

Date: February 14, 2018

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 (KWALITYLTD/ INE775B01025)	Ref.: Kwality Limited (KWALITYLTD/ INE775B01025)

Subject: Investor Presentation

Dear Sir/ Madam,

Please find enclosed Investor Presentation of the Company for the quarter and nine months ended as on 31st December, 2017.

Thanking You,
For Kwality Limited
For Kwality Limited

Company Secretary & Compliance Officer

Pradeep K. Srivastava
(Compliance Officer & Company Secretary)





Largest Private Dairy Company in India



Kwality Limited

*Q3'FY18 Investor Presentation
February 2018*



www.Kwality.com



Quarterly Results Overview

Industry Overview

Company Overview

Key Developments for Q3&9M FY18

- ✓ In order to boost direct milk sourcing program, entered into a Memorandum of Understanding (**MOU**) with **IDBI Bank** Limited on 13th December, 2017 at Mumbai
- ✓ As per the MOU, IDBI shall extend credit facilities to **medium and large** milk producers for establishing Modern Dairy Farms including the construction of milk shed, purchase of dairy animals, installing of Bulk Milk Coolers & milking machines etc
- ✓ IDBI will also support in establishing Milk Chilling Centre/Milk Processing Units with special emphasis on promoting producer companies
- ✓ In addition, vendors engaged in allied dairy activities such as milk transportation from village to Milk Chilling Centre and milk road tanker for **transporting chilled milk from Milk Chilling Centre to Dairy Processing Plant** will also be financed by IDBI Bank
- ✓ IDBI has also agreed to support Kwality towards establishing a marketing network by promoting milk parlours through the franchisee model
 - ✓ Competitive interest rate based on bank's MCLR. Interest rate on 1 year 8.55% and 3 year 8.70%



Key Developments for Q3&9M FY18

- ✓ Extended India's first Vitamin A & D Fortified flavoured milk beyond NCR into other parts of Northern India comprising UP, UK, Punjab, Haryana and Rajasthan.
- ✓ Launched Lassi and Masala Chaach in UHT packs in Northern parts of the country beyond NCR.
- ✓ Extended Brand Endorsement contract with Bollywood celebrity – Ákshay Kumar' for 2 more years
- ✓ Launched Festive packs range – 'Health and Happiness" under the Kwality Franchise during festival period in the quarter under review
- ✓ Rolled out new Brand campaign across ATL vehicles (Newspaper/Radio/ Outdoor) and BTL (Digital & Consumer Engagement) in Oct'18



Awards & Recognitions



Kwality has been ranked **8th position in INDIA in FMCG - sector wise** & elevated to 185th position from 197th position during last year in revenue wise growth – Fortune India Magazine December 2017 edition



Kwality conferred with an award of **Delhi best Employers Brand Award 2017** by World HR Congress on 22nd December 2017.

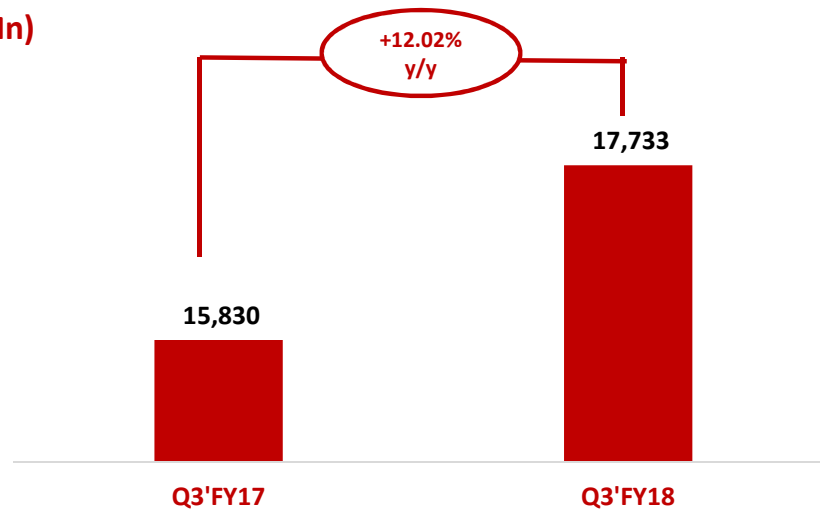
It features the top organizations from Delhi, exemplifying in HR Practices to translate organization's Vision and HR strategy



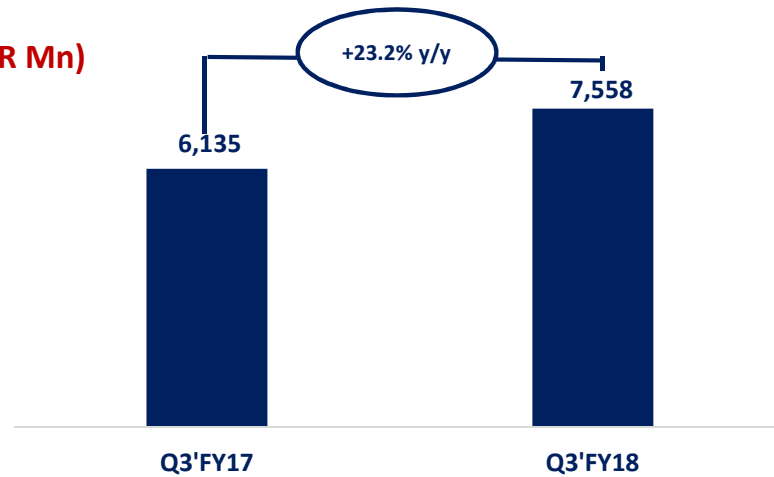
Mr.Sanjay Dhingra Managing Director, has been ranked 34th among the TOP100 CEO of India as published January special edition

Q3FY18 – Sales Overview

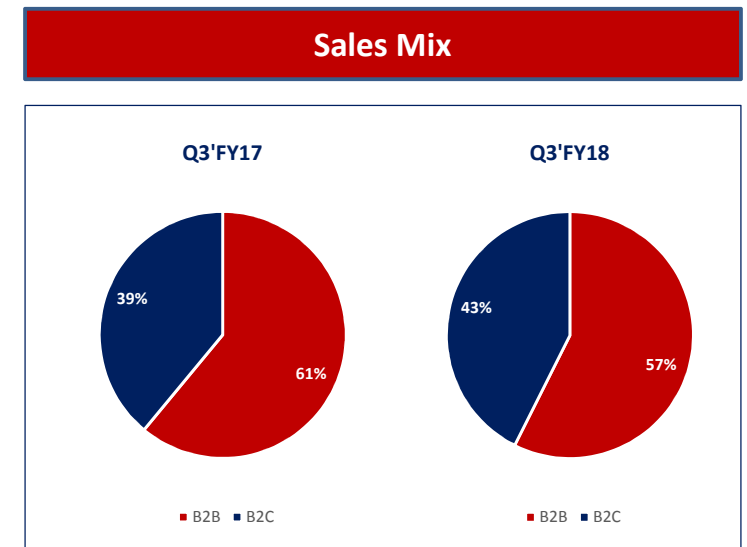
Sales (INR Mn)



B2C Sales (INR Mn)

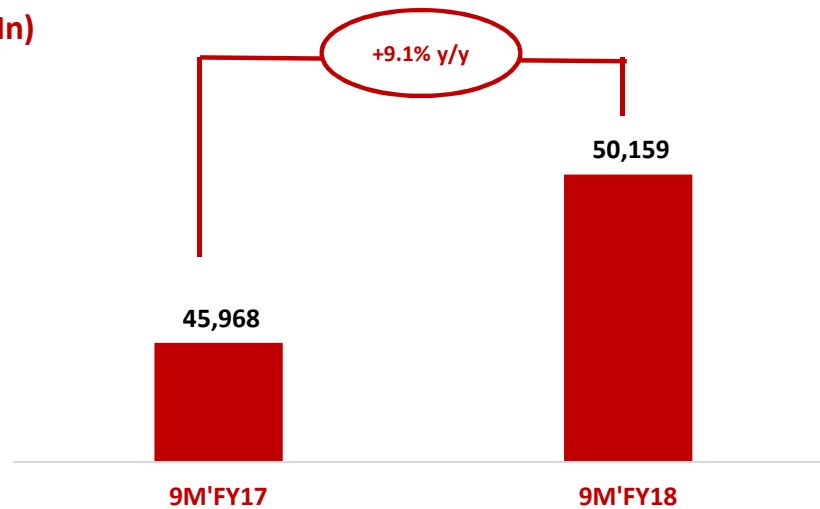


Standalone Sales

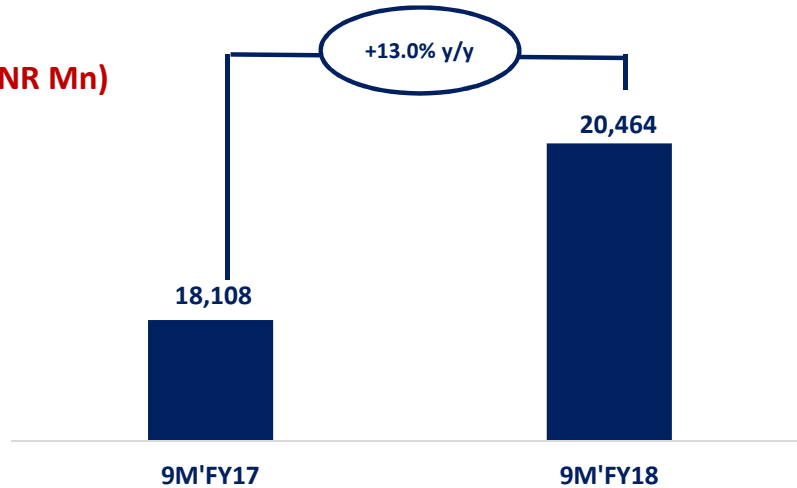


9MFY18 – Sales Overview

Sales (INR Mn)

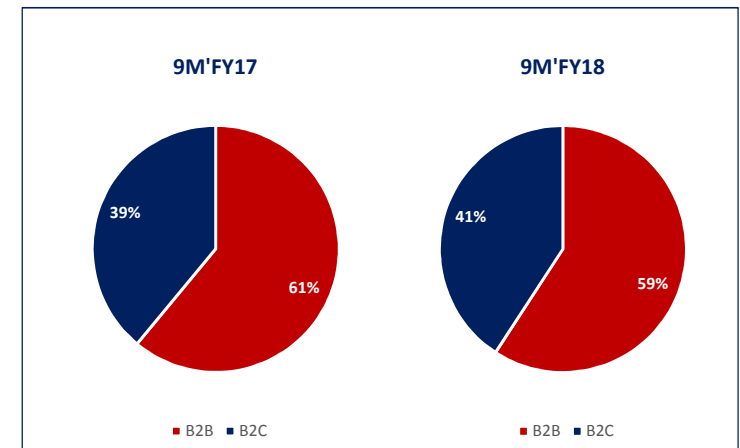


B2C Sales (INR Mn)



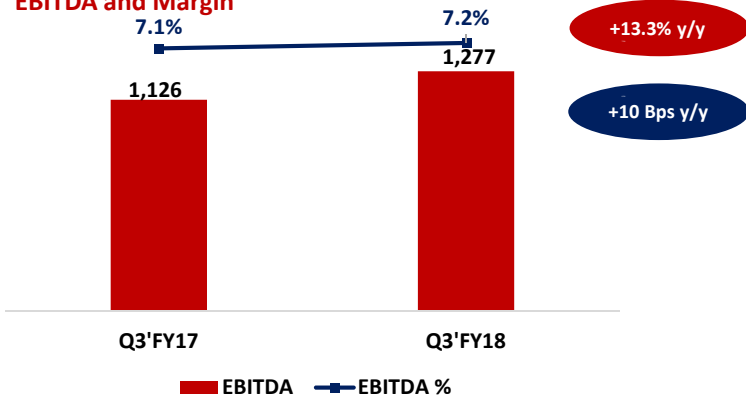
Standalone Sales

Sales Mix

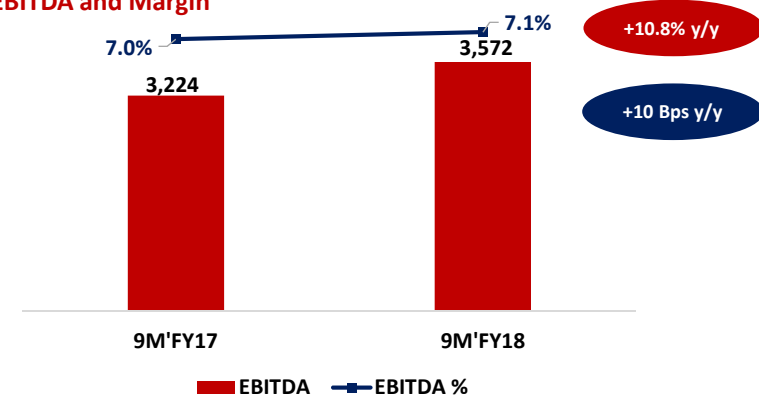


Q3 & 9M FY18 – Profitability

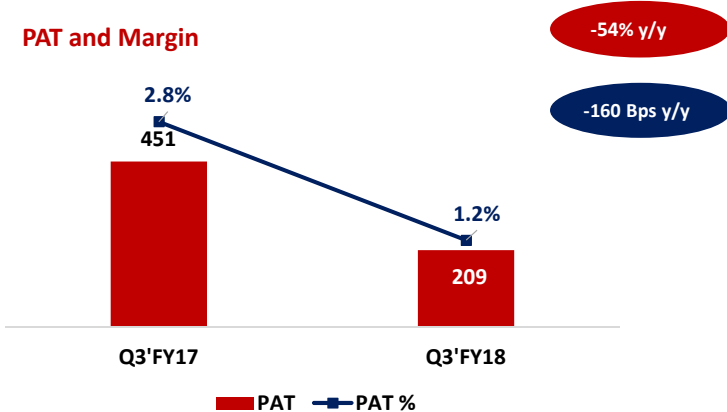
EBITDA and Margin



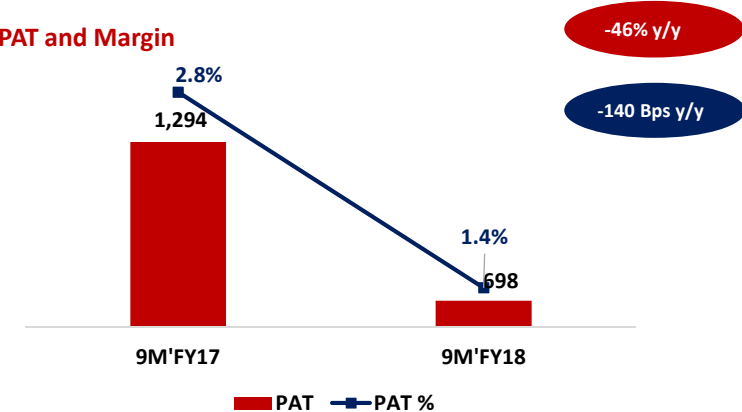
EBITDA and Margin



PAT and Margin



PAT and Margin



- Consistent growth in B2C revenue
- Growth in EBITDA due to B2C focus
- PAT impacted due to strategic investment in capex

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

Q3/9M'FY18 – Income Statement Overview

	Standalone Financials					
Particulars	Q3'FY18	Q3'FY17	Growth y/y	9M'FY18	9M'FY17	Growth y/y
Sales	17,733	15,830	12%	50,159	45,968	9%
Gross Profit	1,944	1,643	18%	5,413	4,526	20%
Gross Margin* (%)	10.96%	10.40%	56 bps	10.79%	9.80%	99 bps
Employee Expenses	188	100	88%	398	289	38%
Dep & Amortization	346	30	1052%	927	90	930%
Other Expenses	482	466	4%	1,483	1,172	27%
EBITDA	1,277	1,126	13.3%	3,572	3,224	10.8%
EBITDA Margin* (%)	7.20%	7.10%	10 bps	7.12%	7.0%	10 bps
Other Income	2	50	-95%	41	158	-74%
Finance Costs	562	407	38%	1,571	1,174	34%
PBT	369	690	-46%	1,074	1,961	-45%
Tax Expense	160	239	-33%	376	666	-44%
PAT	209	451	-54%	698	1,294	-46%
PAT Margin* (%)	1.18%	2.80%		1.39%	2.80%	
EPS (Diluted)	0.88	1.91	-54%	2.92	5.48	-47%

*As % of Sales

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

Key Result Highlights

Revenue

- Revenue grew **12.02% y/y** to reach **INR 17,733 Mn** in Q3'FY18, primarily driven by B2C business
- B2C revenue increased **23% y/y** during the same period to reach **INR 7,558 Mn**; accounted for **43% of sales**
- For 9M'FY17, B2C business grew **13% y/y** to reach **INR 2,0464 Mn**

Gross Margin

- Expanded **56 bps y/y to 11%** in Q3'FY18, supported by relatively higher realization from B2C business

EBITDA

- Consistent growth in B2C revenue
- In Q3'FY18, EBITDA grew **13.3% y/y** to reach **INR 1,277 Mn** as against **INR 1,126 Mn** in Q3'FY17, owing to better **B2C focus**
- For 9M'FY18, EBITDA stood at **INR 3,572 Mn**; registered growth of **10.8% y/y**

PAT

- Impacted due to strategic investment in capex

New Product Launched – Flavoured Milk

Flavours Launched



Elaichi

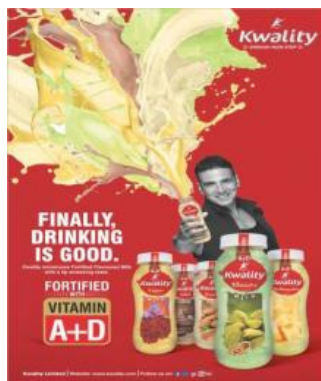
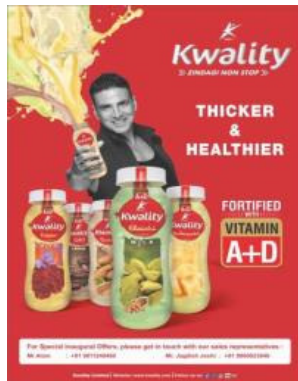
Kesar

Badam

Butterscotch

Coffee

Our Campaigns



Launched new value-added product i.e. 'Flavored Milk'

- ✓ **Flavors** - The product is available in five flavors i.e. Kesar, Badam, Elaichi, Butter-Scotch, and Cold-Coffee
- ✓ **Differentiation** - Its unique value proposition is that it is fortified with Vitamins A & D and has a shelf life of six months at ambient temperature.
- ✓ **Product Placement** - We are leveraging on our existing network and would continue to explore alternate channels for its placement to ensure availability in our target domestic markets.
- ✓ **Response** - The product is witnessing overwhelming response from both, consumers and channel partners.

Placement – General & Modern Retail Channels



Delighted Consumers



New Product Launched – Lassi and Chaach

Launched



Our Campaigns



Launched new value-added products i.e. **Lassi and Chaach**

- ✓ **Flavors** - The product is available as **Masala Chaach and Sweet Lassi**
- ✓ **Differentiation** - Tetra packing which enhances shelf life to six months at ambient temperature
- ✓ **Product Placement** - Leveraging on our existing network and would continue to explore alternate channels for its placement to ensure availability in our target domestic markets
- ✓ **Response** - Product is witnessing overwhelming response from both, **consumers and channel partners**



Commenting on the performance, Mr Nawal Sharma, President and Head – Business Transformation, Kwality Limited, said, *“We are happy to highlight that post our success and acceptance in the Delhi/ NCR region for our fortified flavoured milk, Lassi and Masala Chaach we have entered other regions in the northern territory.*

We have moved to other parts of Northern India comprising UP, UK, Punjab, Haryana and Rajasthan with India’s first vitamin A&D fortified flavoured milk.

Further we have launched lassi and masala chaach in UHT packs in regions beyond the NCR region.

The products are witnessing good acceptance in the newly entered regions and we believe they will gain traction in the coming months.

We are confident of continuing to expand our presence in the B2C segment over the next coming months. This combined with a continuing thrust on enhancing our direct procurement network will translate to improved performance metrics going forward”



Quarterly Results Overview

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India Dairy Industry Perspective

Production

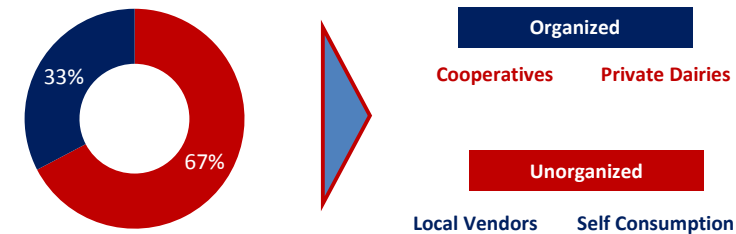
- India is the largest producer of Milk, accounting for over 18.3% of world production of milk and dairy products
- Key Production Markets: U.P , Rajasthan, Andhra Pradesh, Gujarat, and Punjab account for over 53% of overall production in India
- Cow milk accounts for 49.9% of total milk produced in India, followed by Buffalo 46.7%

Consumption

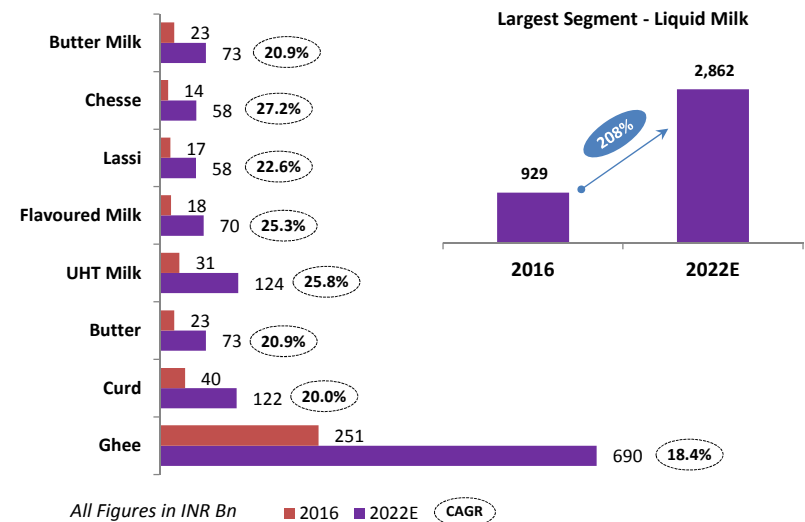
- Milk consumption in India grew at a CAGR of 5.3% during FY12 - FY17 at 154 MMT in 2016-17, driven by steady population growth, rising disposable incomes, favorable demographics, increasing brand awareness and urbanization
 - Currently, over 54% of total production is consumed by people themselves, only 46% 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 increased from 163 MMT in FY17 to 201 MMT in FY22E; implying a CAGR growth of 4.3%

Source: IMARC estimates, Industry

Structure of Dairy Industry in India – Largely Unorganized



Product-Wise Products Market Potential in India – 2016-2022E



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

Dairy Industry in India – Emerging Trends

Growth of Organized Segment outpacing Unorganized

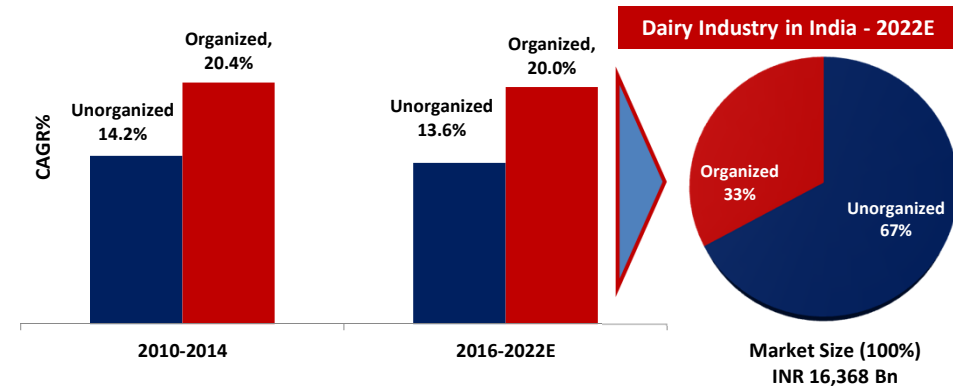
- Organized segment grew at a **CAGR of 20.4% during 2010-2014** as against unorganized sector CAGR of 14.2% during the same period **on the back of shift in consumer preferences towards branded products**
- The trend is expected to continue in the coming years. During the period 2016-2022E, organized segment is expected to grow at a **CAGR of 20.0%** as compared to **13.6%** for the unorganized segment

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

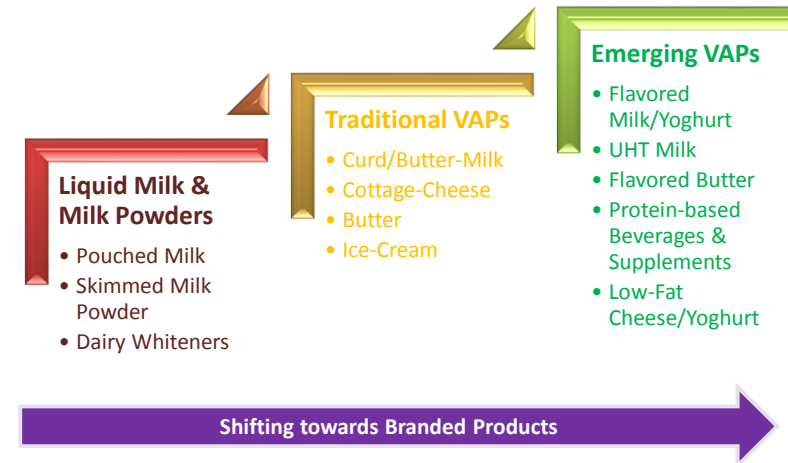
- In the recent past, change in demographics and rapid urbanization have resulted in significant demand for VAPs like **cheese, condensed milk, UHT, flavored butter/milk/yoghurt, protein-based beverages/health supplements**; VAPs expected to grow at a healthy rate of ~ 12% annually till 2021E
 - Increasing 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



Quarterly Results Overview

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About Kwality Limited

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. 350,000 farmers spread across ca. 4,700 villages in U.P. , Rajasthan, and Haryana**; with **29 MCCs** located close to procurement areas
 - Company intends to increase its procurement **directly from farmers** from current **ca. 26% 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 4.3 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, UHT Milk, Flavored 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, Cream, Yoghurts, Table-Butter, Cheese**, amongst others; to **launch multiple variants over a period of time**

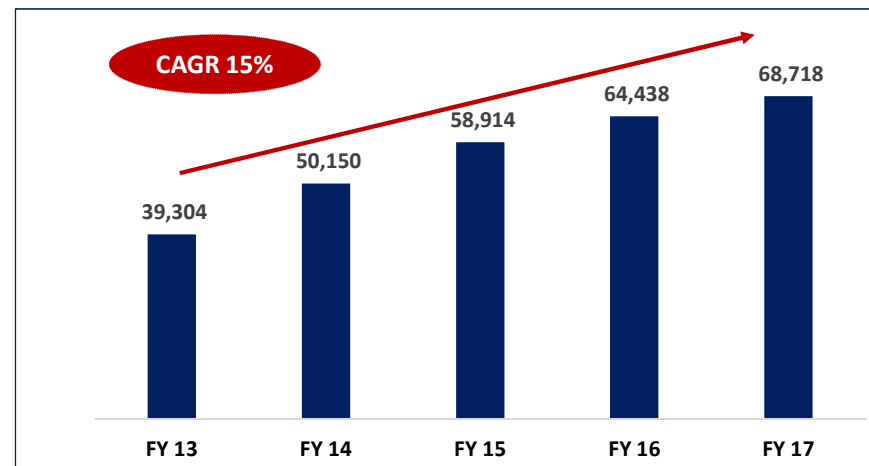
Distribution Network

- Established extensive point of sales **with 60,000+ 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	Milk	Milk Powder	Curd & Chaach	Ghee/Fat
Key Products	▪ Pouched Milk	▪ Skimmed Milk Powder	▪ Set Curd	▪ Pure Ghee
	▪ Bulk Milk	▪ Whole Milk Powder	▪ Pouched Curd	▪ Pure Cow Ghee
	▪ Skimmed Milk	▪ Dairy Whiteners	▪ Chaach – Plain & Masala	▪ Low Cholesterol Ghee
	▪ Flavored Milk			▪ Cream/Bulk Butter
	▪ UHT Milk			

Diversified Product Portfolio



Pouched Milk



Flavoured Milk



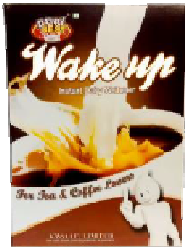
Curd



Skimmed Milk Powder



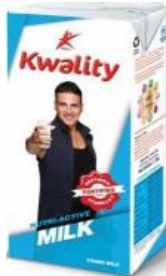
Instant Dairy Whitener



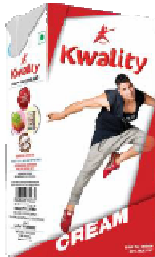
Chaach/ButterMilk



UHT Milk



UHT Cream



Ghee



5 products have been rolled out , plan to roll-out 4-6 more variants of high margin value-added products such as Paneer, Cheese, Table-Butter, Yoghurts, Milk-based beverages amongst others in phases over the next 12-15 months

Product Range



Full Cream Milk

Available in: 200ml, 500ml, 1ltr



Double Toned Milk

Available in: 200ml, 500ml



Toned Milk

Available in: 200ml, 500ml, 1ltr



Chaach

Available in: 500ml



Skimmed Milk Dahi

Available in: 200ml, 400ml, 1ltr



Toned Milk Dahi

Available in: 200ml, 400ml, 1ltr

Integrated Business Model



Strong Presence in Largest Consumption Markets



Kwality's Major Presence

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

Overview

- ✓ Established strong position in **key consumption markets of North India**
- ✓ Products available on **General and Modern trade channels and select online platforms in North India**
- ✓ Have set-up **SBU's** headed by respective profit managers for increased penetration
- ✓ Have roped in learning facilitators with rich experience for **developing sales & distribution design for SBUs and training modules** (classroom and e-learning based) aimed to improve efficiency, effective channel management, query/complaint handling, customer care
- ✓ In-process of **implementing cloud based solution 'Field-Assist'** to facilitate real-time decision making based on comprehensive data analytics
- ✓ Kwality aims to enhance its **presence to 100,000+ points of sale** over medium term **including modern trade channels, exclusive brand stores, and select online modes** in sync with brand salience and launch of new products.

Strategic Business Units (SBU's)

Fresh Products Division

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

Consumer Products Division

UHT, Cream, Milk, Ghee, Cheese, Flavoured Packed, Lassi, Chaach, Table-Butter, Yoghurts *et al*

Institutional Division

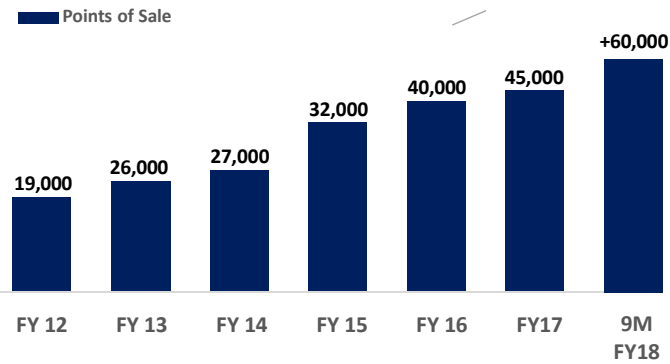
Ghee, Milk powders, Bulk Milk & Butter *et al*

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

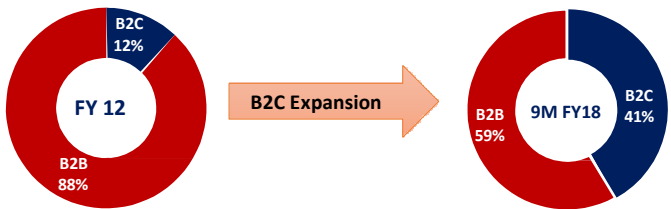


www.kwality.com

Network



Sales Mix



On Standalone Sales

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.

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