

Date: July 20, 2017

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 Fax No. 022-22721919	National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block, Bandra- Kurla Complex Bandra (E), Mumbai – 400051 Fax No. 022-26598120
Ref.: Kwality Limited (KQUALITYLTD/INE775B01025)	Ref.: Kwality Limited (KQUALITYLTD/INE775B01025)

Subject: Rating by Brickwork Ratings

Dear Sir/Madam,

Please find enclosed rating/ rating rationale received from Brickwork Ratings with Rating Outlook improved from 'Stable' to 'Positive' for Fund Based Long Term and Non- Convertible Debentures. Following are the ratings provided for:

Fund Based Long Term	“BWR A+ (Outlook Positive)”
Non Fund Based Short Term	“BWR A1”
Non-Convertible Debentures	“BWR A+ (Outlook Positive)”

This is for your information and records.

Thanking you,
For Kwality Limited


 Company Secretary & Compliance Officer
Pradeep K. Srivastava
 Company Secretary & Compliance Officer





Rating Rationale

Kwality Limited

19th July 2017

Brickwork Ratings reaffirms the rating for Secured redeemable NCD issue amounting to Rs. 100 Crs and for the bank loan facilities amounting to Rs. 1568.75 Crs of Kwality Limited with Outlook Positive.

Brickwork Ratings (BWR) has reaffirmed the following **Ratings¹** for secured redeemable NCD issue of Kwality Limited (KL or “the Company”):

Instrument	Issue Date	Amount	Coupon Interest	Maturity Date	ISIN Particulars	Previous Rating	Rating*
NCD Issue	30.06.2016	100.00	Cash Interest @ 8% p.a.	30.06.2022	INE775B07014	BWR A + (Stable) (Reaffirmed)	BWR A + (Positive) (Reaffirmed)

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based Cash Credit Term Loans	1100.00 -	1350.00 168.75	Long Term	BWR A + (Outlook Stable) (Reaffirmed)	BWR A+ (Outlook Positive) (Reaffirmed)
Non Fund Based BG/LC	50.00	50.00	Short Term	BWR A1 (Reaffirmed)	BWR A1 (Reaffirmed)
Total	Rs. 1568.75 Crores (INR One Thousand Five Hundred & Sixty Eight Crores and Seventy Five Lakhs Only.)				

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Reaffirmed with Positive Outlook

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon on audited financials of Kwality Limited. (KL or the ‘the Company’) upto FY17, projected financials upto FY19, publicly available information and information/clarifications provided by the company.

The reaffirmation in the ratings take into account the implementation of its new plant of 9 lakh litres per day (LLPD) in FY17, rolling out of its high-margins value added products in the



current financial year, tie up with various consultants – E&Y for its business transformation & comprehensive market analysis, consistent increase in its top line coupled with increase in its distribution network and geographical presence and established procurement level. BWR also takes note of the MOU signed with Bank of Baroda to disburse Rs. 4000 Crs loans to 1 lakh farmers in initial phase in order to strengthen its existing relationship with the farmers. However, the ratings are partially constrained by moderate interest coverage ratios & debt protection metrics in FY17, working capital intensive nature of operations and susceptibility to changes in government regulations and increasing competition in the dairy sector.

Rating Outlook: Positive

BWR revises the outlook from ‘Stable’ to ‘Positive’ considering benefits derive from its debt-funded capex over the medium term in terms of rolling out its high-margins value added products and establish brand positioning in the company. The rating outlook may be revised to ‘Stable’ or ‘Negative’ in case KL reports deterioration in its financial performance over the term.

About the Company

Kwality Limited was incorporated in the year 1992 and is listed at BSE and NSE. It is engaged in the business of procuring milk from the farmers/agents and manufacturing a variety of Dairy products, like pasteurized milk, milk powder, curd, butter, pure ghee, low cholesterol ghee & others. KL has been able to implement its new unit during Feb 2017; resulted increase its total installed capacity from 34.10 LLPD to 43.10 LLPD. It has total six units, out of which 2 are owned, 3 are leased and one is owned by a Group Company. KL also has a subsidiary – Kwality Dairy Products FZE, Dubai, which is engaged in the trading of dairy products in the international markets.

Company Financial Performance

KL reported a turnover of Rs. 6131.23 Cr for FY17, as compared to Rs. 5658.27 Cr for FY16. PAT of the company stood at Rs. 164.28 Cr in FY17 vis-à-vis Rs. 134.79 Cr in FY16.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Facility	Current Rating (Year 2017)			Rating History		
		Tenure	Amount (Rs Crs)	Rating	13 July 2016	24 Feb 2015	2014
1	Cash Credit Term Loan	Long Term	1350.00 168.75	BWR A + (Positive) (Reaffirmed)	BWR A + (Stable) (Reaffirmed)	BWR A+ (Stable) (Reaffirmed)	N.A.
2	NCD Issue	72 months	100.00	BWR A+ (Positive)	BWR A+ (Stable)	N.A.	N.A.
3	BG/LC	Short Term	50.00	BWR A1 (Reaffirmed)	BWR A1 (Reaffirmed)	BWR A1 (Reaffirmed)	N.A.



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹ 19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER



Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.