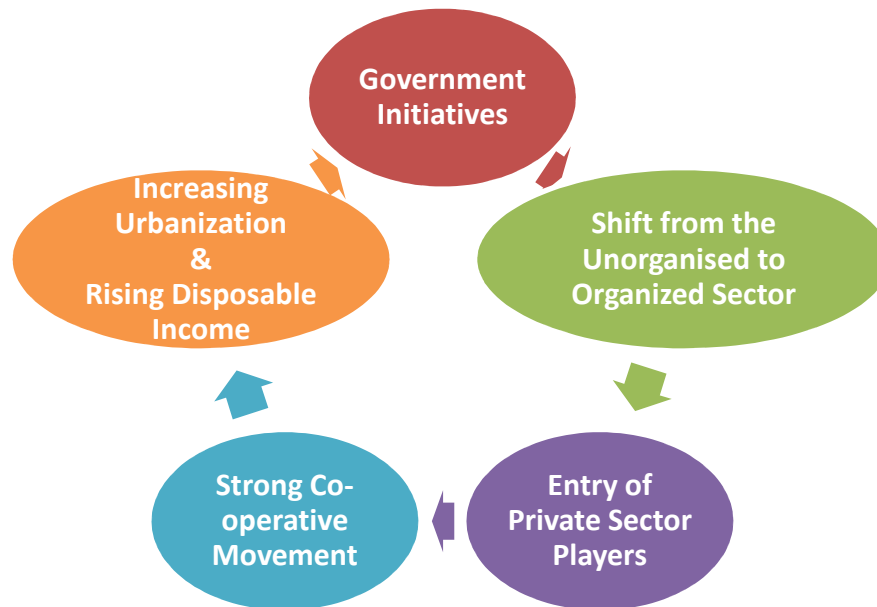
- Indian Organised Dairy market size Rs. 1,025 bn in 2014 comprising of Cooperative and Private Players
- This segment is expected to grow at a CAGR of ca. 19% till 2019-20

Source: IMARC Report



Source: IMARC Report

## INDIA ORGANISED DAIRY INDUSTRY – KEY GROWTH DRIVERS



## Supported by

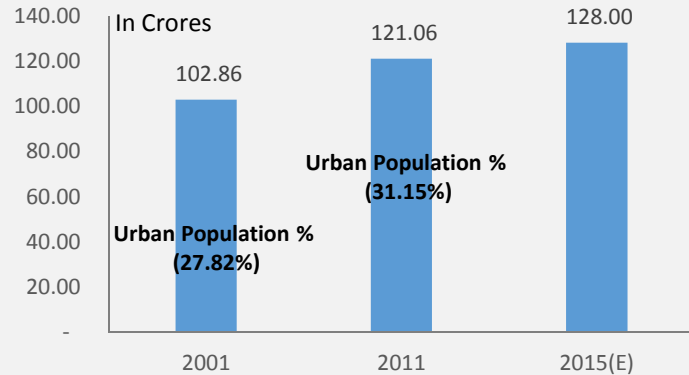
- Increase in consumer base – Growing Population with growing nuclear families
- Exposure to Western consumption pattern - increased consumer interest in high protein diet
- Increasing awareness and availability of dairy products through channels such as organised retail and food service segments
- Introduction of new types of dairy products
- Increased consciousness about quality of food products

# Favourable Demographics



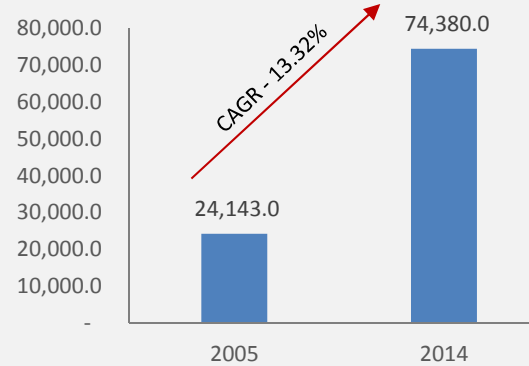
## India - A Widening Market

### Population Growth with growing Urban Population



Source: Census of India, 2001 & 2011 and News Reports

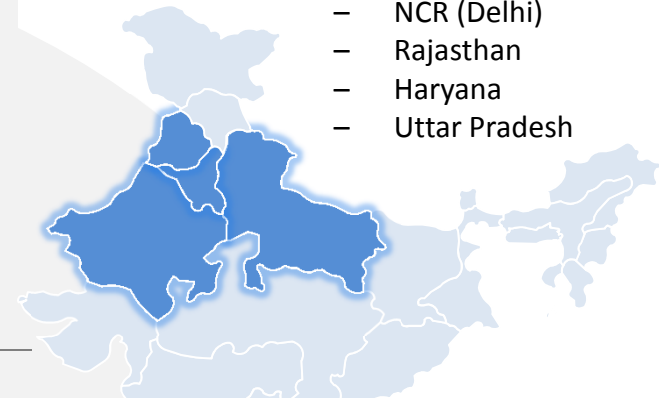
### Per Capita Income



Source: RBI

## Kwality's Major Presence

- NCR (Delhi)
- Rajasthan
- Haryana
- Uttar Pradesh



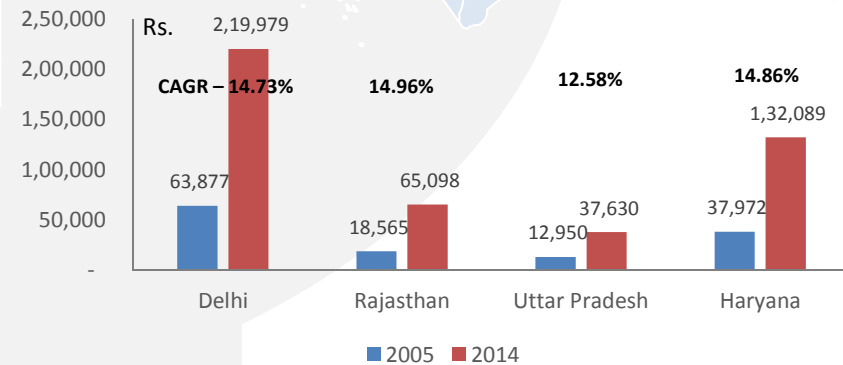
## Kwality's Target Market – Better Positioned in terms of % Growth

Delhi	2001	2011	Rajasthan	2001	2011
Total Population (Crs)	1.38	1.67	Total Population (Crs)	5.65	6.85
Growth(%)	46.31	21.21	Growth(%)	28.33	21.31
Urban (% of Total Popln.)	93%	98%	Urban (% of Total Popln.)	23%	25%

Uttar Pradesh	2001	2011	Haryana	2001	2011
Total Population (Crs)	16.61	19.98	Total Population (Crs)	2.11	2.53
Growth(%)	25.8	20.23	Growth(%)	28.06	19.9
Urban (% of Total Popln.)	21%	22%	Urban (% of Total Popln.)	29%	35%

Source: Census of India, 2001 & 2011 and News Reports

### Per Capital Income\* Growth (Year 2005 to 2014)



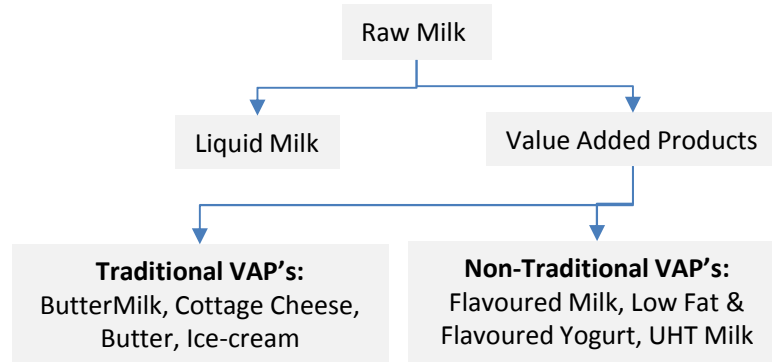
\*Per Capita Net State Domestic Product at Factor Cost

Source: RBI

# Organized Dairy Market - Transformation

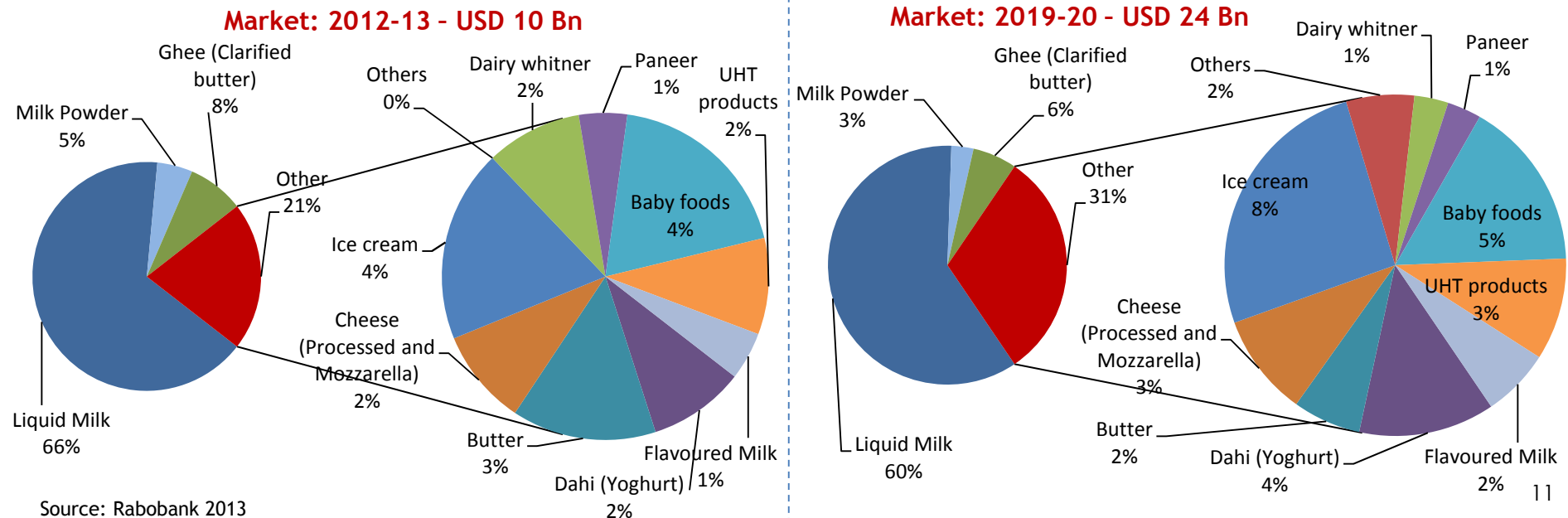


## Organized Dairy Market - Landscape



- Value added products have gained importance due to a change in demographic and dietary patterns
- The market share of value added products is expected to increase from 21% to 31% from 2012-13 to 2019-20 and the VAPs market is expected to grow at a CAGR of 23%
- Factors driving this growth : (a) Increasing young population - Value added milk products like cheese finds usage in convenience foods like pizza, pasta, and burgers. (b) Aggressive growth plans of QSR players - demand for milk, condensed milk and cream is high from coffee chains

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

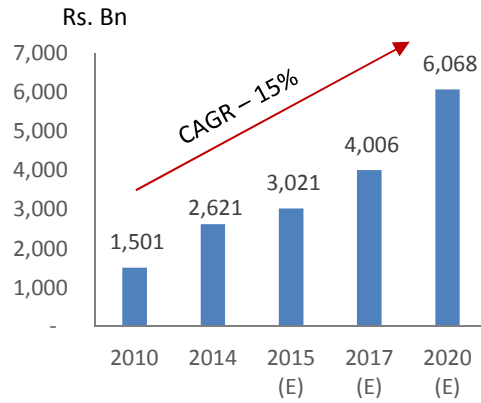


Source: Rabobank 2013

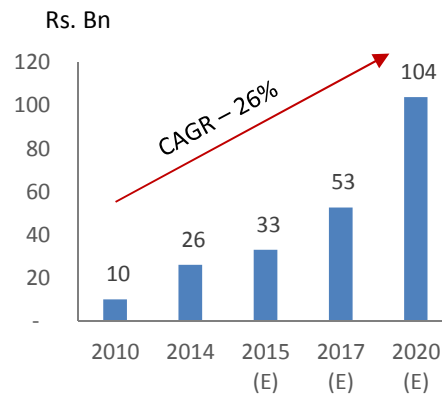
# Dairy Products - Huge Market Potential



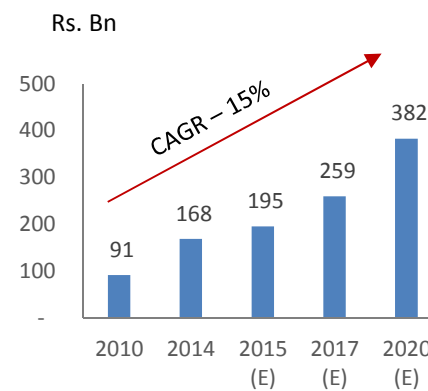
## Liquid Milk – Market (Sales)



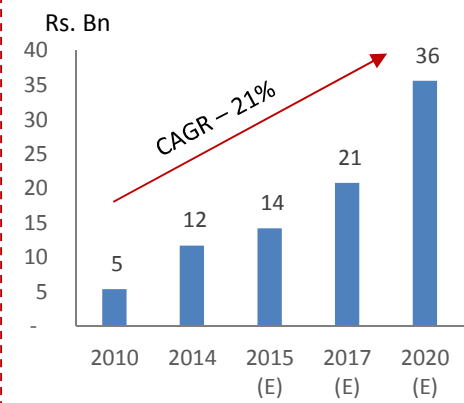
## UHT Milk – Market (Sales)



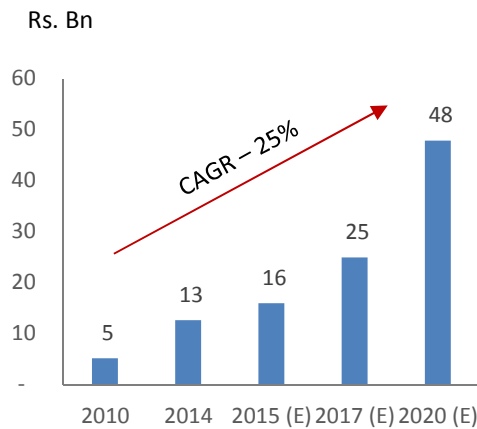
## Butter - Market (Sales)



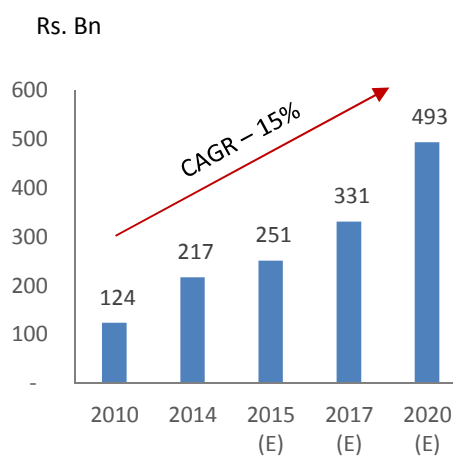
## Cheese– Market (Sales)



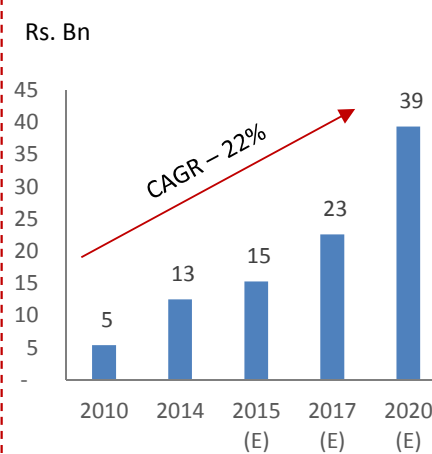
## Flavored Milk – Market (Sales)



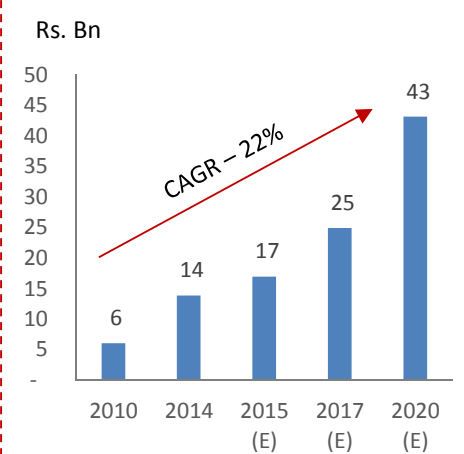
## Curd – Market (Sales)



## Lassi - Market (Sales)



## Butter Milk (Chaach)– Market (Sales)





Company Overview

Industry Snapshot

**Business & Operations**

The Road Ahead

Summary Financials

Annexure



# Business Description



## Product Portfolio

- Kwality produces a range of quality milk and milk products
- Transforming itself into a complete dairy products with introduction of variety of Value added Products
- 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

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

**Curd**



**Desi ghee**



**Chaach / Lassi**



**Flavored Milk**



**Skimmed Milk Powder**



**Pasteurised Table Butter**



**Paneer**



**Instant Dairy Whitener**



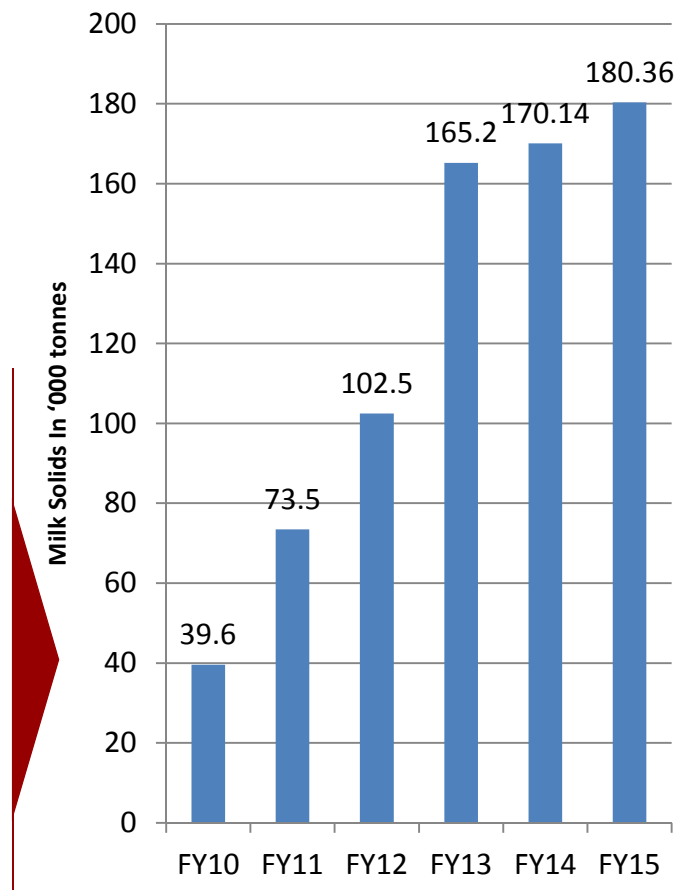
# Kwality - Milk Procurement till date . . .



## 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 20 MCCs in the states of Rajasthan, Uttar Pradesh and Haryana

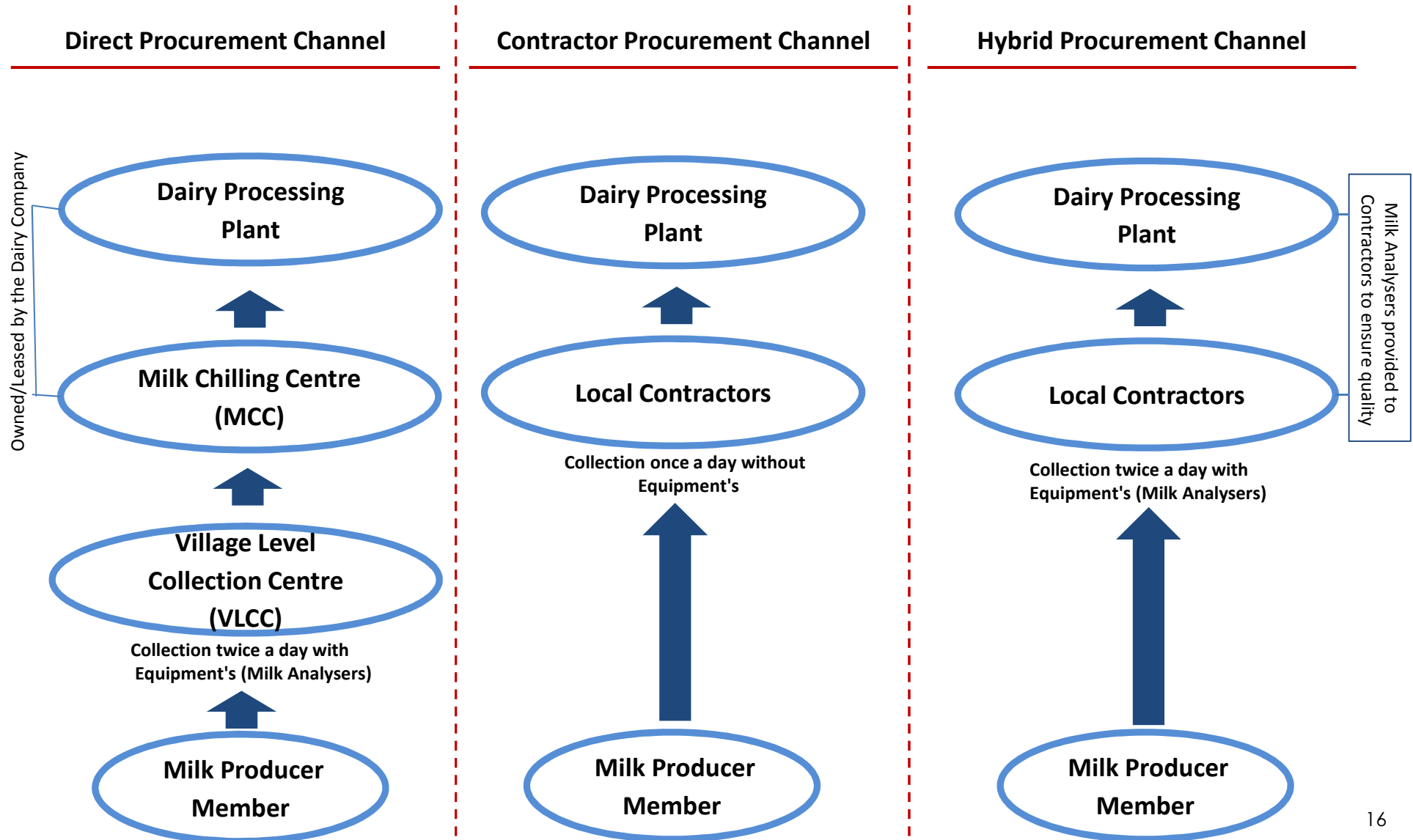
## Annual Milk Procurement



Source: Company Management



# Kwality - Procurement Models





# Milk Processing Facilities



## Company Owned / Company Controlled

Softa, Haryana

Owned



• 788 Mn Kg

Dibai (UP)

Owned



• 164 Mn Kg

Saharanpur (UP)

Leased



• 164 Mn Kg

=

**1,116 Mn Kgs**  
(90% of Total)

## Outsourced

Location: Agra (UP)

• 54.75 Mn Kg

Sitapur (UP)

• 36.5 Mn Kg

Ajmer (Rajasthan)

• 36.5 Mn Kg

=

**127.75 Mn Kgs**  
(10% of Total)

## Quality Certifications

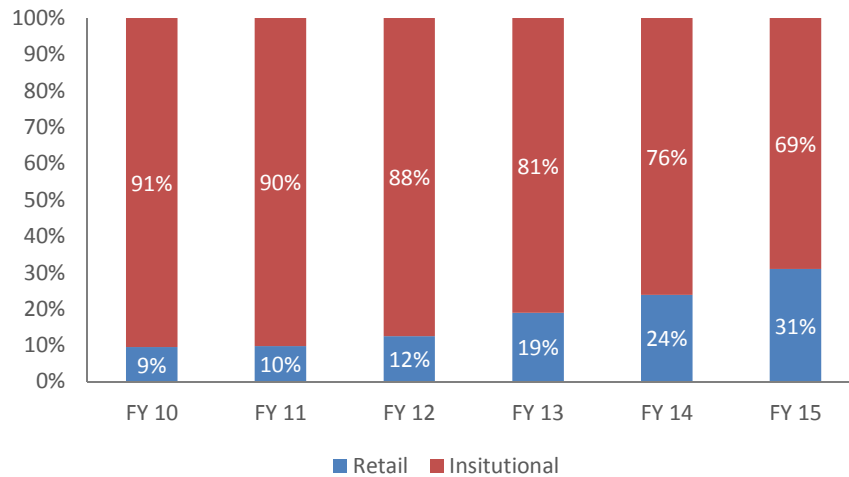


# Kwality - Sales Mix . . . so Far

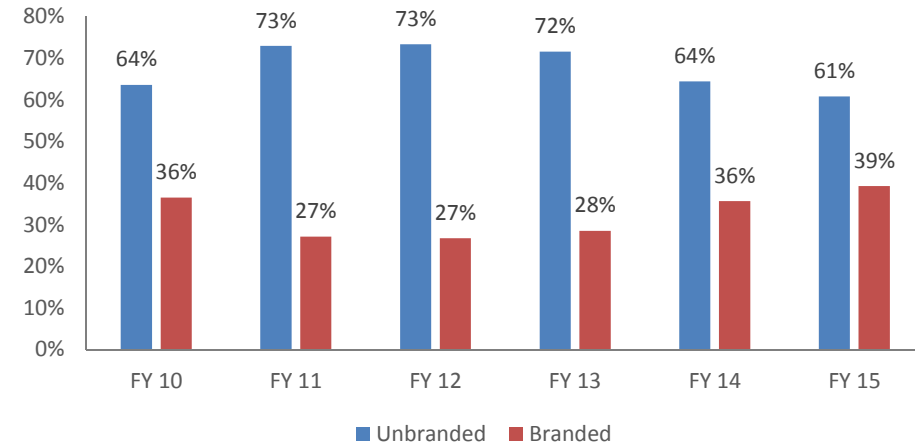


## Kwality Margin Enhancers

### Growing Retail Sales



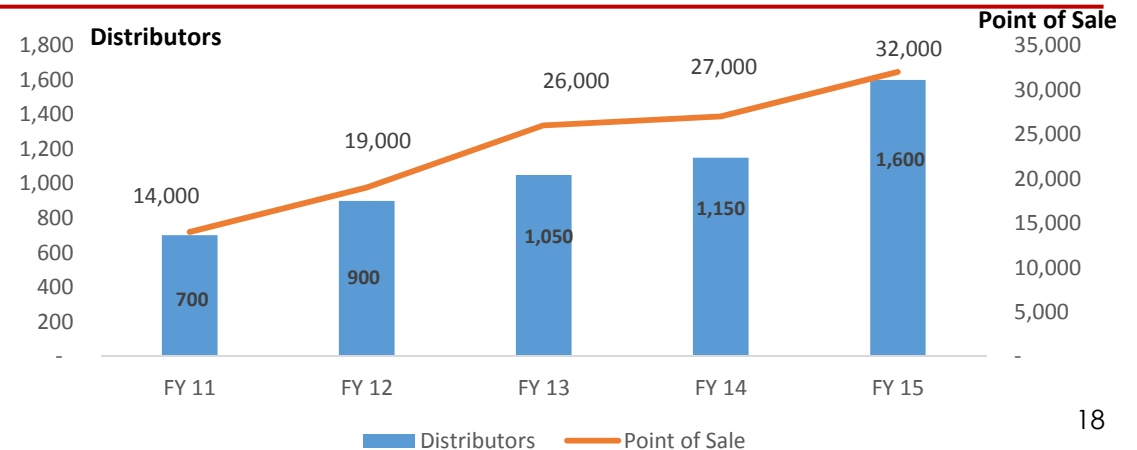
### Coupled with Improving Branded Sales



### Institutional Client Base



### Supported by Strengthening Distribution Network



# Kwality - International Operations



## 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. 5,302 Mn during FY 2014-15.

# Board of Directors



Sanjay Dhingra (CMD)

- Significant experience of more than two decades in the business of FMCG products with varied exposure in manufacturing, trading and international marketing.
- Business acumen combined with his grass root level exposure in the FMCG industry
- Instrumental in turning around the business post taking over in 2003 and establishing Kwalita as a dominant player in the dairy industry in the Country.
- 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)

- Management graduate with rich experience of more than a decade, in strategic business development, liasoning & international trade.
- Key member Instrumental in implementation of the growth strategy and ongoing expansion project in the Company.
- 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)

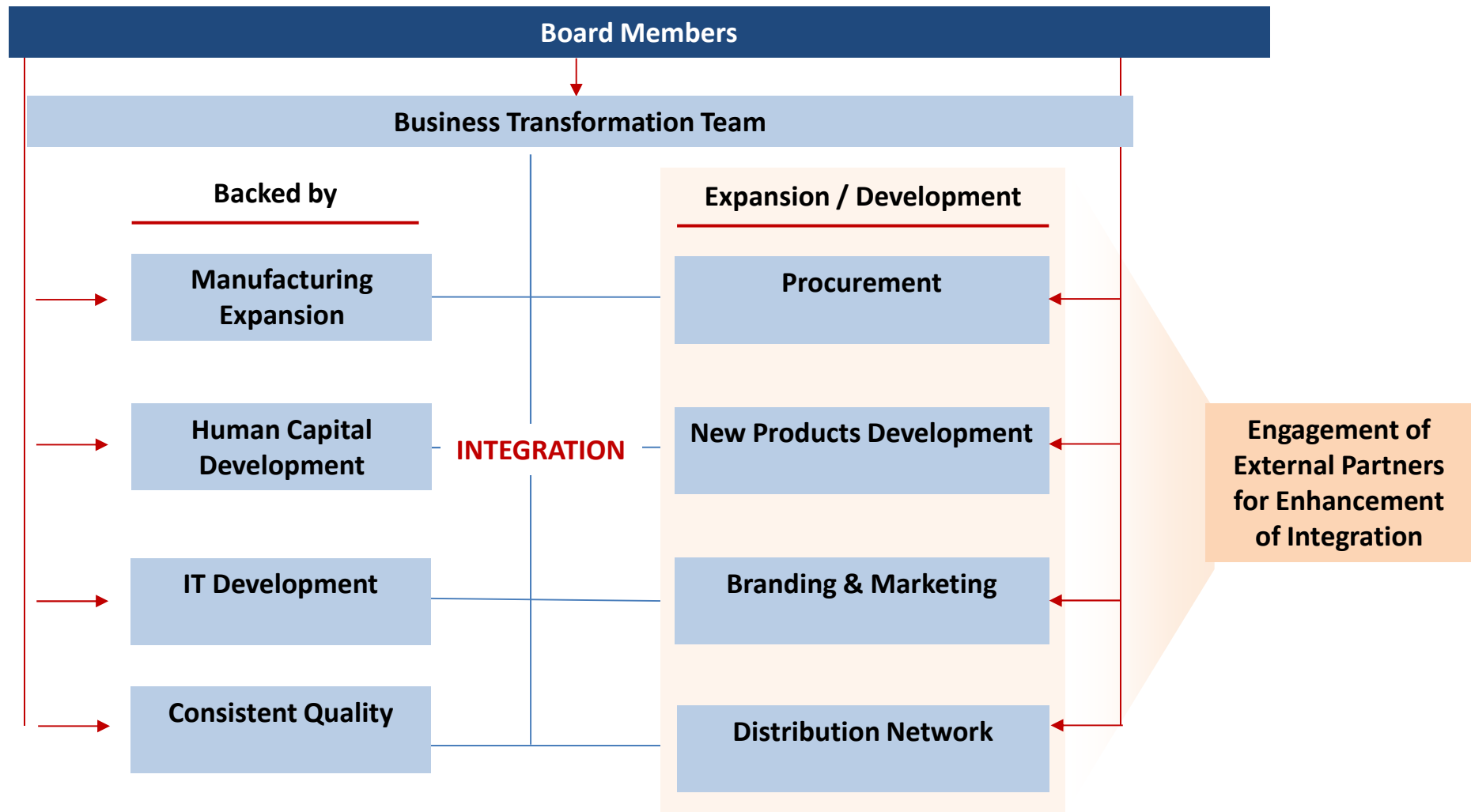
- More than 25 years of experience in the Dairy Industry
- Expert in setting dairy plants, development of dairy products and implementing latest developments in dairy industry.
- Responsible for handling technical issue at the Pant and milk chilling centers.
- Responsible for bringing lots of reforms 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.

# Kwality Organisation Setup Strategic Shift



# Key Management Profile



<b>Nawal Sharma (President- Business Transformation)</b>	<ul style="list-style-type: none"><li>➤ 23 years of rich experience across multiple industry including Business Transformation (Consulting), Telecom, BPO &amp; FMCG and worked with companies like Reliance Communications, Bharti BT Internet etc.</li><li>➤ Key professional experience cuts across all layers of organization management, i.e., business layer, process layer, organization layer &amp; execution layer.</li></ul>
<b>Rajesh Verma (VP- International Marketing)</b>	<ul style="list-style-type: none"><li>➤ Having 2 decades of experience in FMCG majors &amp; blue chip companies such as Blowplast Industries, VIP Industries, HUL, Bata India.</li><li>➤ Responsible for handling Sales &amp; Marketing function including International Marketing.</li></ul>
<b>Rajendra Singh (MCC State Head-U.P.)</b>	<ul style="list-style-type: none"><li>➤ An MBA from IGNOU and M.Sc in Agricultural Botany from Meerut University</li><li>➤ He has more than 32 years of experience in the implementation of the world's largest poverty alleviation programme "Operation Flood"</li></ul>
<b>Jayant Karmakar (CGM- Palwal)</b>	<ul style="list-style-type: none"><li>➤ A Graduate in Dairy Technology, having more than 22 years of experience in Dairy Industry.</li><li>➤ Expert in Strategic decisions, planning and budgets, Milk Procurement, Quality Processing, cost control etc.</li></ul>
<b>Adarsh Kumar Abrol (GM Works- Bulandsahar)</b>	<ul style="list-style-type: none"><li>➤ B.Sc Dairying (Dairy Technology) from Dairy Science College, National Dairy Research Institute, Karnal, Haryana</li><li>➤ 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 &amp; Sterilization Plant</li></ul>
<b>Sanjeev Tomar (GM Production, Palwal)</b>	<ul style="list-style-type: none"><li>➤ 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.</li></ul>
<b>Naveen Sharma (Head – Purchase)</b>	<ul style="list-style-type: none"><li>➤ An MBA from Global Open University and MDP in Logistics and Supply chain from IIM Ahmedabad having an experience of more than 14 years</li><li>➤ 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 &amp; supply-chain management</li></ul>

# Key Management Profile



<b>Sachin Sachdeva</b> (GM Procurement)	➤ He has 15 years of experience in milk collection as well as MCC handling.
<b>Anil Katyal</b> (Chief General Manager – Sales CPD II)	➤ He is having more than 24 years of experience in Sales and Marketing in FMCG Companies including VRS Foods
<b>Inderjeet Singh</b> (Chief General Manager – 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..
<b>Surendra Pal Jajoria</b> (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.
<b>Sunit Shangle</b> (Chief Financial Officer)	➤ CA with more than 25 years of experience in the field of Finance & Accounts with specialization in raising of funds.
<b>Pawan Sharma</b> (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.
<b>Pradeep Srivastava</b> (C.S. & Compliance Officer)	➤ He is a Fellow member of Institute of Company Secretaries of India and in addition to it also holds a Bachelor's degree in Law and Science. Mr. Pradeep Srivastava is having more than 12 years of experience and an expert in Corporate Laws, Securities Laws, SEBI, RBI and other compliances.
<b>Rajesh Sahu</b> (GM – Sales CPD II)	➤ He is carrying around 25 years of industrial exposure in handling Sales and Sales Operations and worked with prestigious organizations like Dr. Reddy's Laboratories Ltd, Wockhardt Ltd, Dabur India Ltd and TATA Teleservices Ltd. Before joining Kwality , he was associated with Mother Dairy Fruit & Vegetable Pvt Ltd as Retail Sales Head
<b>Vineet Choudhary</b> (GM - Sale FPD )	➤ Vineet is carrying around 28 years of experience Sales and Sales Administration functions and worked with prestigious organizations like Parle Group , Gillette , Perfetti and Coke FBO. Before joining Kwality, he was associated with DS Group, Noida office as Joint General Manager, Sales Development



# Corporate Social Responsibility



- Kwaliti has till 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
- Organizes various camps and village meetings regularly to discuss the requirements of farmers
- Assist in issues pertaining to Vaccination, Cattle feed, increasing milk yield and facilitating the loan requirements of farmers through financial institutions.
- 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



Company Overview

Industry Snapshot

Business & Operations

**The Road Ahead**

Summary Financials

Annexure



# Future Strategy



## Milk Procurement

### DIRECT PROCUREMENT PLANS



### Plans to Achieve the Targets

#### Future Objective

- Planning to open another 25-30 MCCs in next 2 years to ensure sustained availability of quality milk
- Setting up Company owned MCC with a capacity of more than 50,000 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 Kwality and thus increase the number of farmers under each VCC

## New Products & Consumer Brands

- Company is currently selling a diverse range of products including Liquid Milk in pouches and otherwise, Milk Powders, Ghee, Curd, Chaach etc.

- 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.
- Setting up manufacturing facilities for products like variants of cheese, drinking yogurt, butter in tubs, cream in tetra pack, flavoured milk, UHT milk, etc.

## Building upon Human Capital

- Company's key focus has been on strengthening its management expertise in line with the expansion plan

- Company has and is in the process to build upon its management team with recruits from leading FMCG companies and large corporates
- Recent senior level recruits include - HR Head, Head - Purchase, Head-Products
- To retain quality personnel, various initiatives introduced like ESOPs, Fast Track Growth & Reward plans for performing employees

SMP - Skimmed Milk Powder; WMP - Whole Milk Powder

# Future Strategy - Action Plan



## Procurement

- To ensure consistent quality and taste which are important parameters for success in value added products, the Company has embarked upon a massive expansion in milk procurement
- Company intends to increase the procurement mix from the current ca. 15% to ca. 50% directly from farmers
- Total CAPEX envisaged by the Company for this exercise would be ca. Rs. 1,250 Mn of which the Company has already invested Rs. 200 Mn
- Various initiatives for development of direct Farmer Connect in order to achieve the desired results

## Production Facilities

- Kwality has undertaken an expansion plan at its plant location at Softa, Haryana with a total CAPEX of Rs. 4,000 Mn of which the Company has till date invested ca. Rs. 800 Mn
- Expansion resulting in increase in the production capacities by 7.5 lakh litres / day
- This enhancement in production is primarily to cater to 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
- Company is currently in the process to testing few of these value added products like flavoured milk, variants of cheese, etc. for early launch of these products

# Brands Strategy



## Primary Focus Would be Towards Brand Development to Transform from a Traditional B2B to B2C Business Model

- 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
- Company proposes a massive brand development strategy primarily to entrench a deep consumer connect for its new products
- Launch of a new brand to introduce its range of value added products – New brand to spread the mantra of “Modern” “Trendy” “Youth” and “Speed”, the ethos around which Company intends to launch its new variants of products
- With this objective, it is in the process of finalizing a brand endorsement strategy
- Various channels are being worked upon for development of customer engagement



LivLite

Wake Up

Kream-Kountry

Good-Health



Company Overview

Industry Snapshot

Business & Operations

The Road Ahead

Summary Financials

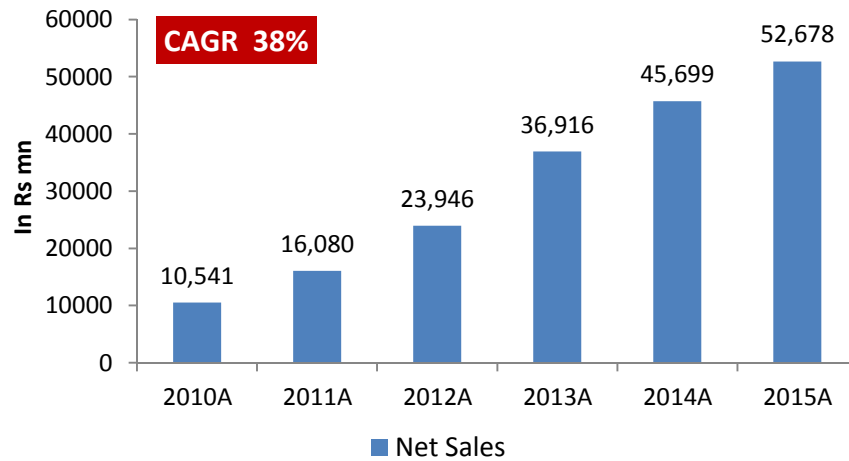
Annexure



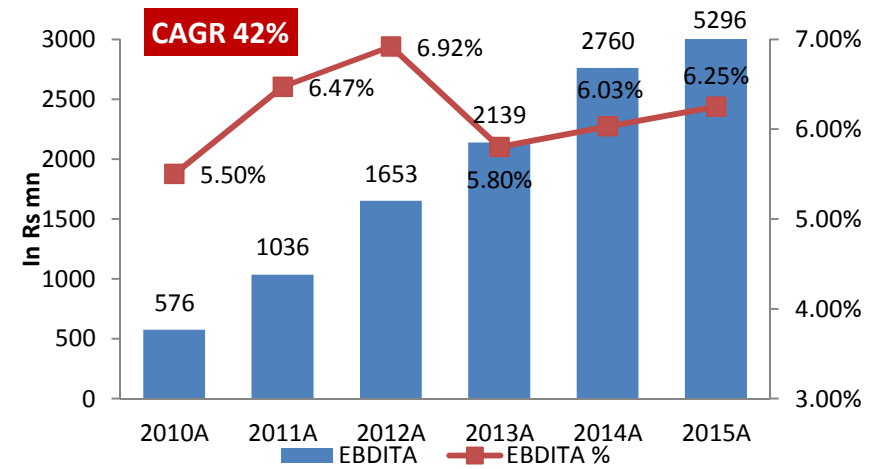
# Financial Snapshot (Standalone)



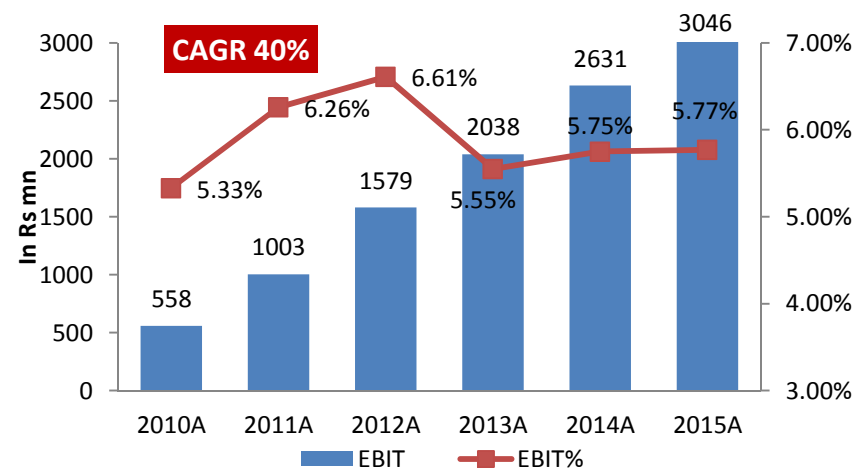
## Total Revenues



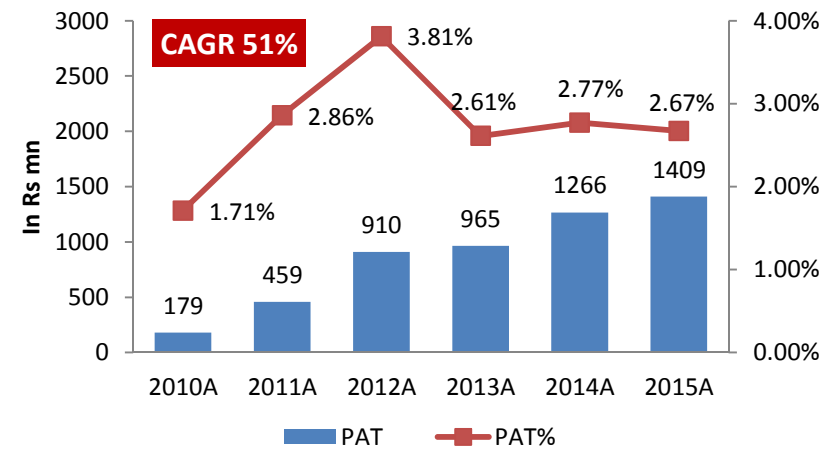
## EBDITA



## EBIT



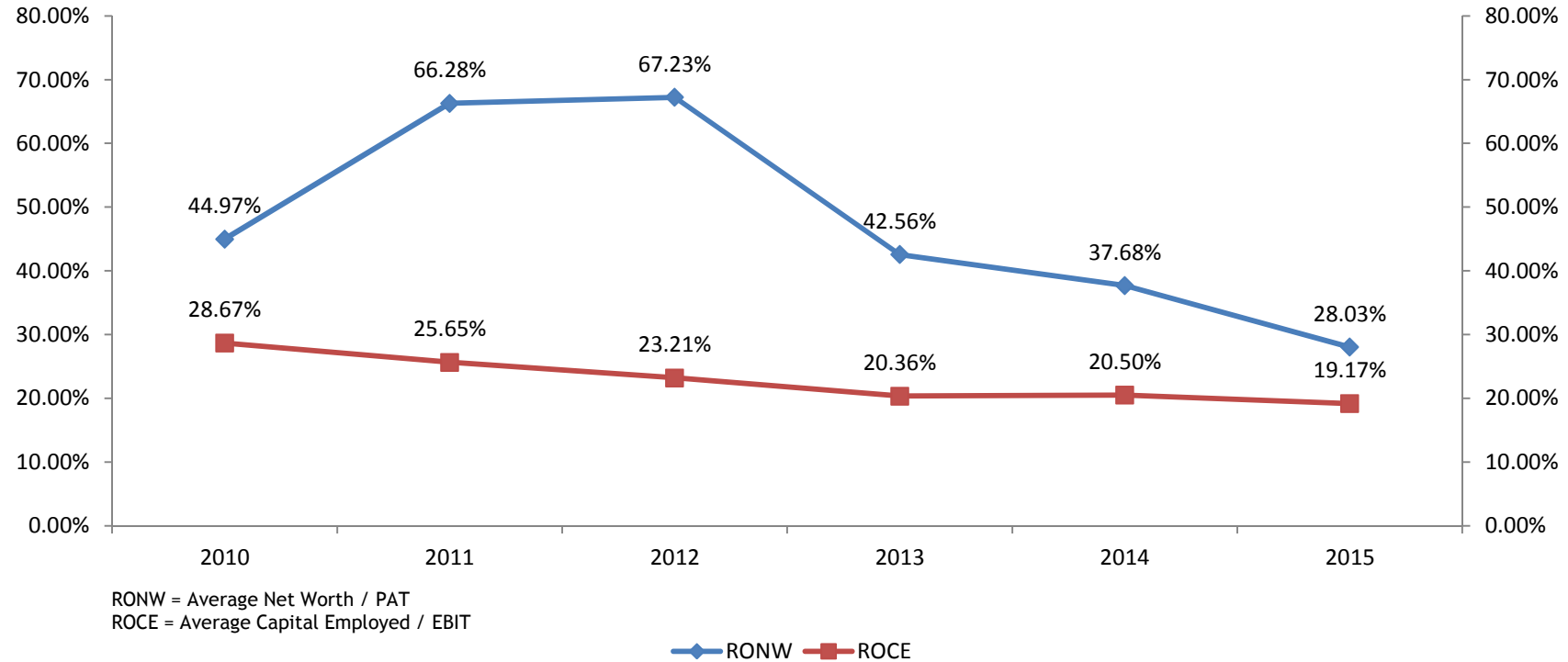
## PAT



# Current Financials & Ratios (Standalone)



## Historical Return Ratios

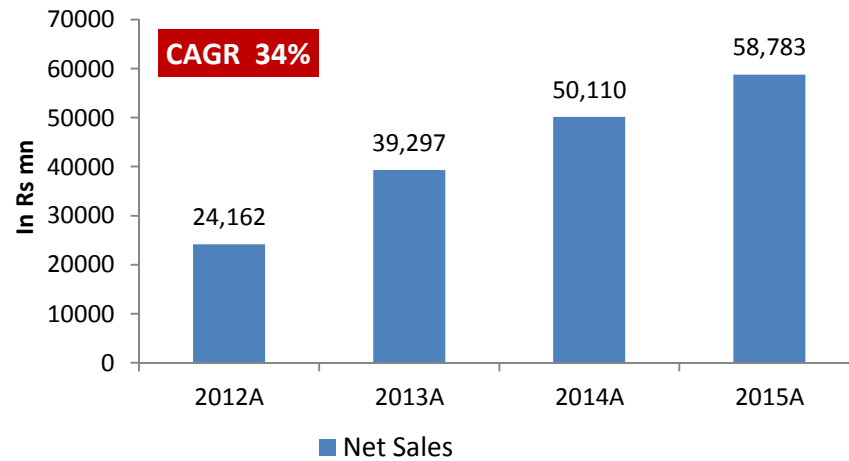




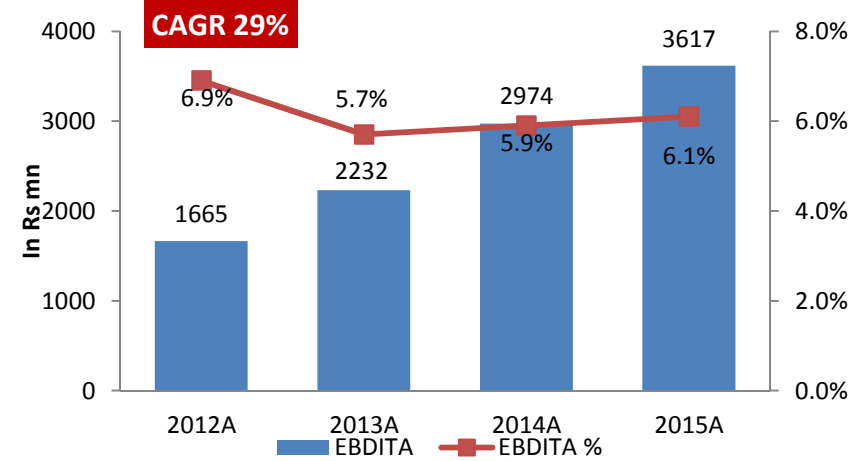
# Financial Snapshot (Consolidated)



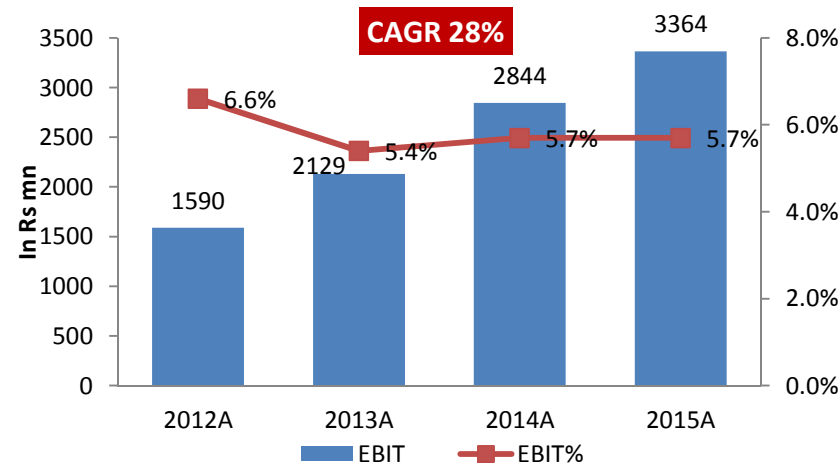
## Total Revenues



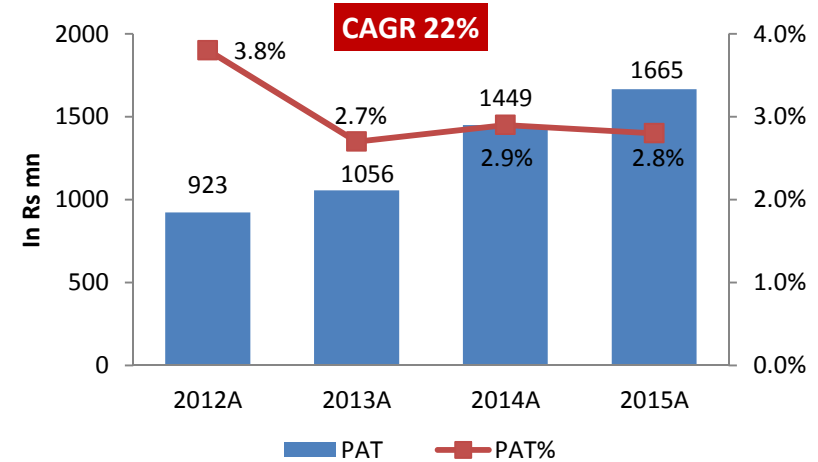
## EBDITA



## EBIT



## PAT





Company Overview

Industry Snapshot

Business & Operations

The Road Ahead

Summary Financials

Annexure



# Historical Financials (Standalone)



Income Statement		(Rs in mn)					
Particulars	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	
<b>Total Income</b>	10,541	16,080	23,946	36,923	45,780	52,692	
<b>Growth in Income(%)</b>	81%	52%	49%	54%	24%	15%	
Total Expenditure	9,899	14,594	21,672	33,736	41,800	47,924	
<b>Gross Profit</b>	642	1,212	2,274	3,187	3,981	4,768	
<b>Gross Profit (%)</b>	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	
<b>EBITDA</b>	522	988	1,651	2,133	2,721	3,182	
<b>EBITDA%</b>	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	
<b>Extraordinary Expenses</b>				30			
<b>Profit Before Tax (PBT)</b>	297	599	926	1,084	1,505	1,705	
<b>PBT%</b>	2.8%	3.8%	3.9%	2.9%	3.3%	3.24%	
Tax	118	146	17	119	239	295	
<b>Profit After Tax (PAT)</b>	179	452	909	965	1,266	1,409	
<b>PAT%</b>	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	
<b>Sources of Funds</b>							
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	
<b>Net Worth</b>	<b>925</b>	<b>1,510</b>	<b>2,547</b>	<b>3,488</b>	<b>4,731</b>	<b>6,074</b>	
Secured Loans	1,683	3,646	5,665	7,950	9,008	9,426	
Unsecured Loans	56	2	253	109	375	1,552	
<b>Total Loans</b>	<b>1,739</b>	<b>3,648</b>	<b>5,918</b>	<b>8,059</b>	<b>9,383</b>	<b>10,978</b>	
<b>Deferred Tax Liability</b>	<b>6</b>	<b>8</b>	<b>5</b>	<b>-12</b>	<b>-8</b>	<b>-14</b>	
<b>Total Sources of Funds</b>	<b>2,669</b>	<b>5,167</b>	<b>8,470</b>	<b>11,536</b>	<b>14,106</b>	<b>17,038</b>	
<b>Application of Funds</b>							
<b>Net Block</b>	<b>179</b>	<b>419</b>	<b>640</b>	<b>729</b>	<b>991</b>	<b>607</b>	
<b>CWIP</b>	<b>4</b>	<b>-</b>	<b>1</b>	<b>86</b>	<b>220</b>	<b>1,184</b>	
Investment			14	56	62	190	
<b>Current Assets</b>							
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	
<b>Sub-Total of Current Assets</b>	<b>3,237</b>	<b>5,139</b>	<b>8,221</b>	<b>11,493</b>	<b>14,535</b>	<b>16,551</b>	
<b>Current Liabilities</b>							
Sundry Creditors	615	228	206	484	1,093	511	
Other Current Liabilities & Provisions	135	165	200	344	609	983	
<b>Sub-Total of Current Liabilities</b>	<b>750</b>	<b>393</b>	<b>406</b>	<b>828</b>	<b>1,702</b>	<b>1,494</b>	
<b>Net Current Assets</b>	<b>2,487</b>	<b>4,746</b>	<b>7,815</b>	<b>10,665</b>	<b>12,833</b>	<b>15,058</b>	
<b>Total Application of Funds</b>	<b>2,669</b>	<b>5,167</b>	<b>8,470</b>	<b>11,536</b>	<b>14,106</b>	<b>17,038</b>	

# Historical Financials (Consolidated)



Income Statement		(Rs in mn)			
Particulars	FY 12	FY 13	FY 14	FY 15	
<b>Total Income</b>	24162	39297	50110	58783	
<b>Growth in Income(%)</b>	-	63%	28%	17%	
Total Expenditure	21870	35980	45869	53658	
<b>Gross Profit</b>	2292	3317	4240	5125	
<b>Gross Profit (%)</b>	9.5%	8.4%	8.5%	8.7%	
Personnel Expenses	86	138	186	243	
Administration Expenses	541	947	1121	1383	
<b>EBITDA</b>	1665	2232	2934	3499	
<b>EBITDA%</b>	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	
<b>Extraordinary Expenses</b>	-	30	-	-	
<b>Profit Before Tax (PBT)</b>	940	1176	1688	1960	
<b>PBT%</b>	3.9%	3.0%	3.4%	3.3%	
Tax	17	119	239	295	
<b>Profit After Tax (PAT)</b>	923	1056	1449	1665	
<b>PAT%</b>	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
<b>Sources of Funds</b>				
Share Capital	203	203	203	219
Quasi Capital	750	750	750	
Money received against warrants				187
Reserves & Surplus	1607	2642	4081	6243
<b>Net Worth</b>	<b>2560</b>	<b>3595</b>	<b>5034</b>	<b>6649</b>
Secured Loans	5667	8343	9752	10912
Unsecured Loans	266	529	469	1580
<b>Total Loans</b>	<b>5934</b>	<b>8872</b>	<b>10221</b>	<b>12492</b>
<b>Deferred Tax Liability</b>	5	-12	-8	-15
<b>Total Sources of Funds</b>	<b>8498</b>	<b>12456</b>	<b>15247</b>	<b>19126</b>
<b>Application of Funds</b>				
<b>Net Block</b>	640	731	1058	673
<b>CWIP</b>	1	86	220	1184
<b>Current Assets</b>				
Sundry Debtors	6602	10091	13312	13246
Inventories	1001	1033	1874	2910
Loans & Advances & Other Current Assets	709	1780	1064	2631
<b>Sub-Total of Current Assets</b>	<b>8311</b>	<b>12904</b>	<b>16250</b>	<b>18787</b>
<b>Current Liabilities</b>				
Sundry Creditors	254	918	1663	520
Other Current Liabilities & Provisions	200	348	618	998
<b>Sub-Total of Current Liabilities</b>	<b>454</b>	<b>1265</b>	<b>2280</b>	<b>1518</b>
<b>Net Current Assets</b>	<b>7857</b>	<b>11639</b>	<b>13969</b>	<b>17269</b>
<b>Total Application of Funds</b>	<b>8498</b>	<b>12456</b>	<b>15247</b>	<b>19126</b>

38



**Thank You...**