



## KWALITY LIMITED

(Formerly Known as Kwality Dairy (India) Limited)

**KDIL HOUSE: F-82, Shivaji Place, Rajouri Garden, New Delhi-110027**

**Board: +91 11 47006500 (100 Lines) Fax: +91 11 25191800**

**E-mail: info@kdil.in Website: www.kdil.in**

**CIN : L74899DL1992PLC255519**

**Date: September 16, 2016**

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

**Dear Sir/Madam,**

Please find enclosed updated Company Presentation.

Kindly take the same in your record.

**Thanking You**

**For Kwality Limited**

**Pradeep K. Srivastava**  
**(Company Secretary & Compliance Officer)**



**Amongst Largest and Fastest Private Dairy Companies in India**

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**Kwality Limited**  
***Q1'FY17 Investor Presentation***  
***September 2016***





## Industry Overview

## Company Overview



## Quarterly Results Overview

## Recent Key Developments



## Shareholding Pattern





# Global Dairy Industry – India is the largest Producer and Consumer of Dairy Products

## Production

- Global milk production grew at a CAGR of 2.3% during 2010-2014 to reach 792.0 million metric tones (MMT) in 2014, on the back of population growth, rising disposable incomes, favorable demographics, brand awareness, increasing urbanization & westernization of diets in emerging economies, primarily India and China
  - India is the largest producer of Milk, accounting for over 18% of world production of milk and dairy products
- During the period 2015E-2020E, global production of Milk and Dairy products is expected to grow at a CAGR of 2.1% to reach 901.2 MMT by 2020E
  - India is expected to grow at a CAGR of 4.2% during the same period to reach over 184.9 MMT, to surpass EU (177.4) by 2020E

## Consumption

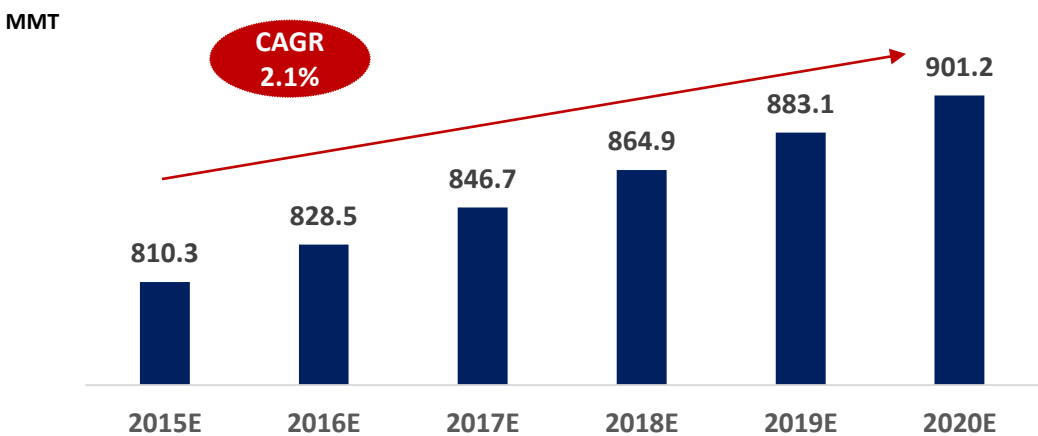
- Country-Wise basis, India is the world's largest consumer of milk, other key markets include USA, China, Russia, and Pakistan
- Globally, approximately 66% of milk and dairy products are consumed for factory use, 33% for fluid use and 1% for feed use

## Foreign Trade

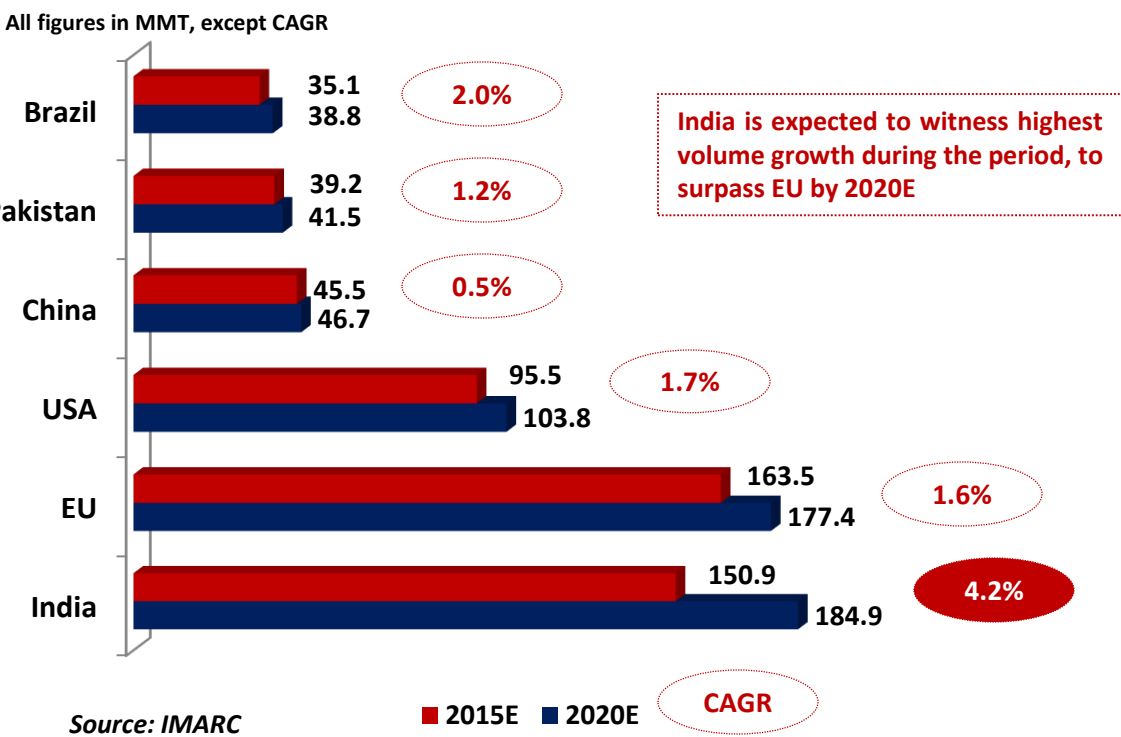
- Top Exporting Countries – New Zealand and EU account for over 50% of world trade, followed by USA
- Top Import Markets – China, Russia, MENA region, and South-East Asia account for majority of imports

Source: IMARC, FAO, Crisil

## Global Milk/Milk Products Production Volumes – 2015E-2020E



## Country-Wise Top Producers of Milk/Milk Products in 2015E-2020E



# Dairy Industry in India – Consumption levels are expected to surpass production by 2021E

## Production

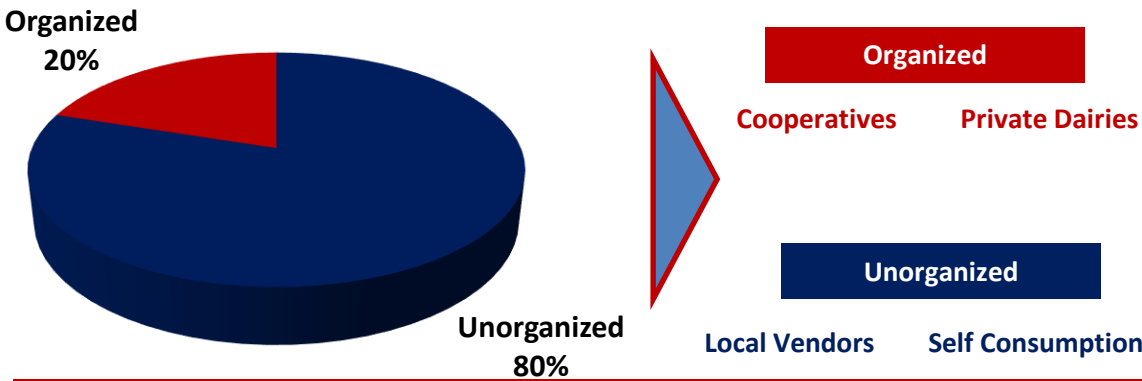
- ❑ Milk production in India **grew at a CAGR of 4.8%** during FY11 - FY16E, estimated to be **154 MMT** in 2015-16
  - ❑ Total production of milk and dairy products in India is expected to reach **over 189 MMT in 2021E**
- ❑ **Key Production Markets:** U.P , Rajasthan, Andhra Pradesh, Gujarat, and Punjab account for over 53% of overall production in India
- ❑ **Buffalo milk accounts for 48.7% of total milk produced in India, followed by Cow (47.9%)**

## Consumption

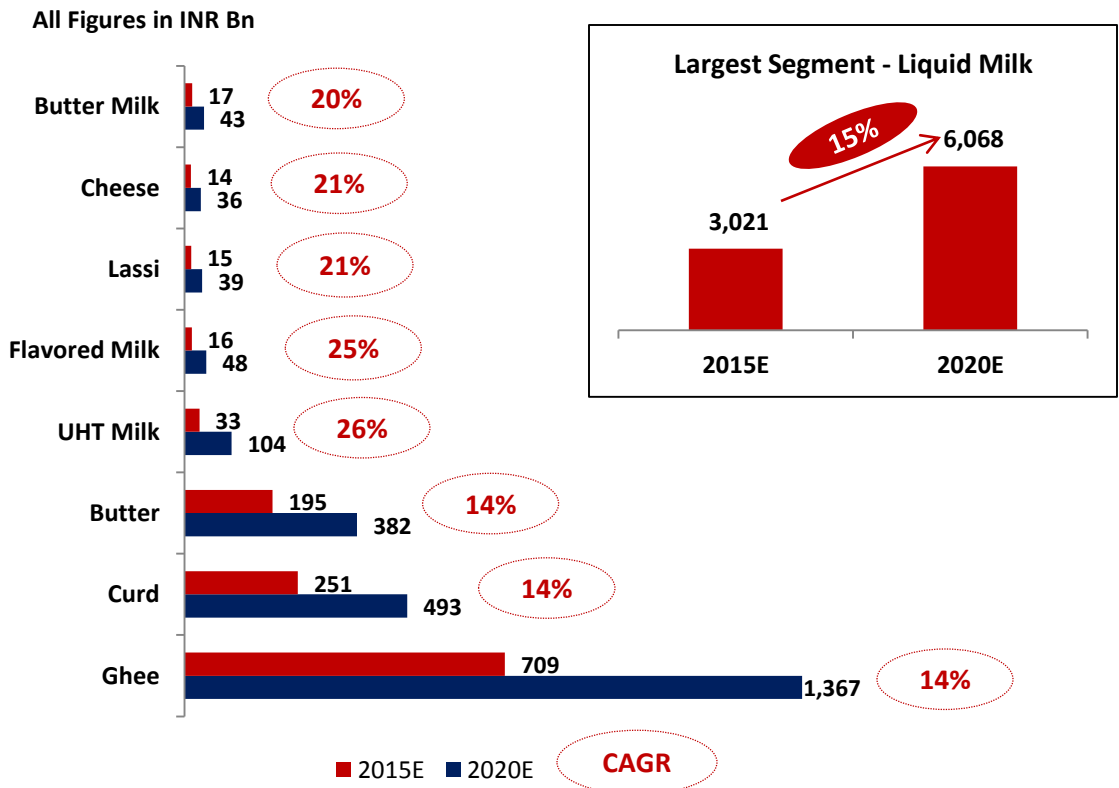
- ❑ Milk consumption in India **grew at a CAGR of 5.3%** during FY11 - FY16E, estimated to be **146 MMT** in 2015-16E, driven by steady **population growth, rising disposable incomes, favorable demographics, increasing brand awareness and urbanization**
  - ❑ **Currently, over 52% of total production is consumed by people themselves, only 48% is marketable**
  - ❑ **Liquid milk is the largest consumed dairy product in India, with 52%, share, followed by Ghee (12%)**
- ❑ Total consumption of milk and dairy products in India is expected to increase **from 146 MMT in FY16E to 192 MMT in FY21E; implying a CAGR growth of 5.6%**
- ❑ Total market size of milk and dairy products in India estimated to be **INR 6,671 Bn in FY16E; growing at over 15% annually**
  - ❑ Market Size is estimated to reach **INR 11,543 Bn by 2020E**

Source: IMARC estimates, Industry

## Structure of Dairy Industry in India – Largely Unorganized



## Product-Wise Products Market Potential in India – 2015E-2020E



Source: Dairy India, Rabo Bank Estimates, Amrit Corp & IMARC estimates

# Dairy Industry in India – Emerging Trends

## Growth of Organized Segment outpacing Unorganized

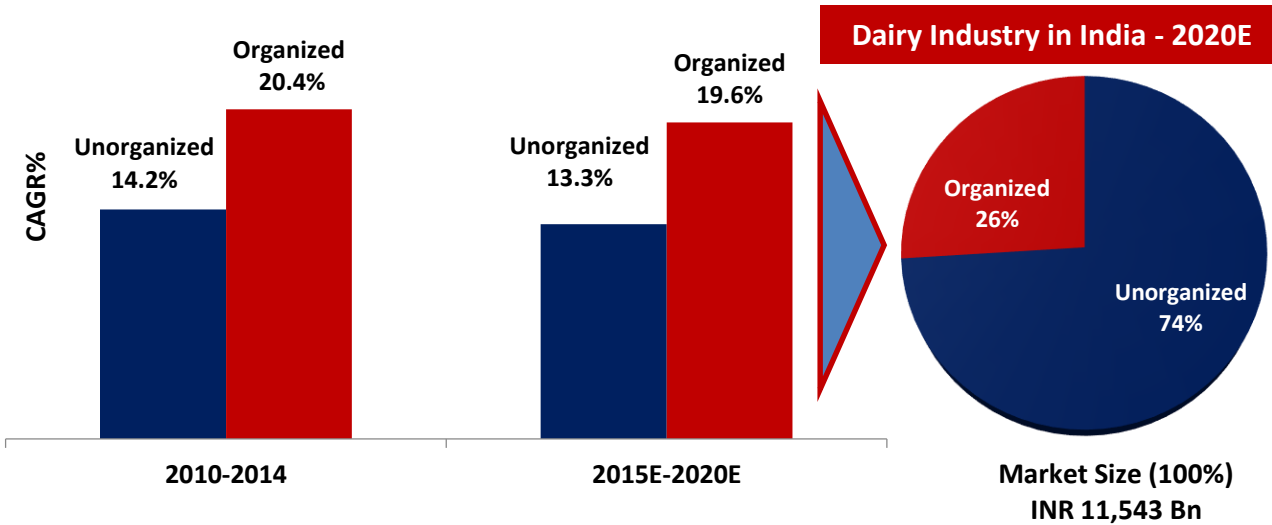
- Organized segment grew at a **CAGR of 20.4% during 2010-2014** as against unorganized sector CAGR of 14.2% during the same period **on the back of shift in consumer preferences towards branded products**
- The trend is expected to continue in the coming years. During the period 2015E-2020E, organized segment is expected to grow at a **CAGR of 19.6% as compared to 13.3%** for the unorganized segment

## Enhanced focus on Value-Added Products (VAPs) and B2C

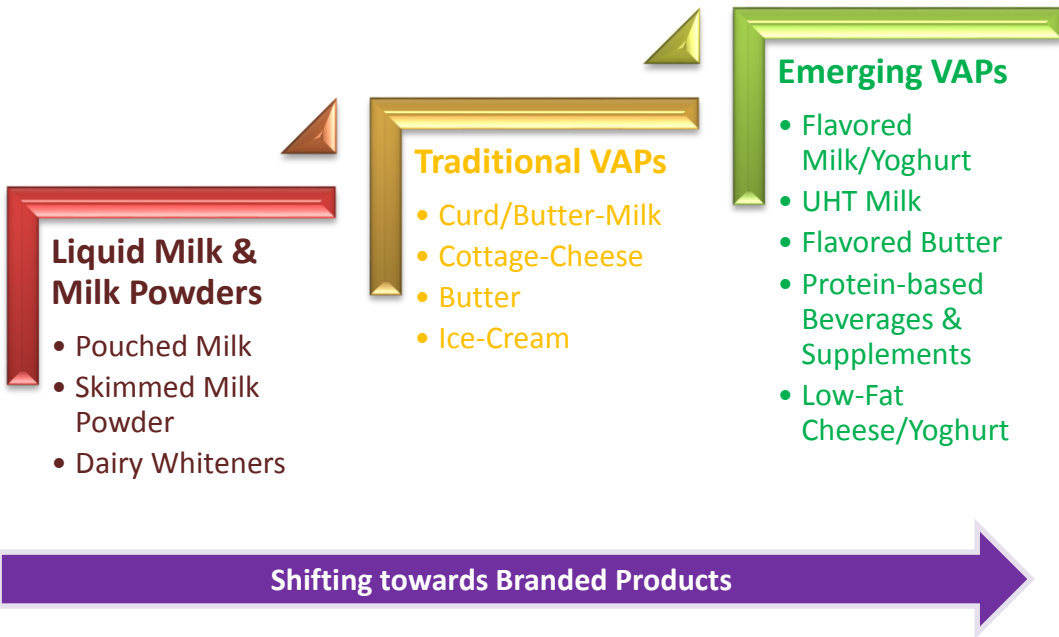
- In the recent past, change in demographics and rapid urbanization have resulted in significant demand for VAPs like **cheese, condensed milk, UHT, flavored butter/milk/yoghurt, protein-based beverages/health supplements**; VAPs expected to grow at a healthy rate of 23% annually till 2020E
  - Increasing Young Population** – Value added milk products like cheese finds usage in convenience foods for Pizzas, Pasta, Burgers *et al*
  - Aggressive Growth plans of QSR players** – Rising demand for milk, condensed milk, and cream especially from coffee chains
  - Changing lifestyles and Increasing health awareness** is evolving low-fat **high-protein dietary patterns** especially among millennials and young population, driving demand for products like **low fat yoghurts/cheese, protein-based health drinks/supplements among others**

## Shift towards Branded Products

- Rising disposable incomes and increasing brand awareness especially in urban markets resulting in strong demand for branded products, thereby organized segment; **Tier-I and Tier-II cities offer significant growth opportunities for retail**
- Companies are enhancing their focus on **brand building/Marketing activities** with aggressive spending and expansion of their marketing & sales team to **create strong brand recall, customer retention, and reach**



## Shift in Value Added Products (VAP)



Source: IMARC, Crisil, Industry



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## Shareholding Pattern





# Kwality Limited - Overview

## Background

- Established in the year 1992 as a backward integration unit of Kwality Ice-creams, later taken over by Mr. Sanjay Dhingra & family in 2002, **Kwality has emerged to be amongst largest and fastest growing private dairies in India**

## Procurement Network /MCCs

- Established strong relationships with more **than ca. 300,000 farmers spread across ca. 4,500 villages in U.P. , Rajasthan, and Haryana**; with **24 MCCs** located close to procurement areas
  - Company intends to increase its procurement **directly from farmers** from current **ca. 22% to 50% over the medium term by leveraging and further strengthening its existing network**

## Manufacturing Facilities

- Has six state-of-the-art milk-processing units **in North India (Haryana, Rajasthan, and U.P.) with combined capacity of 3.4+ Mn litres/day**
  - Dedicated **R&D department for product innovation, world-class testing labs and quality control systems**

## Products

- Diversified product portfolio across **Fresh Milk, Milk Powders, Curd, Chaach, and Ghee/Fat** categories catering to **institutional** and **retail customers**
  - Product mix to rapidly shift towards value-added products such as **Paneer, UHT, Flavored Milk, Cream, Yoghurts, Table-Butter, Cheese**, amongst others; to **launch multiple variants over a period of time**

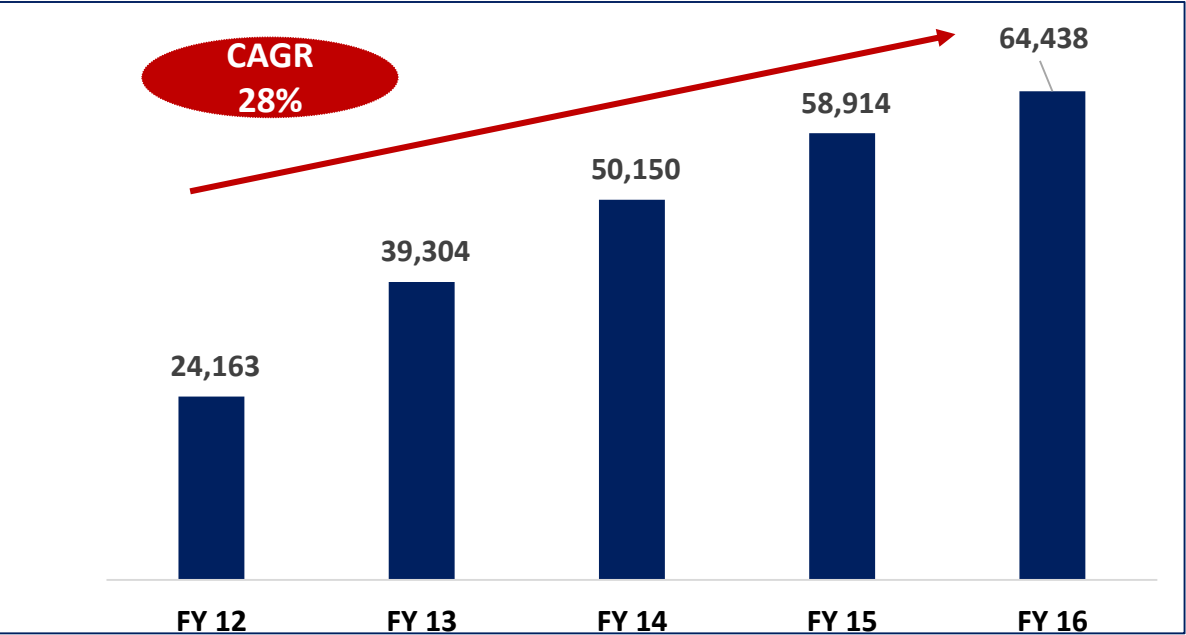
## Distribution Network

- Established extensive distribution network **with 1,800 distributors covering 40,000 touch points across Northern markets** ; continuous efforts underway to further expand into new and existing markets

## Strong Management Team

- Backed by strong management team comprising of **industry experts** with cumulative experience of **over 200 years**

## Revenue (INR Mn)



Consolidated figures

**Amongst largest and fastest growing private dairy companies in India**

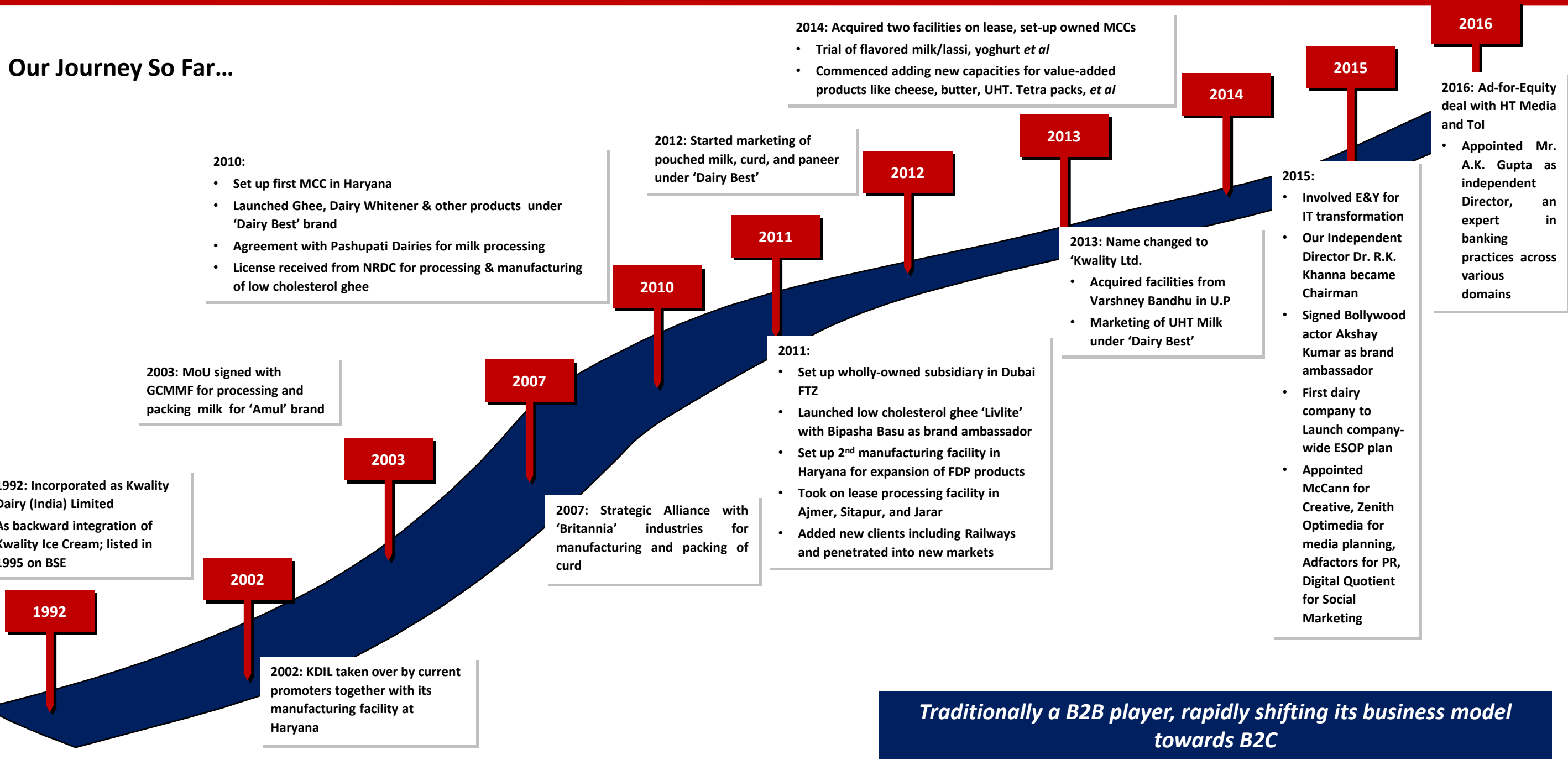
## Product Portfolio

Segment	Fresh Milk	Milk Powder	Curd & Chaach	Ghee/Fat
Key Products	<div><div></div><div>Pouched Milk</div><div>Bulk Milk</div><div>Skimmed Milk</div><div>Flavored Milk</div></div>	<div><div></div><div>Skimmed Milk Powder</div><div>Whole Milk Powder</div><div>Dairy Whiteners</div></div>	<div><div></div><div>Set Curd</div><div>Pouched Curd</div><div>Chaach – Plain &amp; Masala</div></div>	<div><div></div><div>Pure Ghee</div><div>Pure Cow Ghee</div><div>Low Cholesterol Ghee</div><div>Butter Bulk</div></div>



# Kwality Limited – Roadmap

## Our Journey So Far...



# Diversified Product Portfolio

Pouched Milk



Flavoured Milk



Curd



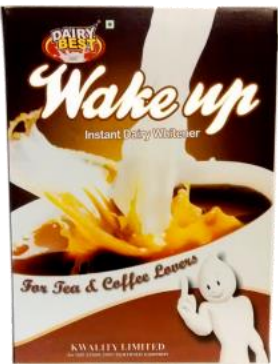
Paneer



Skimmed Milk Powder



Instant Dairy Whitener



Chaach



Ghee



Butter

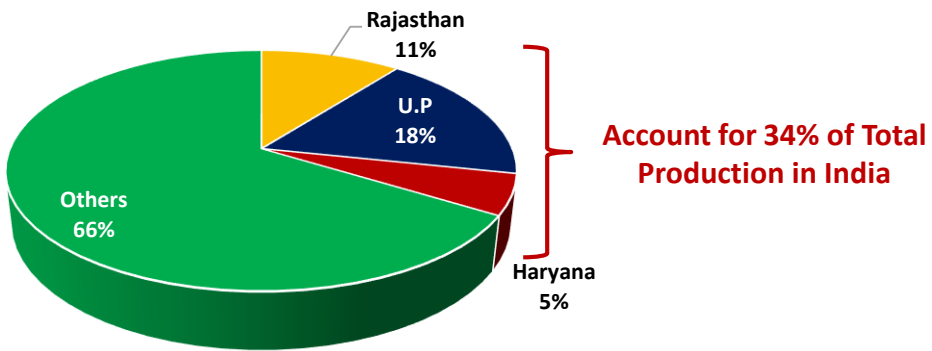




Manufacturing Facilities – Six World-Class Units, Capacity of 3.4 Mn Litres/Day



Close to Largest Milk Production Areas



Streamlined Operations - Equipped with Robotic systems, cutting-edge technology for quality control systems and sophisticated R&D facilities



## Quality Control and Certifications

### Quality Control



- ❑ The Company possesses a **strong Research and Development infrastructure** which encompass a technological advanced equipment and in-house testing labs with **stringent quality control systems**.
- ❑ Supporting the strong infrastructure, the Company has **a dedicated and experienced team of professionals**. The result is an **enhanced focus of product innovation, creating a strong pipeline of differentiated products**.
- ❑ Further, to **ensure supreme quality across the value chain from farm to customer**, systemic fixes and process improvements are being implemented **to make quality as the strongest vertical within the organisation**

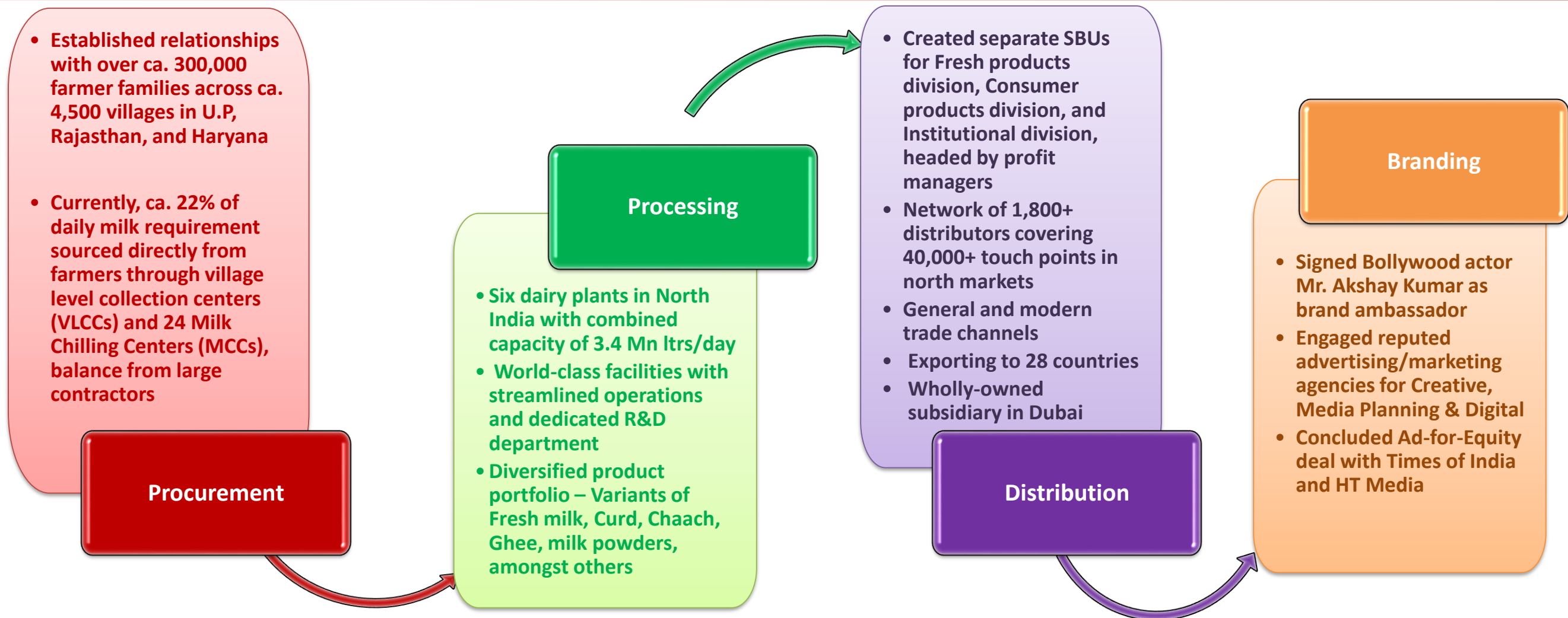
### Quality Certifications



***We are committed to the quality standards and norms to ensure safe and quality products for consumers.***

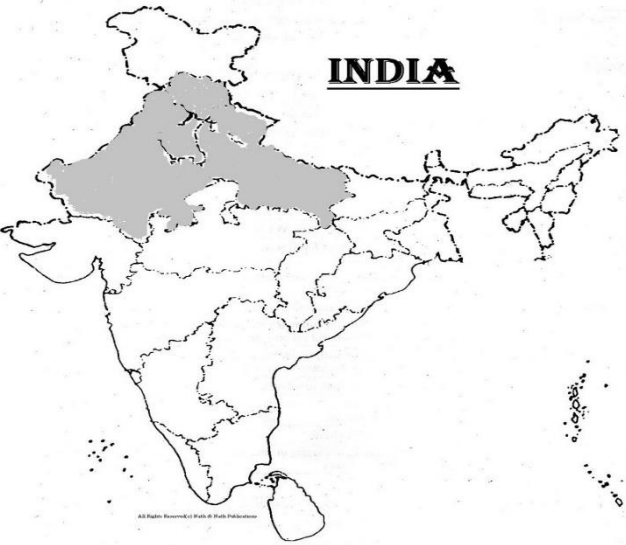


# Integrated Business Model



# Distribution Network – Growing Retail Penetration

## Strong Presence in Largest Consumption Markets in India



Kwalita's Major Presence

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

## Implemented SBU Based Approach

### Fresh Products Division

Pouched Milk, Curd, Chaach, Paneer *et al*

### Consumer Products Division

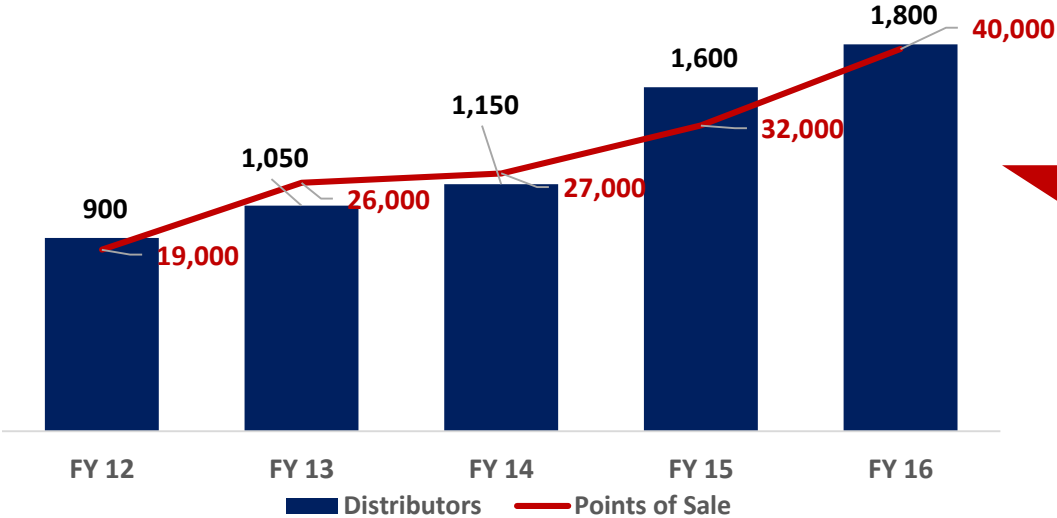
UHT, flavoured Milk, Cream, packed Ghee, Table-Butter, Cheese, Yoghurts *et al*

### Institutional Division

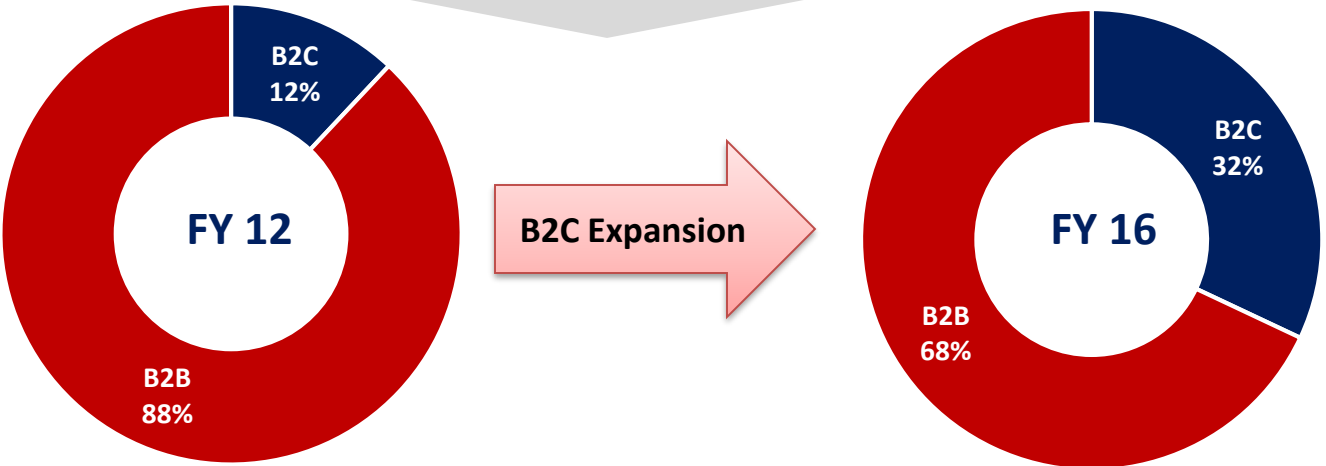
Ghee, Milk powders, Bulk Milk & Butter *et al*

*Sales & Distribution Strategy aligned with nature of products and customers catered*

## Growing Retail Network

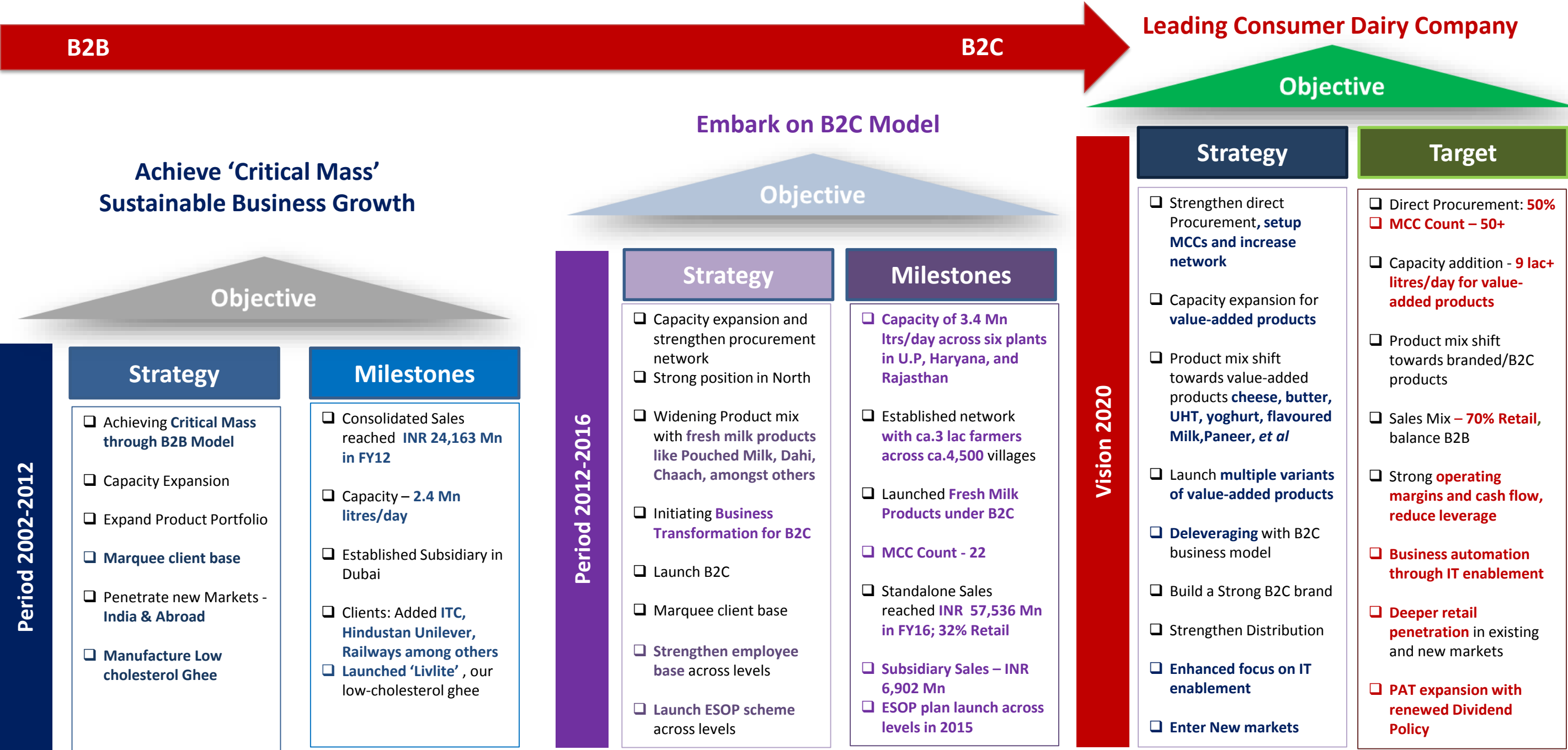


## Sales Mix



On Standalone Sales

Growth Strategy Roadmap – Vision 2020

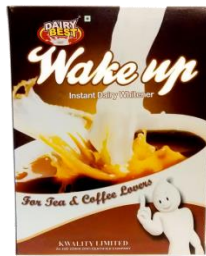






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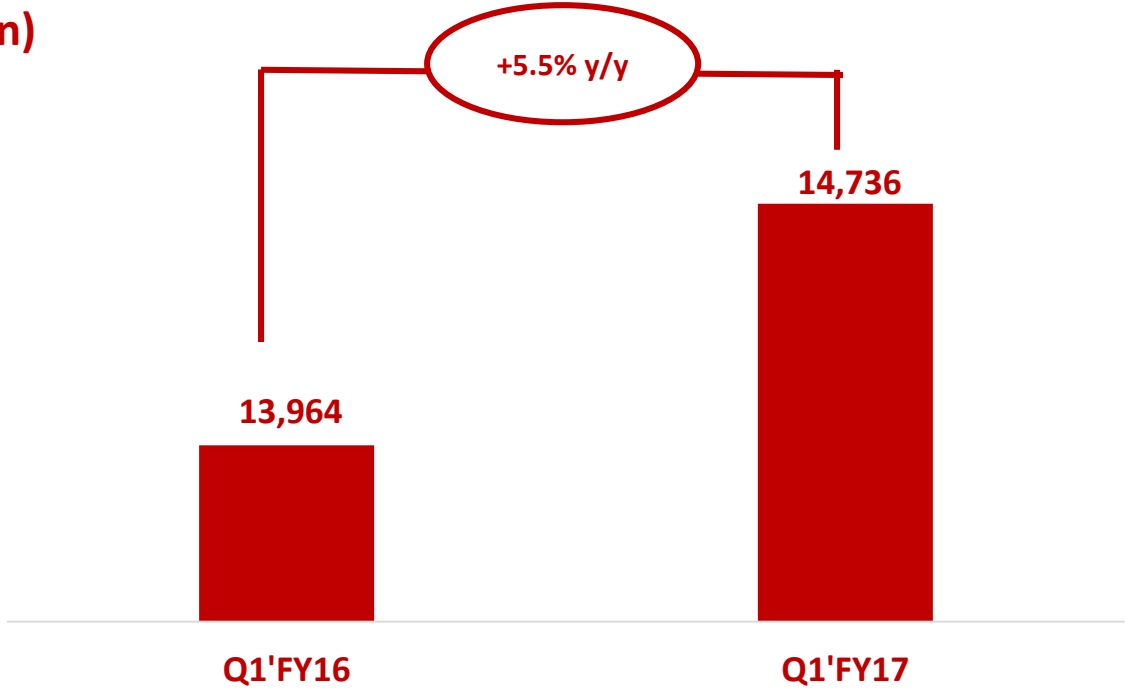
## Shareholding Pattern



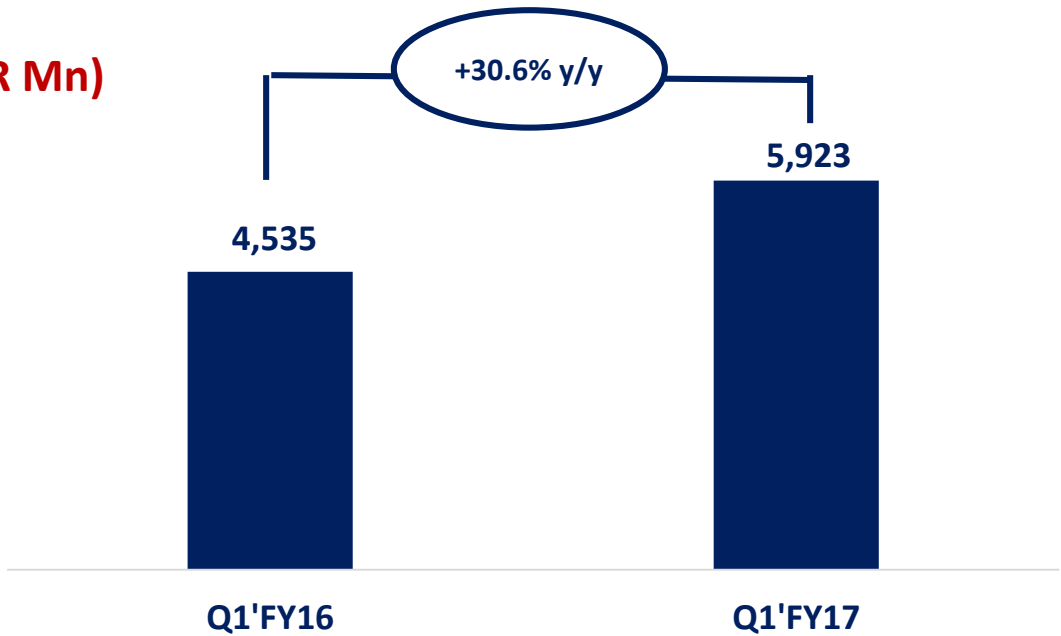


Quarterly Overview Q1'FY17 – Sales Overview

Sales (INR Mn)

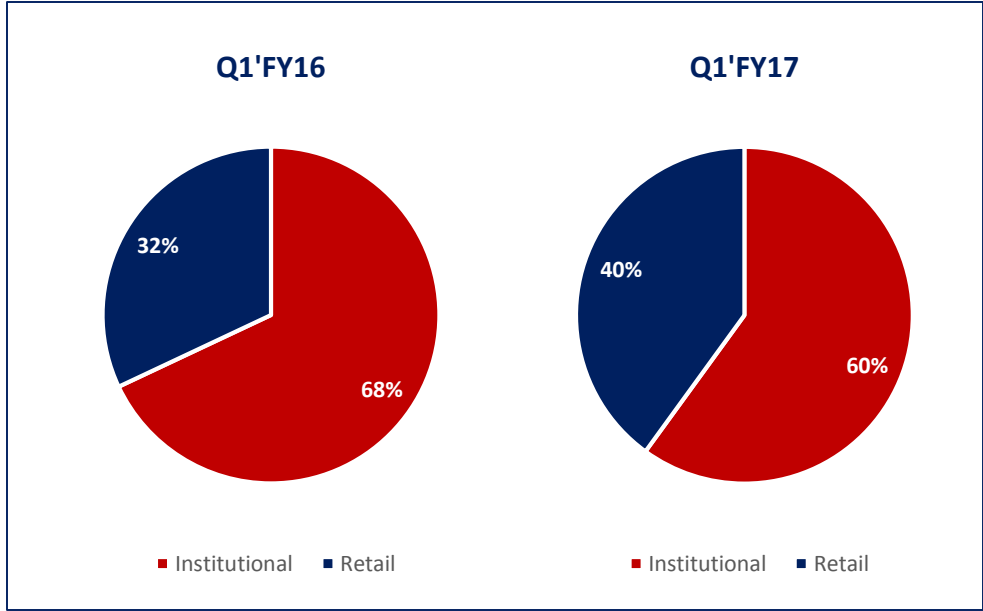


B2C Sales (INR Mn)



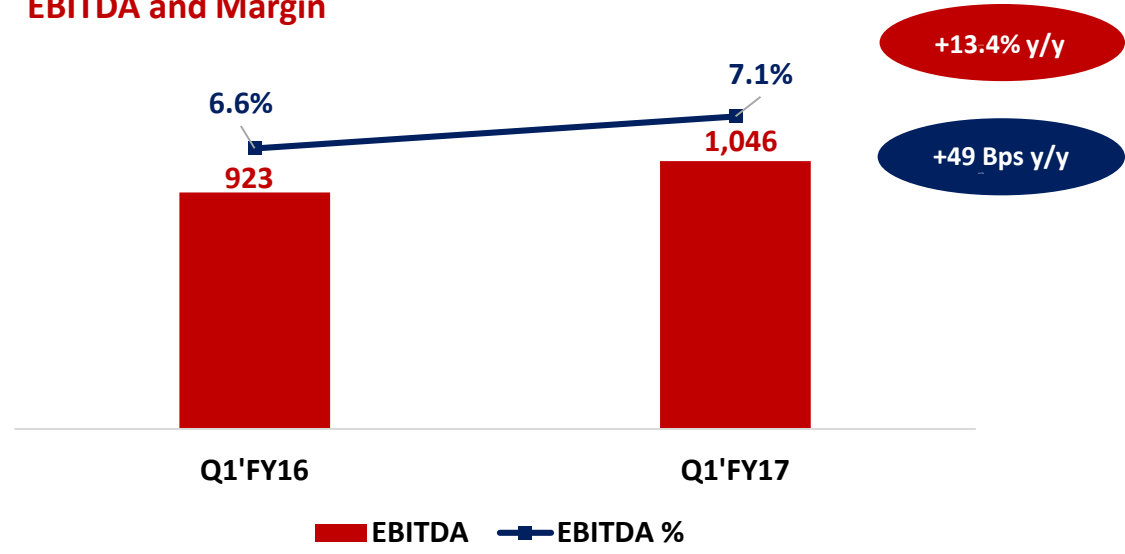
Standalone Sales

Sales Mix

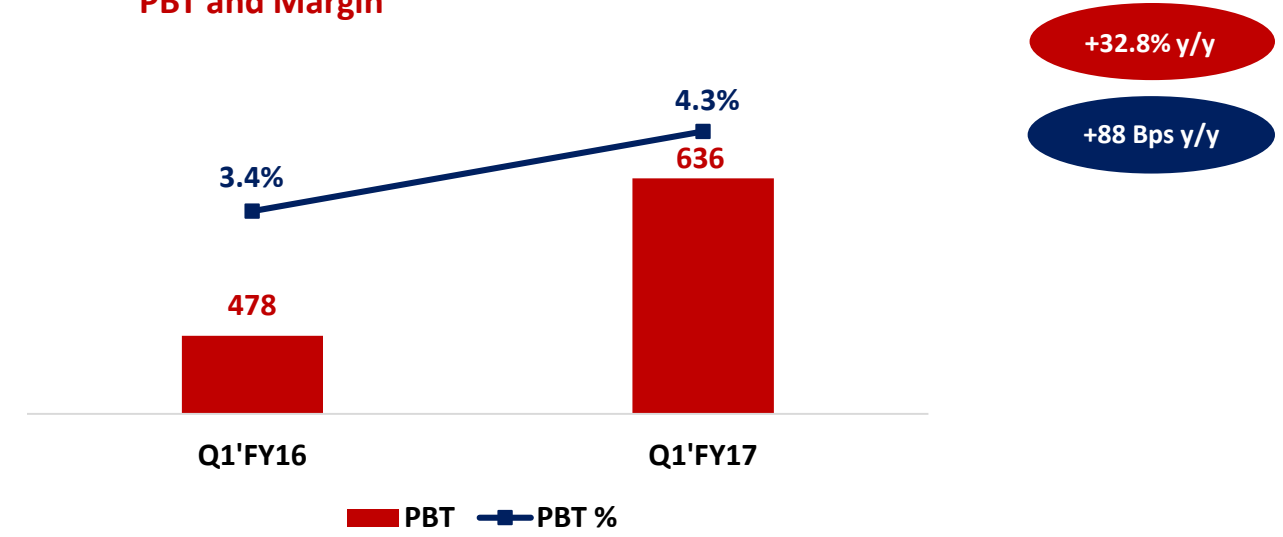


# Quarterly Overview Q1'FY17 – Profitability

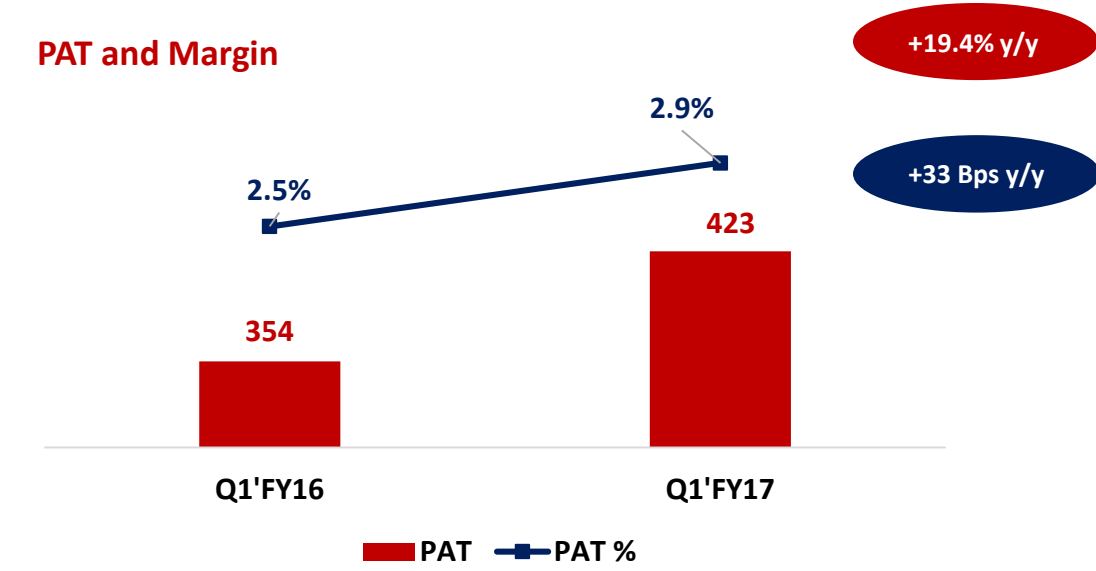
EBITDA and Margin



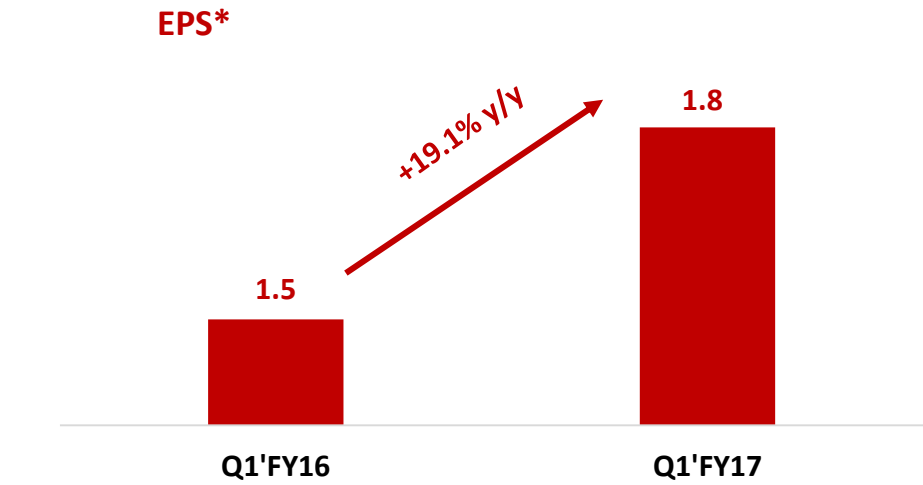
PBT and Margin



PAT and Margin



EPS\*



Standalone financials; All figures in INR Mn except y/y growth, Margins, and EPS

\*fully diluted basis

# Quarterly Overview Q1'FY17 – Income Statement

	Standalone Financials		
Particulars	Q1'FY17	Q1'FY16	Growth y/y
Income from Operations	14,736	13,965	5.5%
Cost of Goods Sold	13,329	12,724	4.8%
Gross Profit	1,407	1,241	13.4%
Gross Margin (%)	9.5	8.9	67 bps
Employee Expenses	102	55	84.6%
Depreciation & Amortization	30	60	(50.5%)
Other Expenses	348	266	30.7%
EBITDA	1,046	923	13.4%
EBITDA Margin (%)	7.1	6.6	49 bps
Finance Costs	381	385	(0.9%)
PBT	636	478	32.8%
Tax Expense	213	124	71.4%
PAT	423	354	19.4%
PAT Margin (%)	2.9	2.5	33 bps
EPS (Diluted)	1.80	1.51	19.1%

Unaudited financials as per Indian Accounting Standards; All figures in INR Mn except margins and Growth y/y

## Key Result Highlights – Q1'FY17

### Revenue

- Revenue grew **5.5% y/y** to reach **INR 14,736 Mn** primarily due to increase in B2C business
- B2C revenue increased **30.6% y/y** to reach **INR 5,923 Mn**; accounted for 40% of sales

### Gross Margin

- Margin expanded **67 bps y/y to 9.5%** in Q1'FY17, supported by relatively higher realization from B2C business
- Rise in milk prices increased valuation of inventory

### EBITDA

- In Q1'FY17, EBITDA **grew 13.4% to reach INR 1,046 Mn** from INR 923 Mn, growth partially offset by increase in operating expenses

### PAT

- Growth in PAT supported by other income and **reduced finance costs**, partially offset by increase in income tax provisions



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## Recent Key Developments

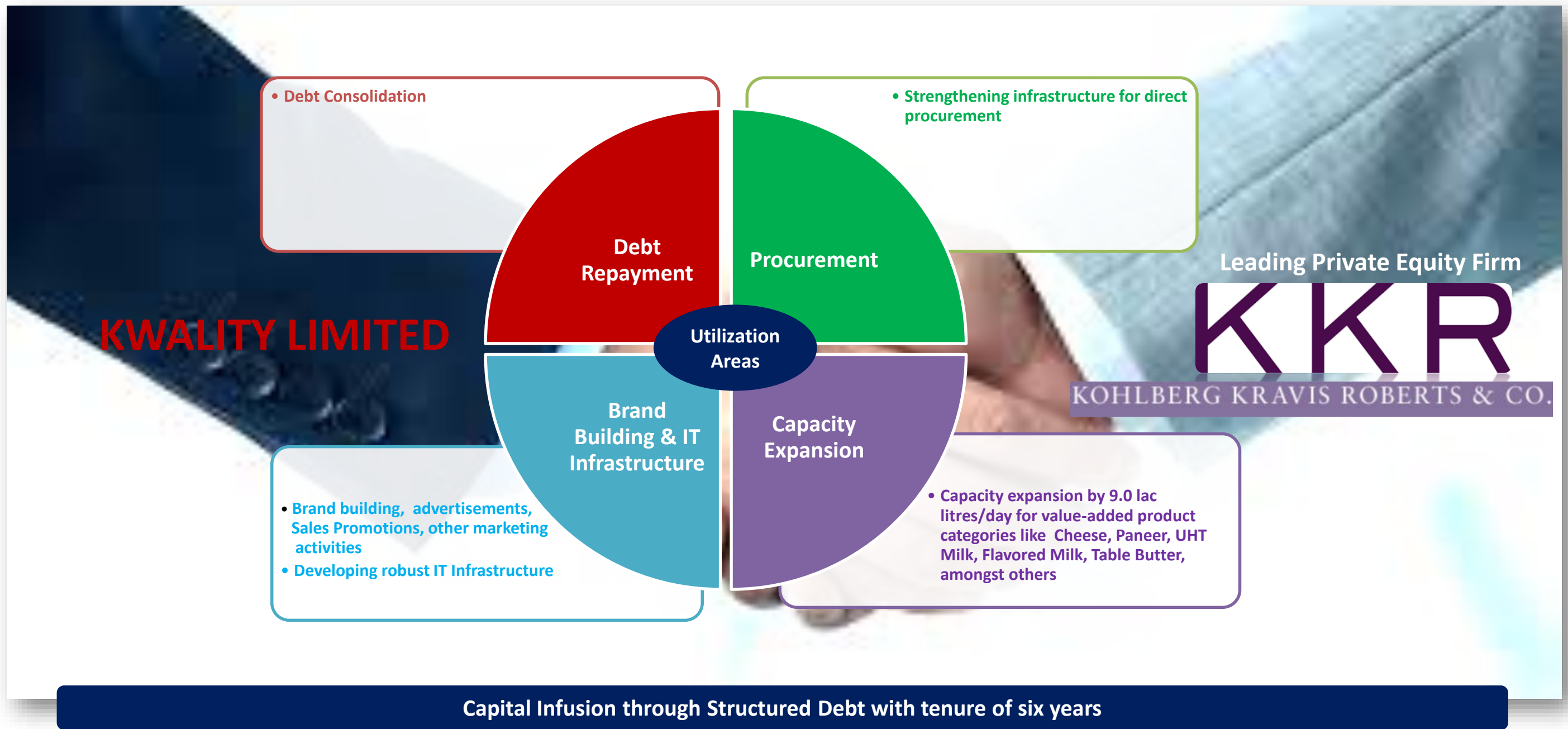


## Shareholding Pattern





Recent Key Developments – KKR to provide upto INR 520 Cr. For Expansion



Recent Key Developments – Inked Ad-for-Equity Deal with Tol and HT Media

# Our Branding Partners

**KWALITY LIMITED**



Bennett, Coleman & Co. Ltd.



and all Online Platforms



...amongst others

*Offers Advertisements and Promotions across BCCL and HT Media owned media properties including English dailies, TV channels, Radio stations and a host of internet platforms, among others*

Recent Key Developments – Stepping up Multiple levers for B2C Strategy



Ramp-up of key functions to support our B2C strategy





## Industry Overview

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## Quarterly Results Overview

## Recent Key Developments



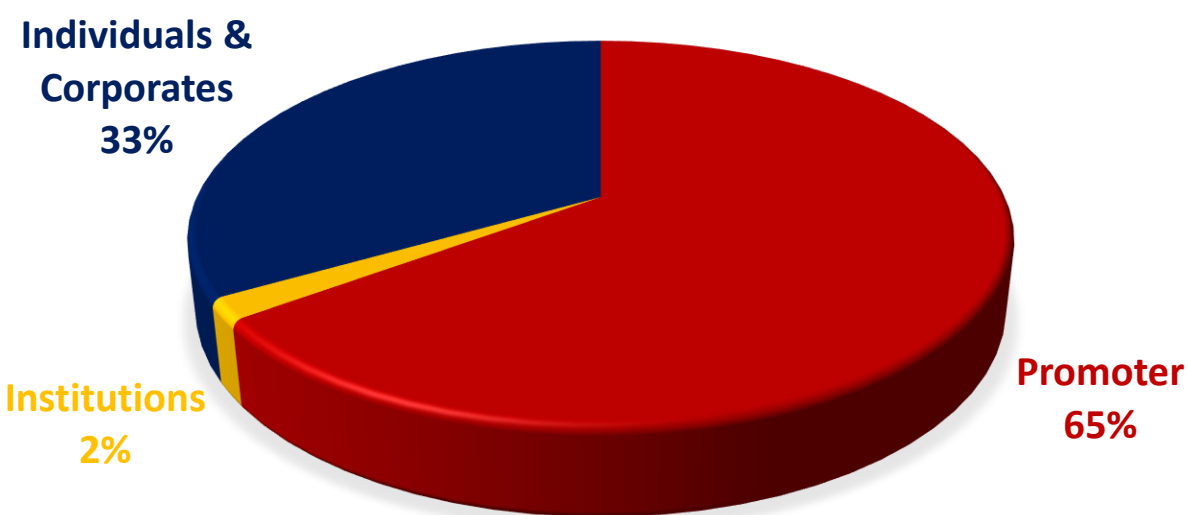
## Shareholding Pattern





# Shareholding Pattern and Stock Data

Shareholding as on 30<sup>th</sup> June, 2016

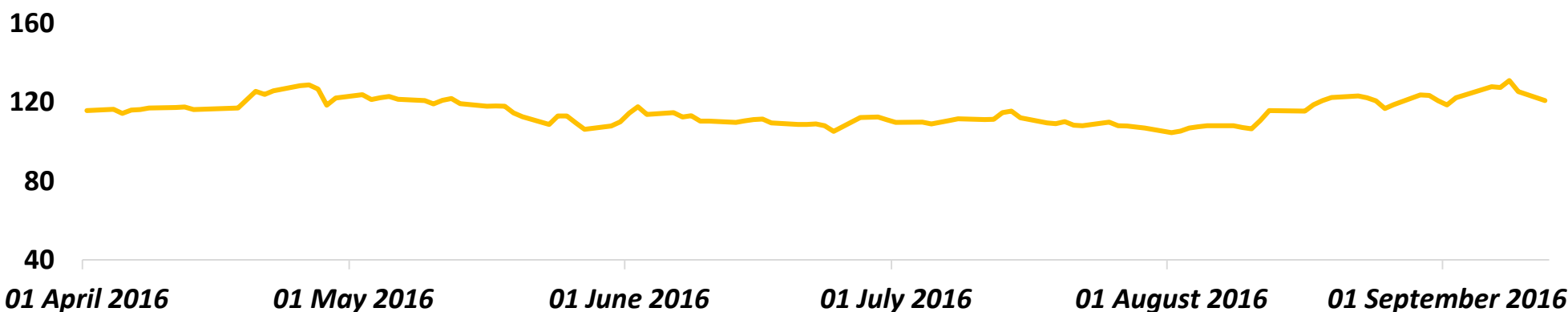


Stock Data

As on 13<sup>th</sup> Sep, 2016

Share Price (INR)	120.7
Market Capitalization (INR Mn)	28,265.3
Outstanding Shares (Mn)	234.2
52-Week High/Low (INR)	153.7/68.0

Stock Price Movement : 01<sup>st</sup> Apr – 13<sup>th</sup> Sep, 2016



Source: BSE

### **Disclaimer**

*The information contained herein has been prepared to assist prospective investors in making their own evaluation of the Company and does not purport to be all-inclusive or to contain all of the information a prospective or existing investor may desire.*

*This Information may include certain statements and estimates provided by the Company with respect to the projected future performance of the Company. Such statements, estimates and projections reflect various assumptions by management concerning possible anticipated results, which assumptions may or may not be correct.*

*Prospective investors will be expected to have conducted their own due diligence investigation regarding these and all other matters pertinent to investment in the Company.*

*This presentation may contain statements that are “forward looking statements.” The company’s actual future results may differ materially from those suggested by such statements, depending on various factors for which the company and its management does not take any responsibility.*

**For further information, please contact:**

## **Investor Relations**

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**CIN – L74899DL1992PLC255519**

**Mr. Varun Kapoor**

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