



KWALITY LIMITED

(Formerly Known as Kwaliti Dairy (India) Limited)

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CIN : L74899DL1992PLC255519

Date: December 14, 2016

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

Sub.: Investor Presentation

Dear Sir,

Please find enclosed Company Presentation for the Quarter ended as on 30th September, 2016 for the Financial Year 2016-17.

Kindly take the same on your record.

Thanking You
For Kwaliti Limited

Pradeep K Srivastava
(Company Secretary & Compliance Officer)



Largest Private Dairy Company in India



Kwality Limited

Q2'FY17 Investor Presentation

December 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

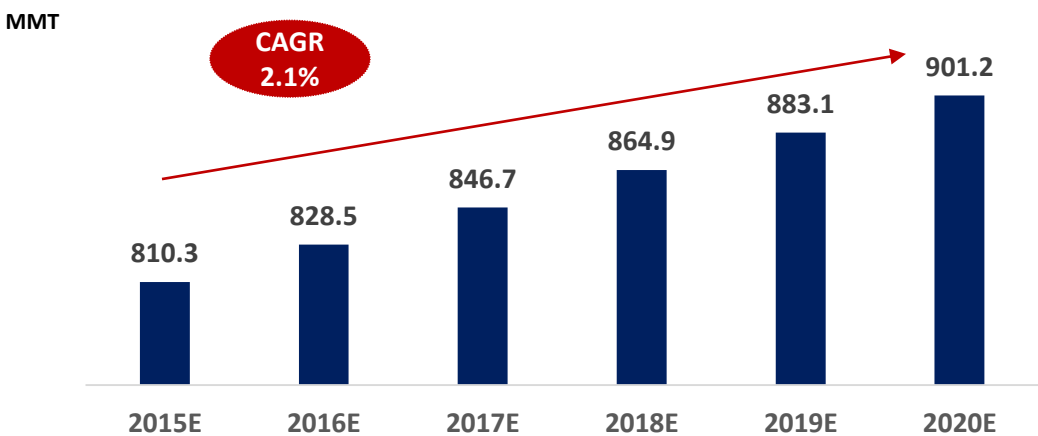
- Country-Wise basis, India is the world's largest consumer of milk, other key markets include USA, China, Russia, and Pakistan
- Globally, approximately 66% of milk and dairy products are consumed for factory use, 33% for fluid use and 1% for feed use

Foreign Trade

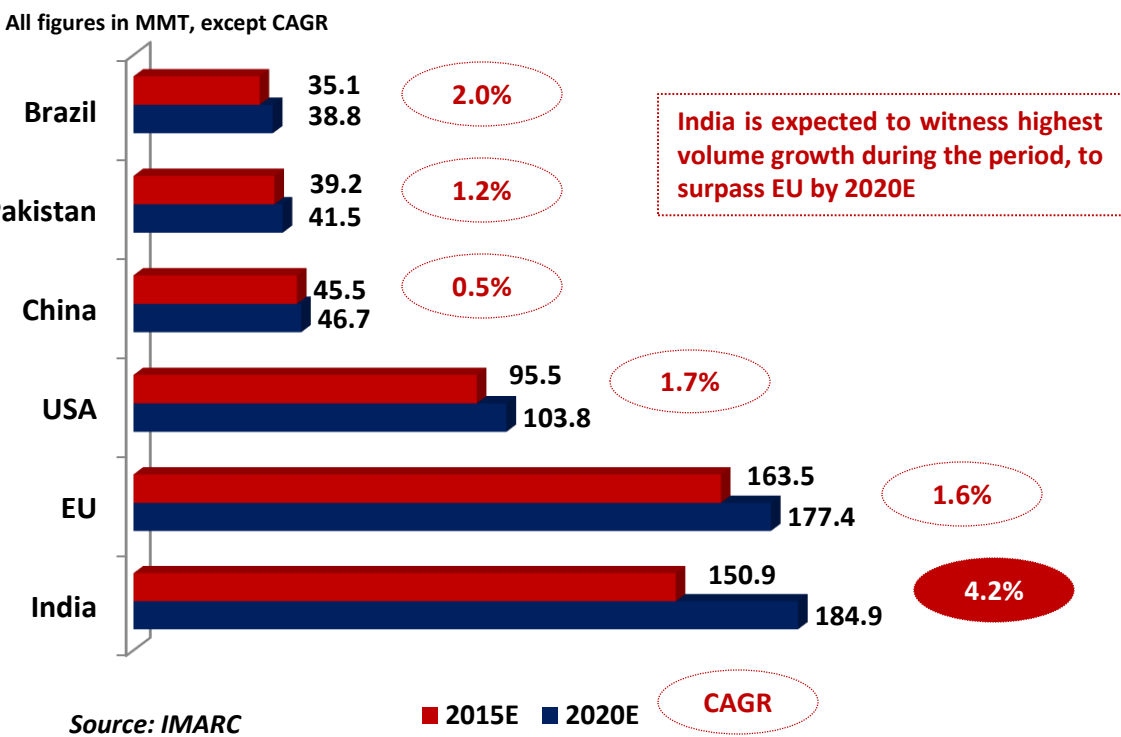
- Top Exporting Countries – New Zealand and EU account for over 50% of world trade, followed by USA
- Top Import Markets – China, Russia, MENA region, and South-East Asia account for majority of imports

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

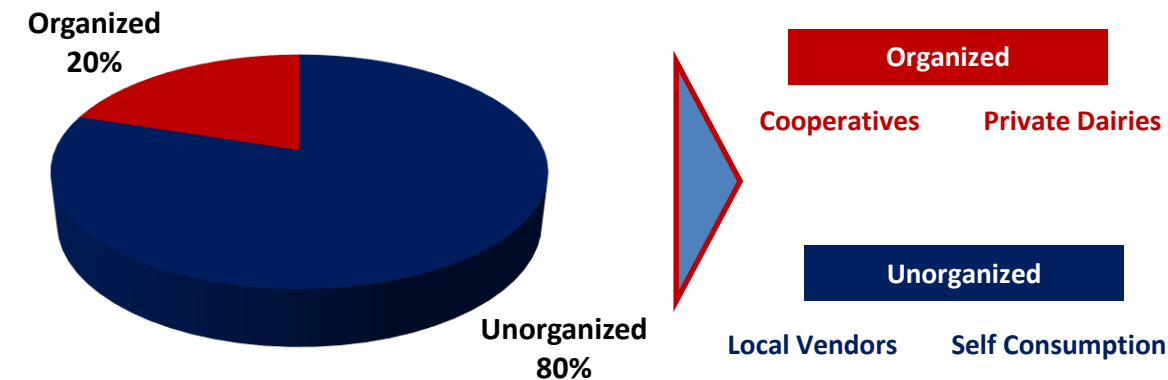
- ❑ Milk production in India **grew at a CAGR of 4.8%** during FY11 - FY16E, estimated to be **154 MMT** in 2015-16
 - ❑ Total production of milk and dairy products in India is expected to reach **over 189 MMT in 2021E**
- ❑ **Key Production Markets: U.P , Rajasthan, Andhra Pradesh, Gujarat, and Punjab** 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

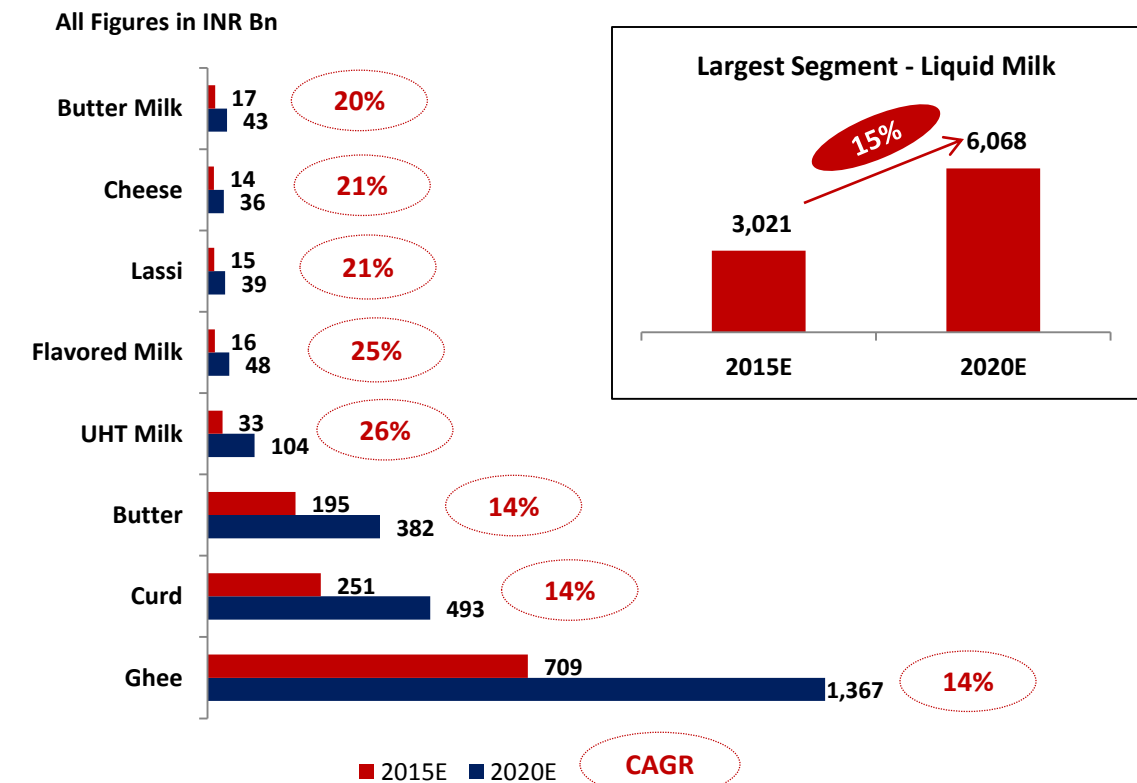
- ❑ Milk consumption in India **grew at a CAGR of 5.3%** during FY11 - FY16E, estimated to be **146 MMT** in 2015-16E, driven by steady **population growth, rising disposable incomes, favorable demographics, increasing brand awareness and urbanization**
 - ❑ **Currently, over 52% of total production 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

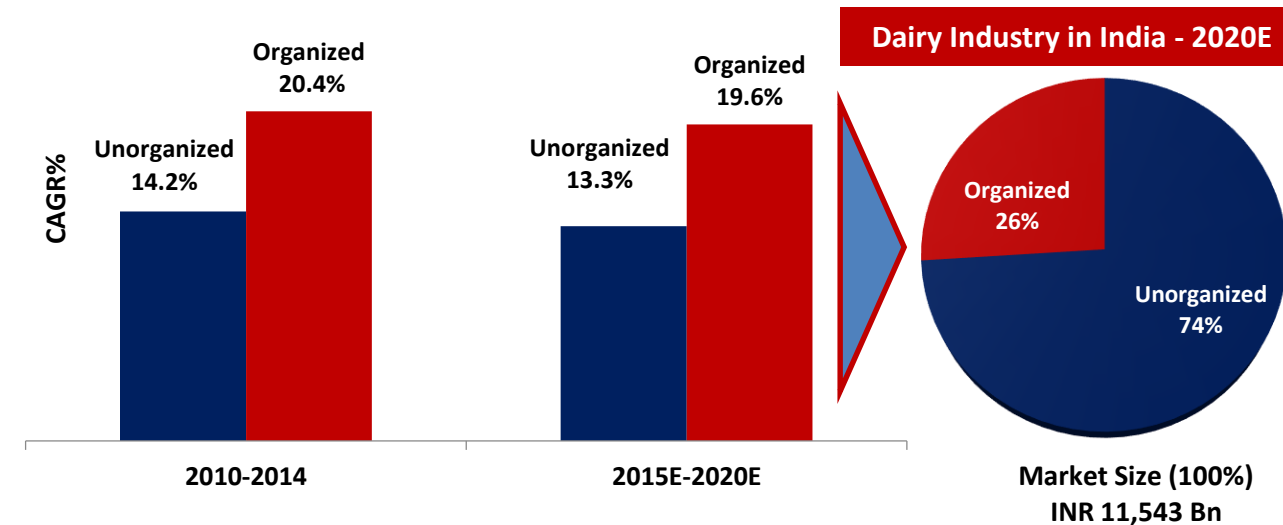
- Organized segment grew at a **CAGR of 20.4% during 2010-2014** as against unorganized sector CAGR of 14.2% during the same period **on the back of shift in consumer preferences towards branded products**
- The trend is expected to continue in the coming years. During the period 2015E-2020E, organized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

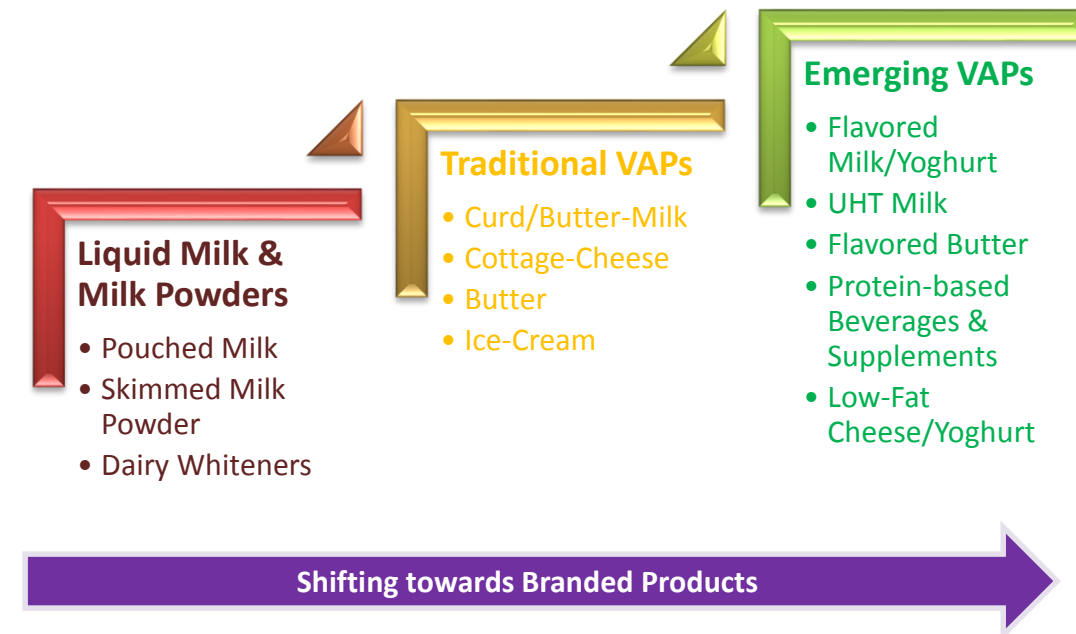
- In the recent past, change in demographics and rapid urbanization have resulted in significant demand for VAPs like **cheese, condensed milk, UHT, flavored butter/milk/yoghurt, protein-based beverages/health supplements**; VAPs expected to grow at a healthy rate of 23% annually till 2020E
 - Increasing 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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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. 325,000 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**

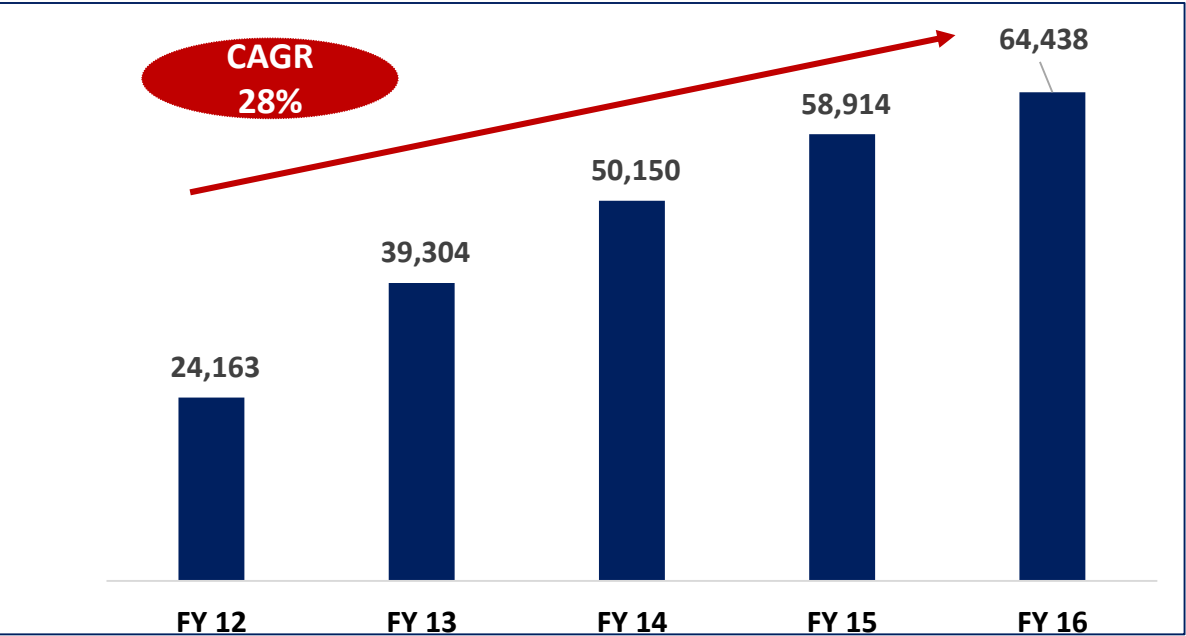
Distribution Network

- Established extensive distribution network **with 1,900 distributors covering 45,000 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)



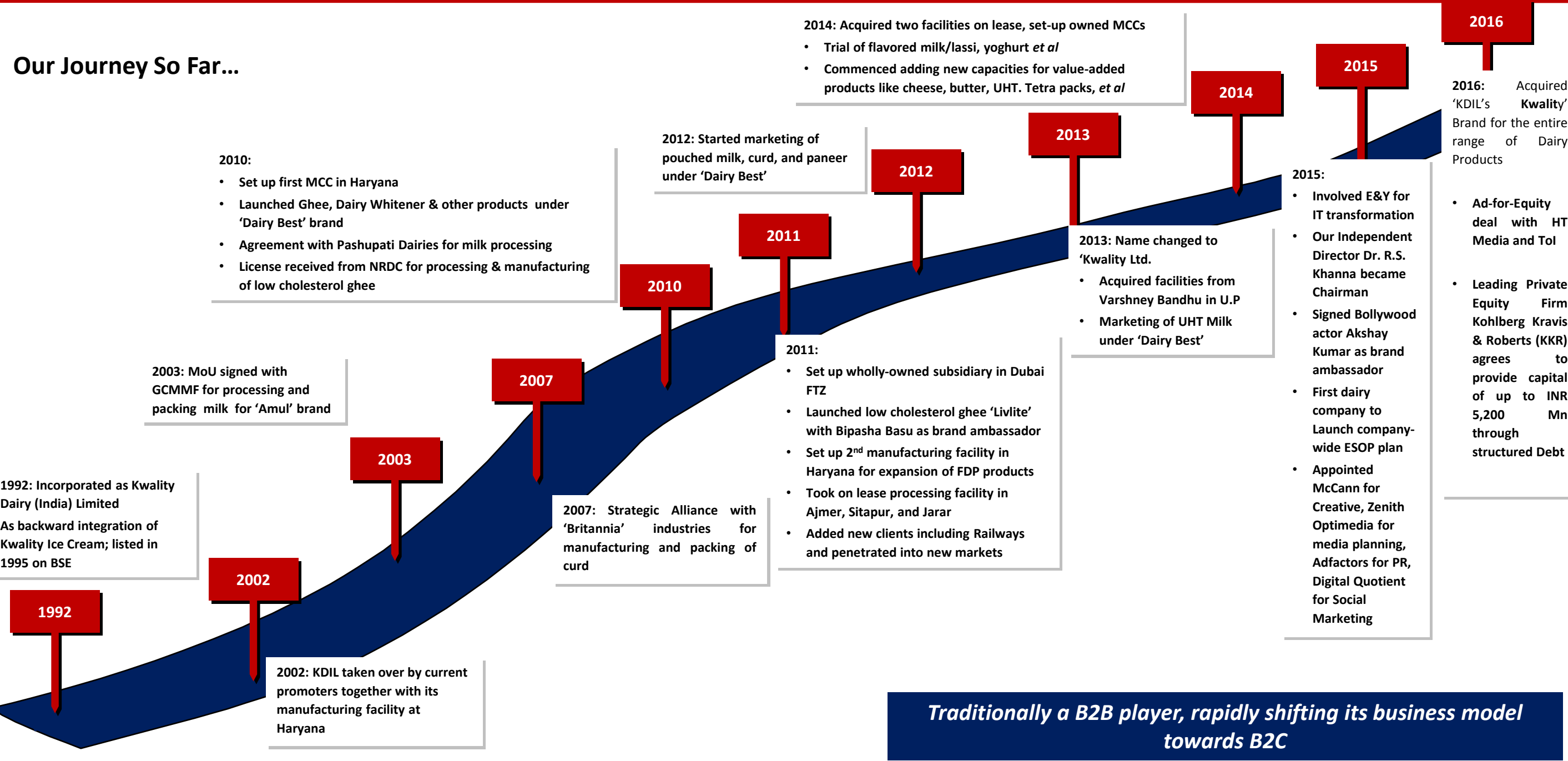
Consolidated figures

Amongst largest and fastest growing private dairy companies in India

Product Portfolio

Segment	Fresh Milk	Milk Powder	Curd & Chaach	Ghee/Fat
Key Products	<ul style="list-style-type: none">Pouched MilkBulk MilkSkimmed MilkFlavored Milk	<ul style="list-style-type: none">Skimmed Milk PowderWhole Milk PowderDairy Whiteners	<ul style="list-style-type: none">Set CurdPouched CurdChaach – Plain & Masala	<ul style="list-style-type: none">Pure GheePure Cow GheeLow Cholesterol GheeButter Bulk

Our Journey So Far...



Pouched Milk



Flavoured Milk



Curd



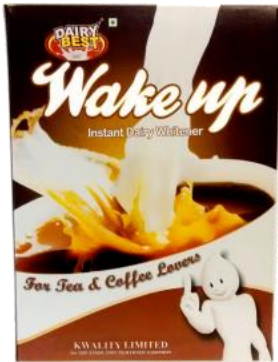
Paneer



Skimmed Milk Powder



Instant Dairy Whitener



Chaach



Ghee



Butter



Our New Brand Campaign



Kwality
» ZINDAGI NON STOP »

Kwality milk,
PROTEIN KI SHAKTI,
jo de aapko josh
aur energy non stop.

Kwality Limited • For queries, call Toll Free No. :- 1800 103 5345 email: info@kdil.in Website: www.kdil.in

Kwality Zindagi Non-Stop!

New Brand Campaign

*We are pleased to announce our new Brand Campaign
towards building a strong position in the consumer
space*

Our Brand Ambassador
Bollywood Actor Mr. Akshay Kumar

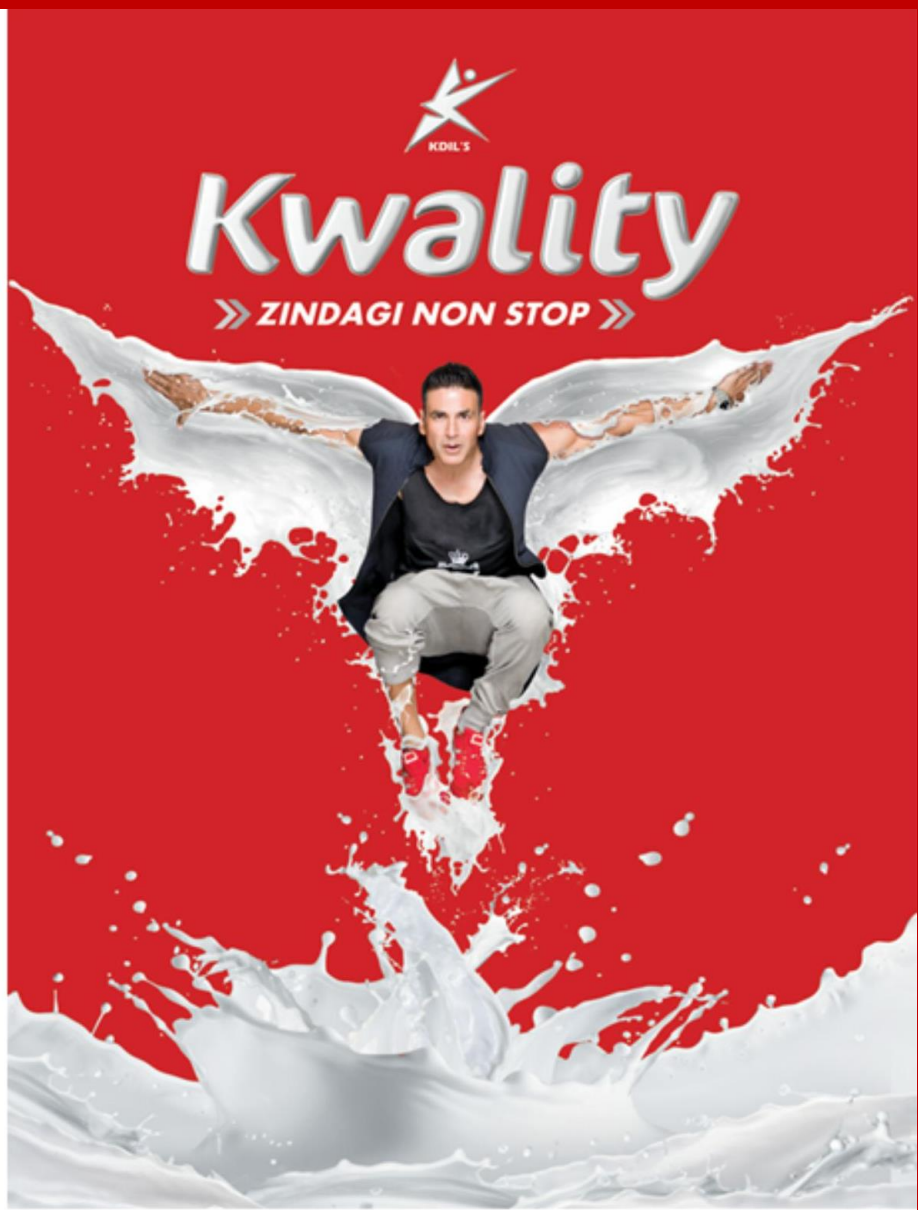
Radio Channels



Print



*T.V, Outdoor/Hoardings/Banners, Metro Train,
and various customer engagement channels to
begin shortly!*



Kwality
» ZINDAGI NON STOP »



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

Select On-Ground Activities For Enriched Channel and Customer Experience



Select Visits By Our MD and HODs To Assess Market Pulse



Corporate Website revamped with added features



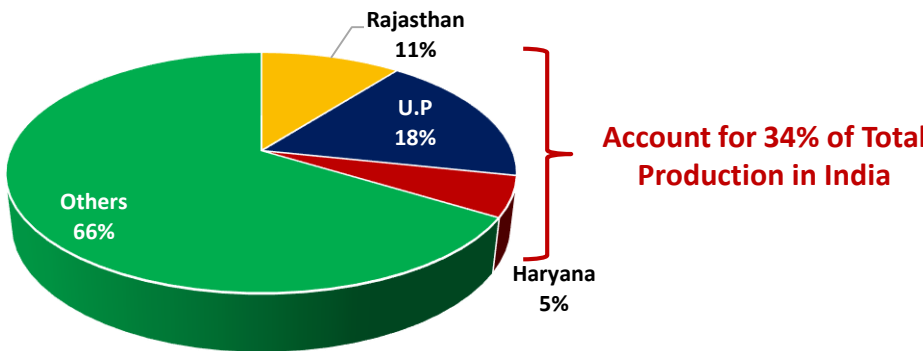
Vibrant, Trendy, Modern, and Youthful representing our brand ethos



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



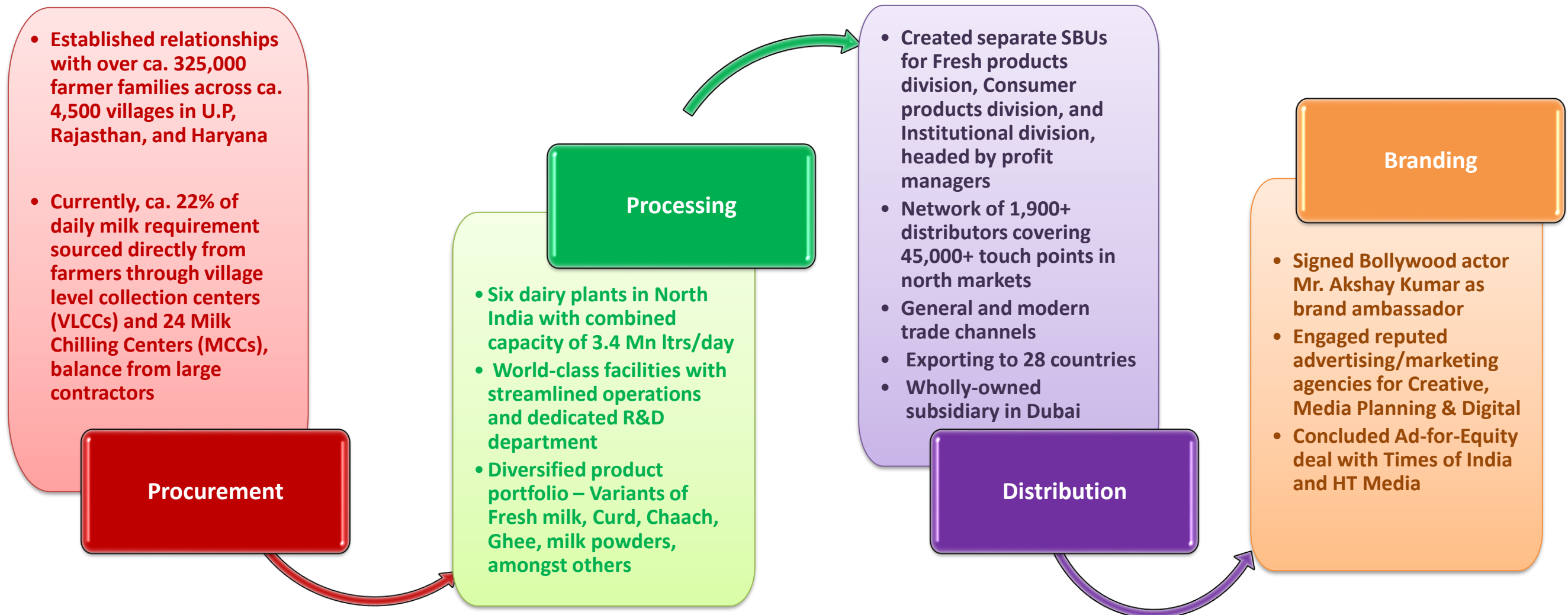
- ❑ The Company possesses a **strong Research and Development infrastructure** which encompass a technological advanced equipment and in-house testing labs with **stringent quality control systems**.
- ❑ Supporting the strong infrastructure, the Company has **a dedicated and experienced team of professionals**. 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

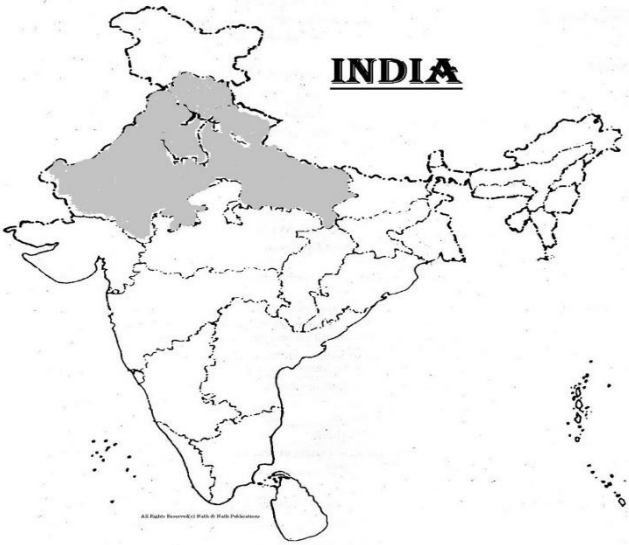


We are committed to the quality standards and norms to ensure safe and quality products for consumers.

Integrated Business Model



Strong Presence in Largest Consumption Markets in India



Kwality's Major Presence

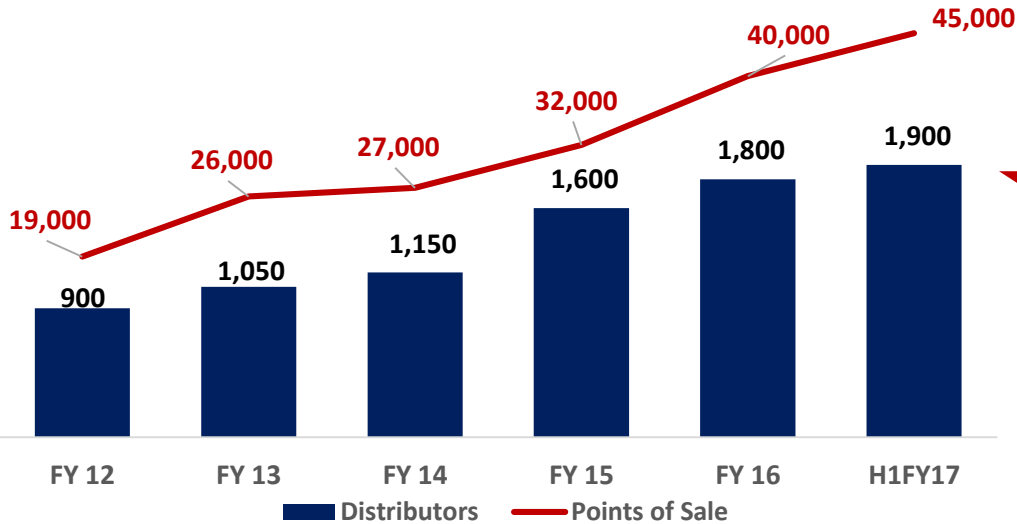
- NCR (Delhi)
- Rajasthan
- Haryana
- Uttar Pradesh

Implemented SBU Based Approach

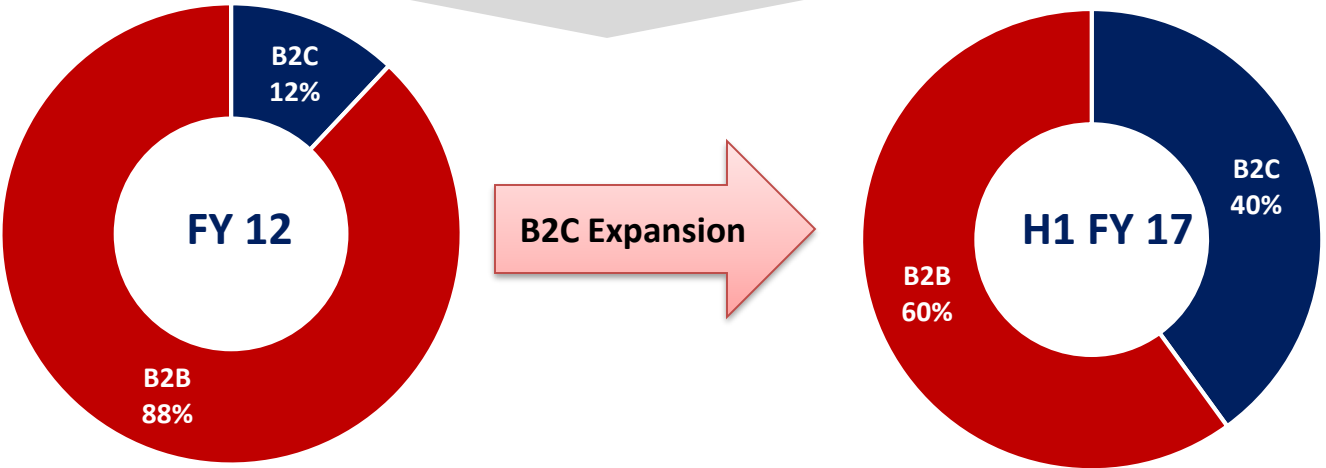
Fresh Products Division	Pouched Milk, Curd, Chaach, Paneer <i>et al</i>
Consumer Products Division	UHT, flavoured Milk, Cream, packed Ghee, Table-Butter, Cheese, Yoghurts <i>et al</i>
Institutional Division	Ghee, Milk powders, Bulk Milk & Butter <i>et al</i>

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

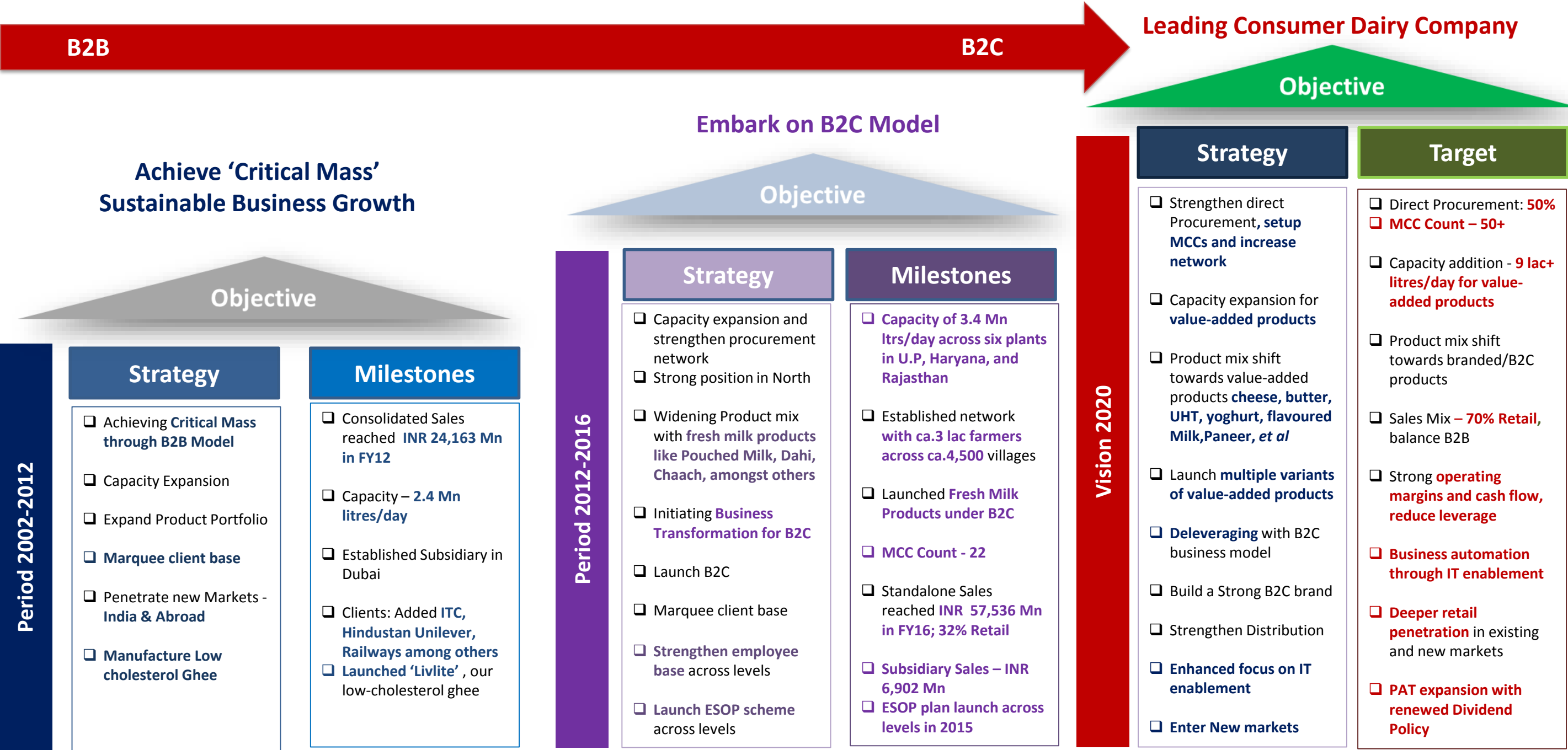
Growing Retail Network



Sales Mix



On Standalone Sales





Industry Overview

Company Overview

Quarterly Results Overview

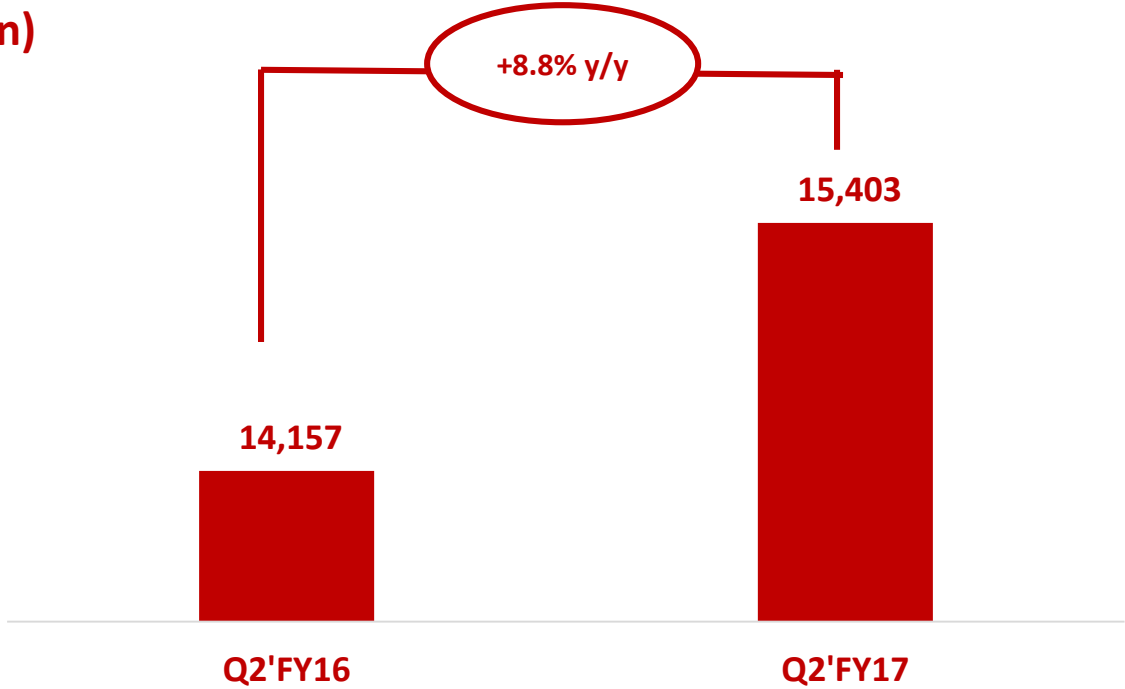
Recent Key Developments

Shareholding Pattern

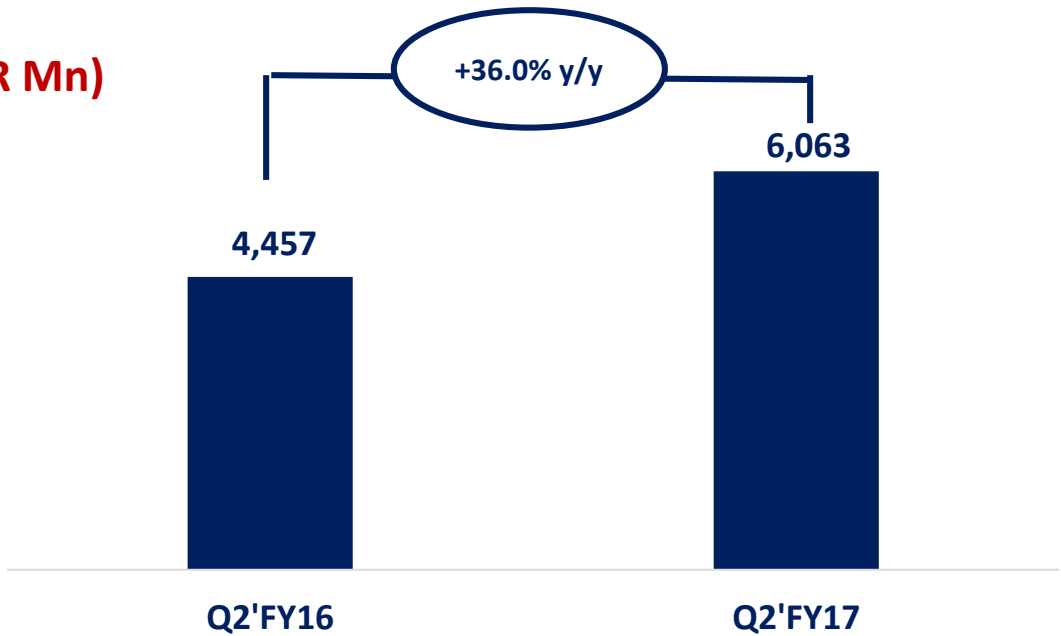


Quarterly Overview Q2'FY17 – Sales Overview

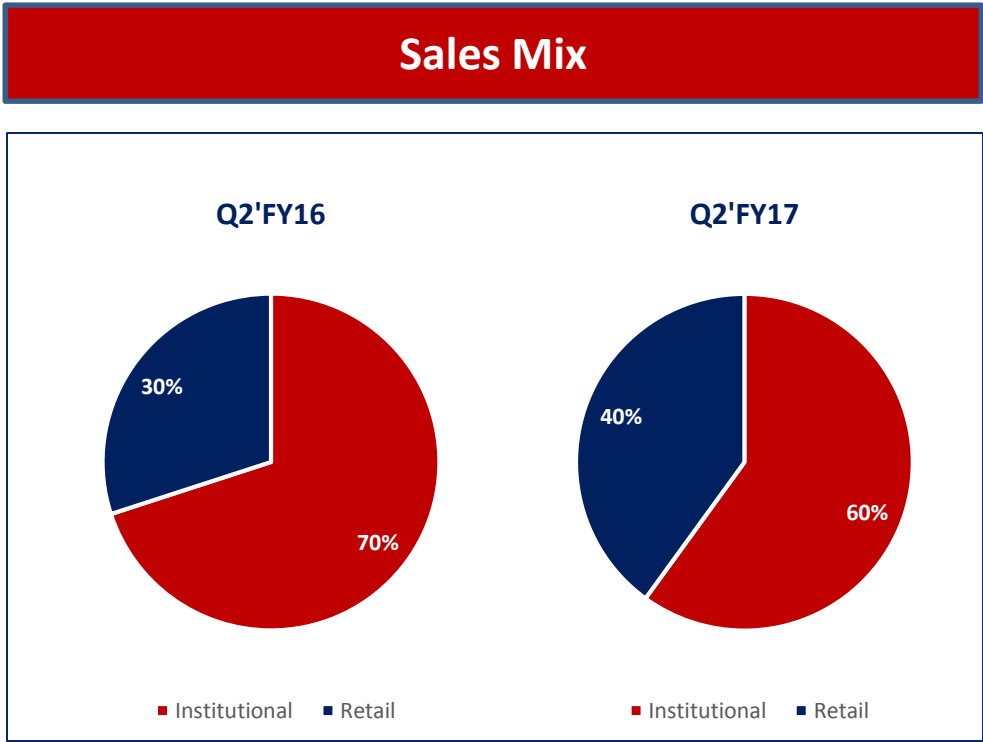
Sales (INR Mn)



B2C Sales (INR Mn)

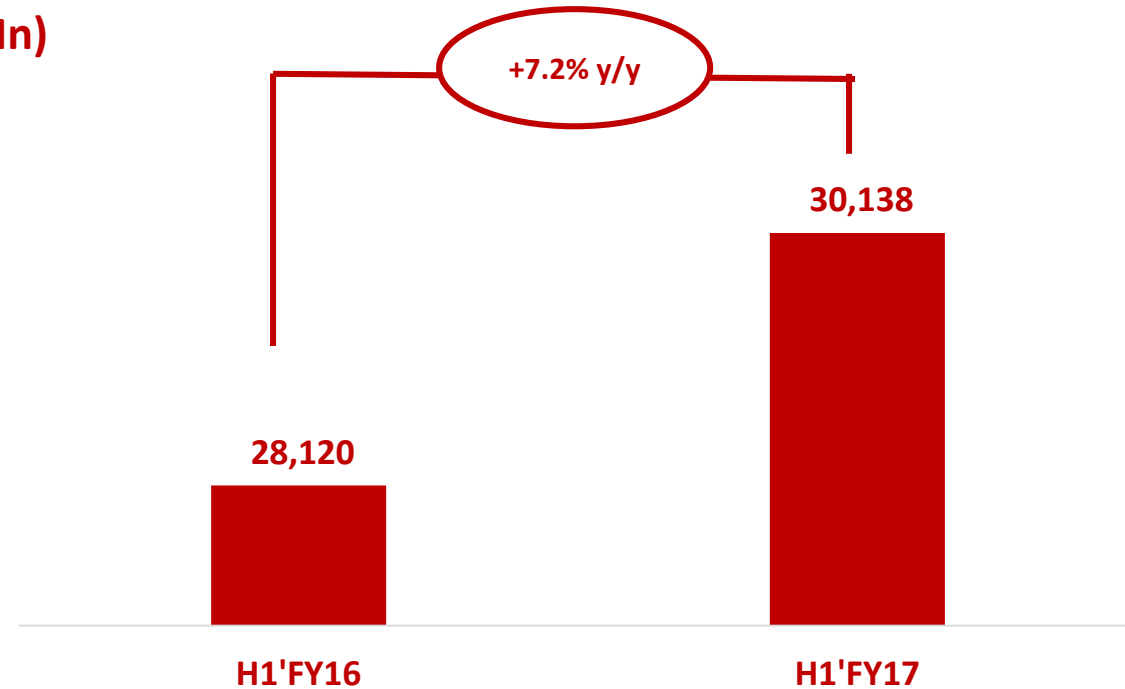


Standalone Sales

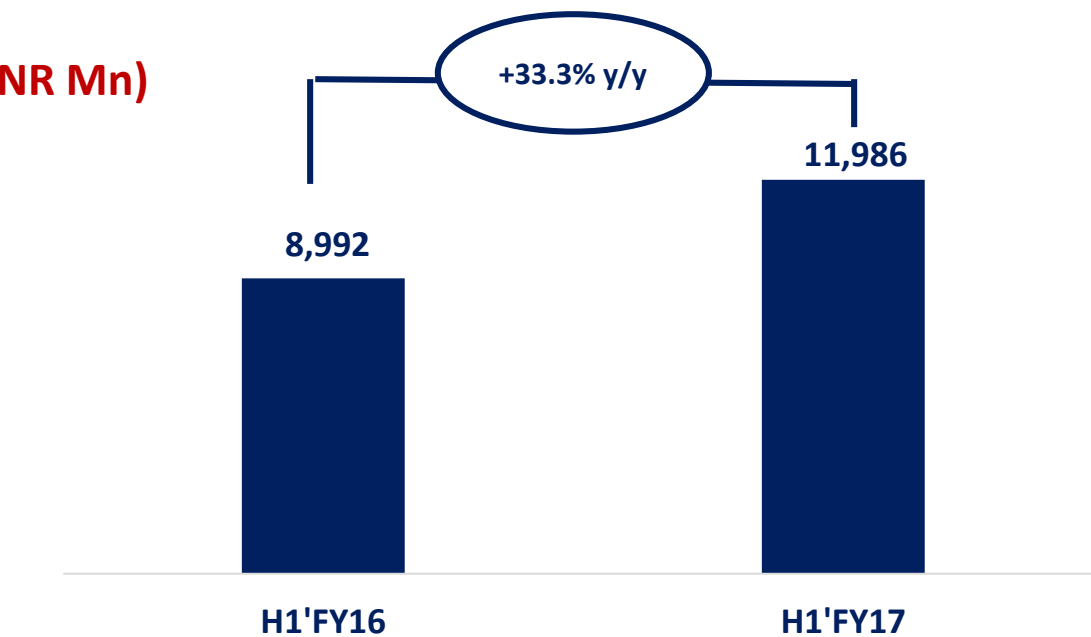


Half Yearly Overview H1'FY17 – Sales Overview

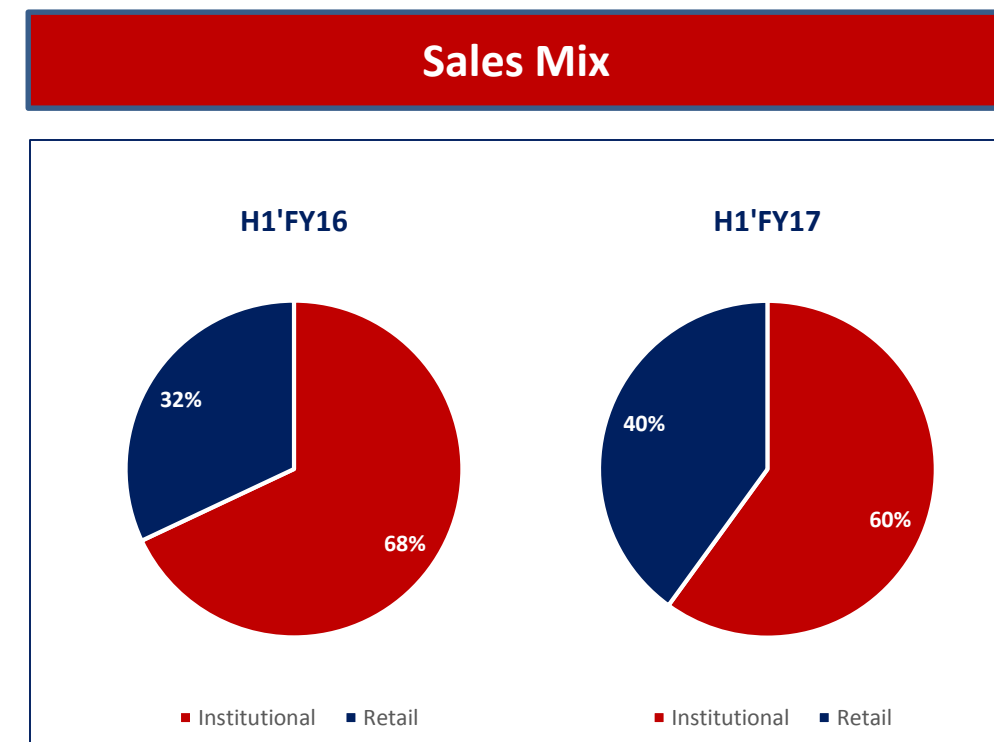
Sales (INR Mn)



B2C Sales (INR Mn)

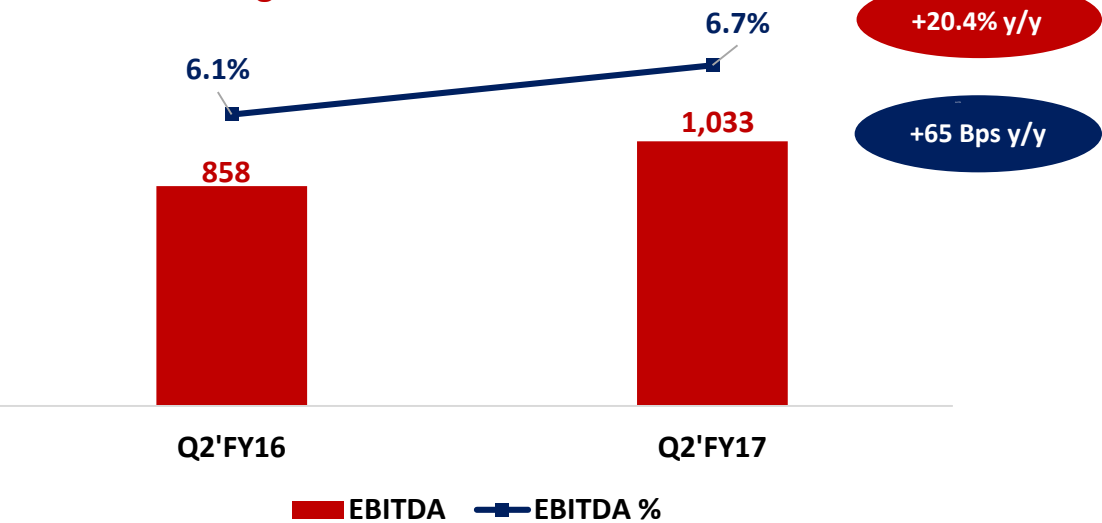


Standalone Sales

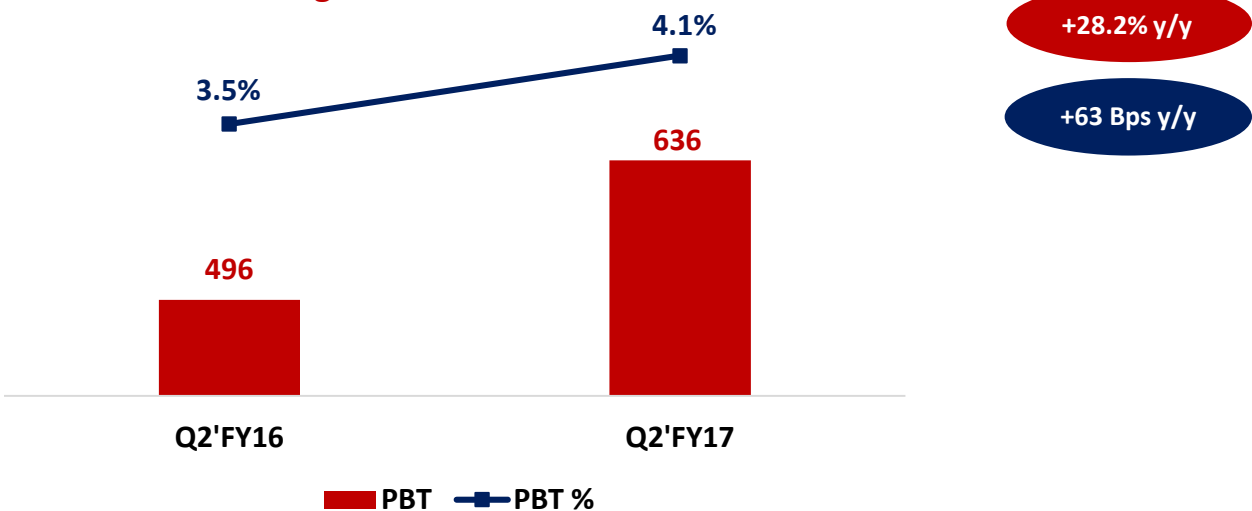


Quarterly Overview Q2'FY17 – Profitability

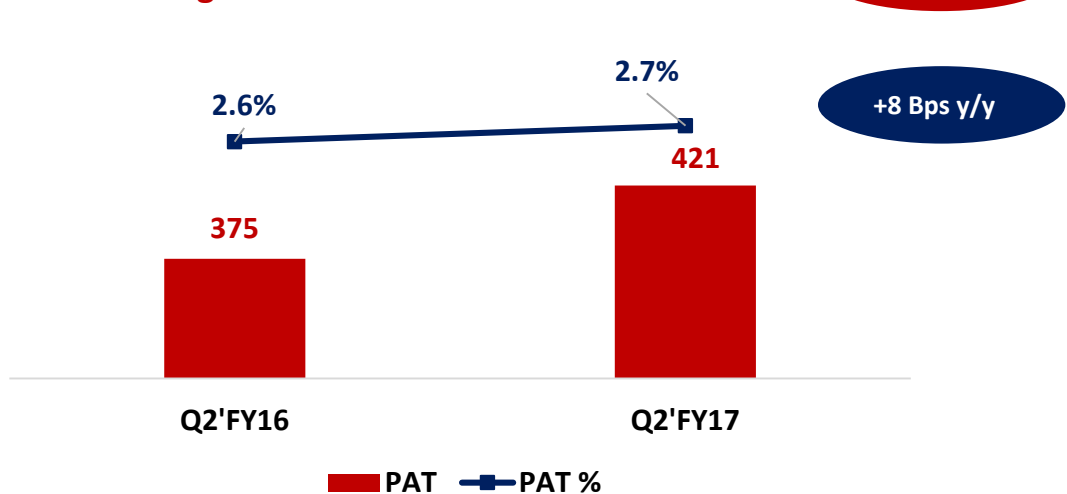
EBITDA and Margin



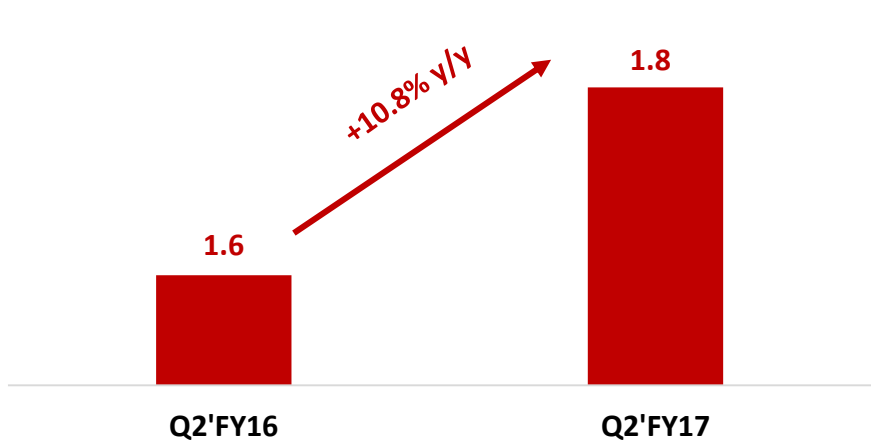
PBT and Margin



PAT and Margin



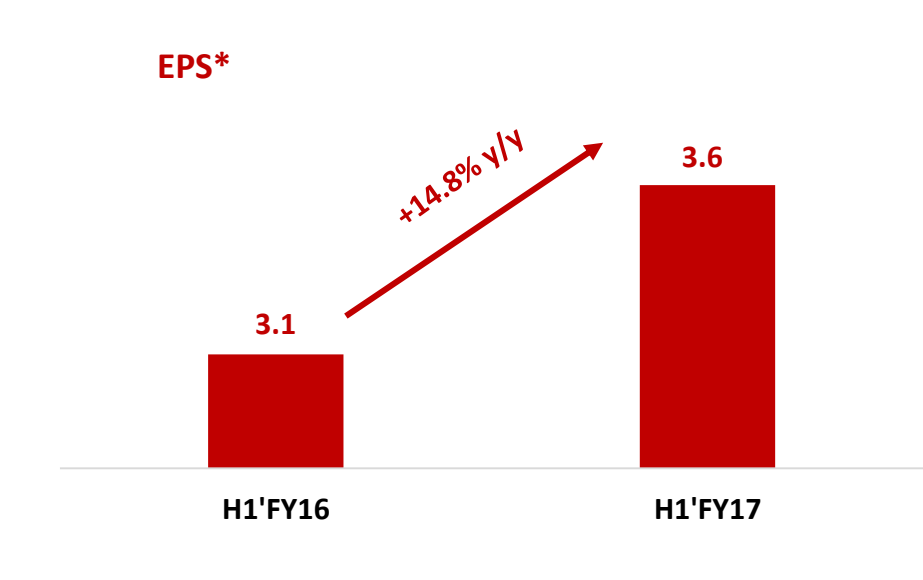
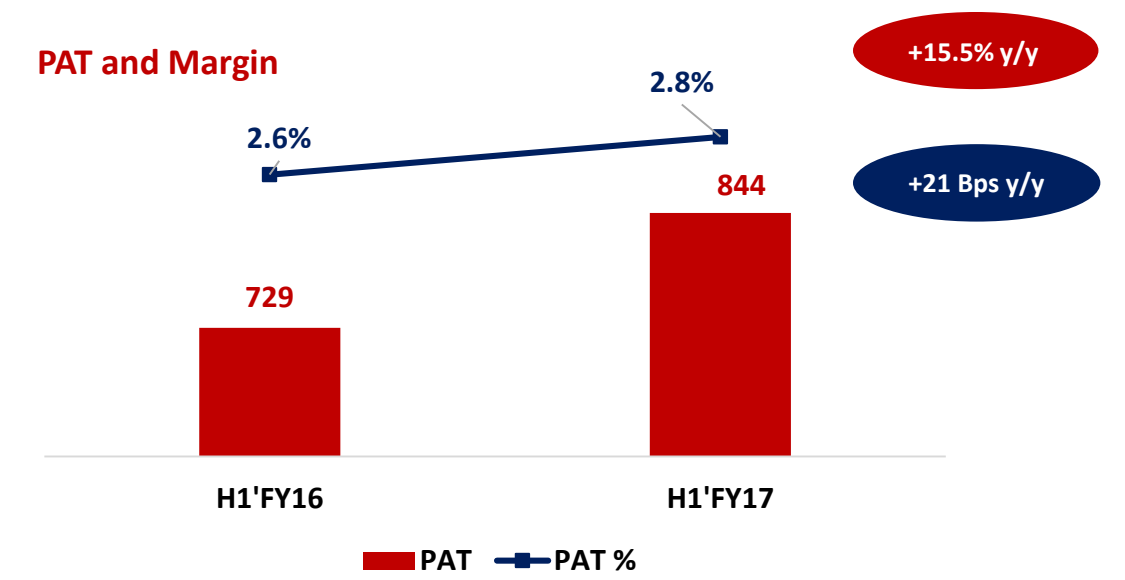
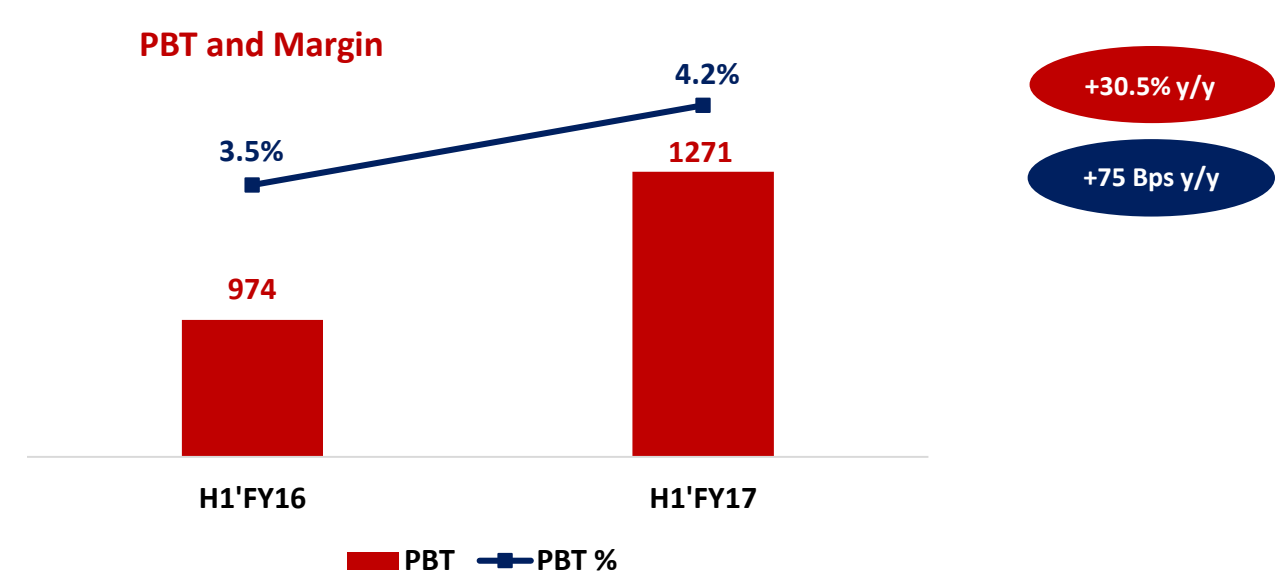
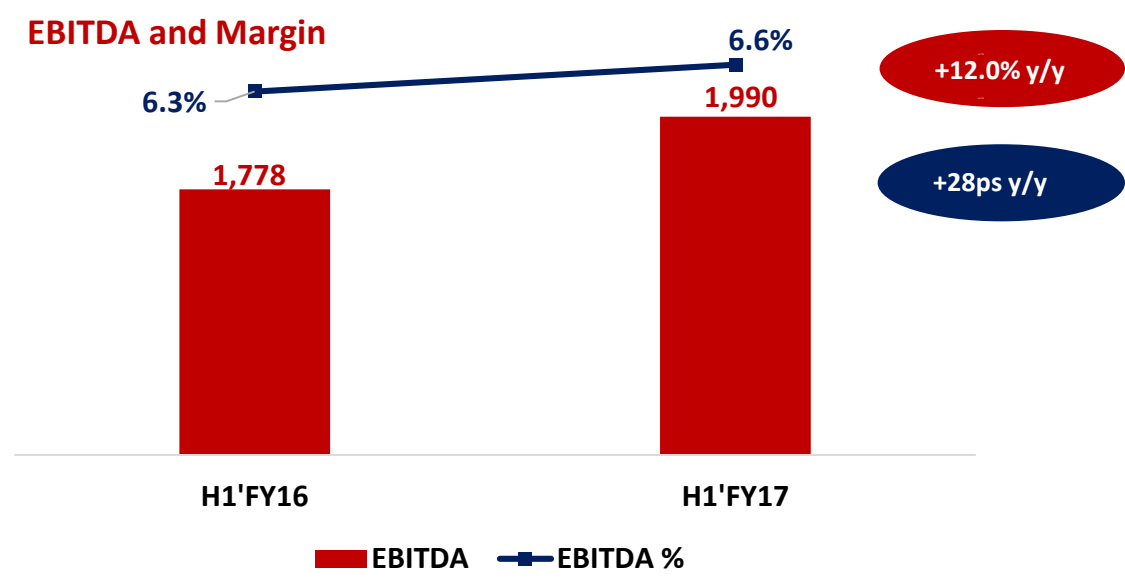
EPS*



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

*fully diluted basis

Half Yearly Overview H1'FY17 – Profitability



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	Q2'FY17	Q2'FY16	Growth y/y	H1'FY17	H1'FY16	Growth y/y
Sales	15,403	14,157	8.80%	30,138	28,120	7.18%
Cost of Goods Sold	13,926	12,962	7.44%	27,255	25,686	6.11%
Gross Profit	1,477	1,195	23.60%	2,883	2,434	18.45%
Gross Margin (%)	9.59%	8.44%	+85 bps	9.57%	8.66%	+91 bps
Employee Expenses	86	89	-3.37%	188	144	30.56%
Dep & Amortization	30	56	-46.43%	60	116	-48.28%
Other Expenses	358	252	42.06%	705	518	36.10%
EBITDA	1,033	858	20.40%	1,990	1,778	11.92%
EBITDA Margin (%)	6.71%	6.06%	+65 bps	6.60%	6.32%	+28 bps
Other Income	19	87	-78.16%	108	90	20.00%
Finance Costs	386	381	1.31%	767	777	-1.29%
PBT	636	496	28.23%	1,271	974	30.49%
Tax Expense	215	121	77.69%	428	245	74.69%
PAT	421	375	12.27%	844	729	15.78%
PAT Margin (%)	2.73%	2.65%	+8 bps	2.80%	2.59%	+21 bps
EPS (Diluted)	1.77	1.60	10.63%	3.57	3.11	14.79%

Key Result Highlights – Q2'FY17

Revenue

- Revenue grew **8.8% y/y** to reach **INR 15,403 Mn** in Q2FY17, primarily driven by B2C business
- B2C revenue increased **36.03% y/y** during the same period to reach **INR 6,063 Mn**; accounted for **40% of sales**
- For H1FY17, B2C business grew **33.30% y/y** to reach **INR 11,986 Mn**

Gross Margin

- Margin expanded **85 bps y/y to 9.59%** in **Q2'FY17**, supported by relatively higher realization from B2C business

EBITDA

- In Q2'FY17, EBITDA grew **20.40% y/y** to reach **INR 1,033 Mn** as against **INR 858 Mn** in Q2'FY16, owing to **increase in B2C business in the sales mix partially offset by increase in other expenses**
- For H1'FY17, EBITDA stood at **INR 1,990 Mn**; registered growth of **11.92% y/y**

PAT & EPS

- Growth in PAT in Q2'FY17 partially offset by **increase in finance costs and tax expense**
- Diluted EPS grew **10.63% to reach INR 1.77** during the same period
- For H1'FY17, Diluted EPS stood at **INR 3.57**, registered growth of **14.79% y/y**

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



Industry Overview

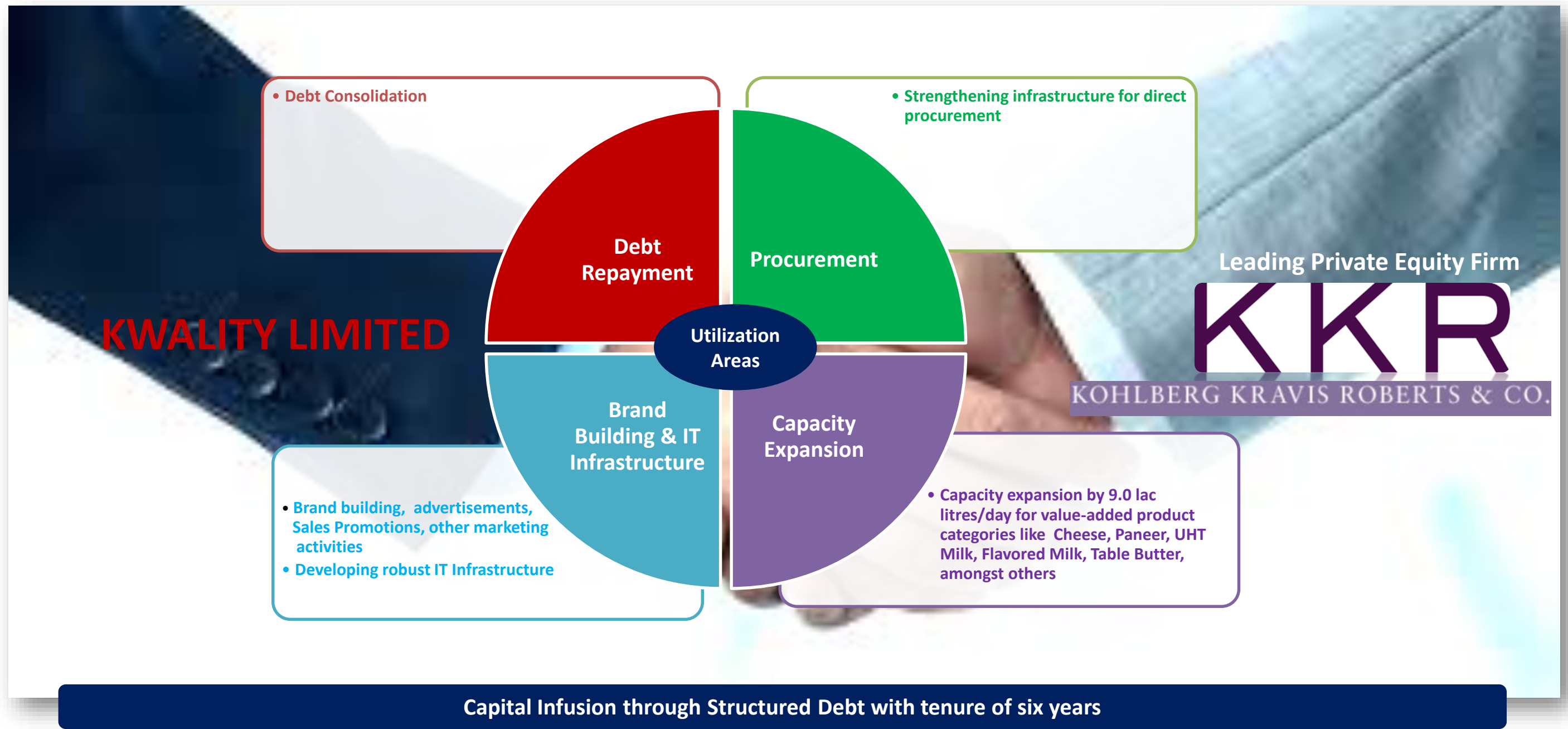
Company Overview

Quarterly Results Overview

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Our Branding Partners

KWALITY LIMITED



Bennett, Coleman & Co. Ltd.



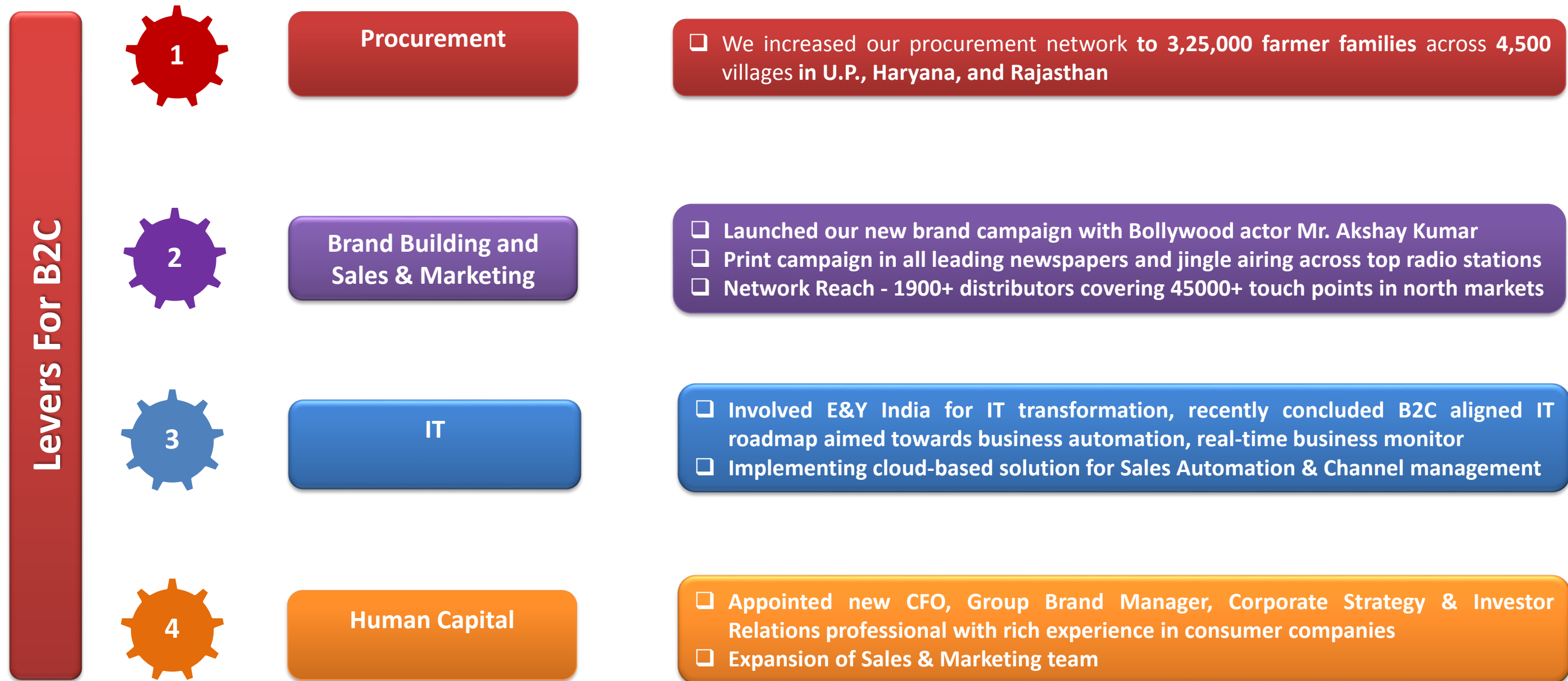
and all Online Platforms



...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

Company Overview

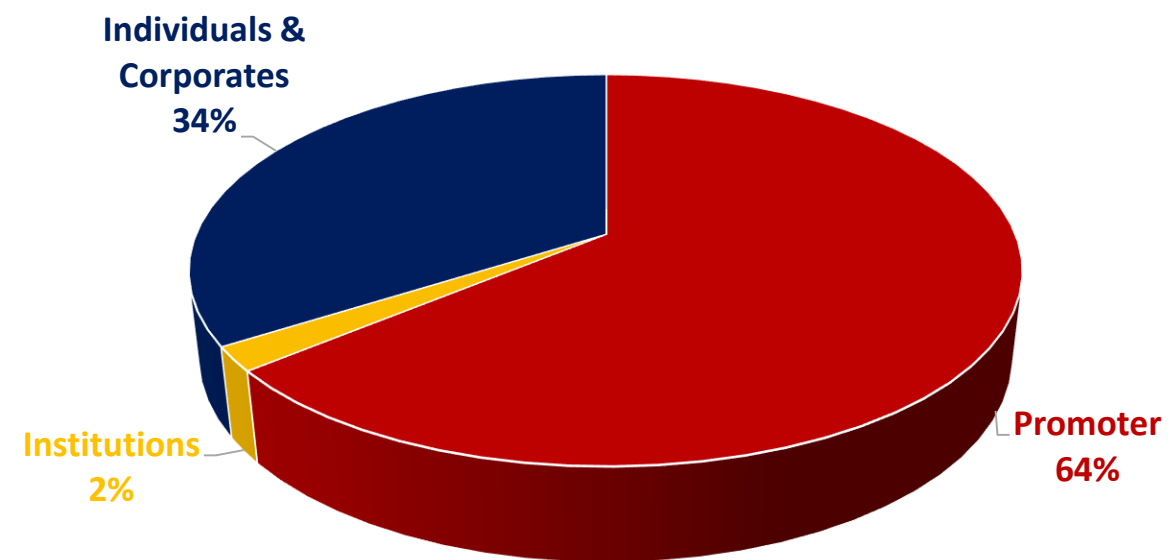
Quarterly Results Overview

Recent Key Developments

Shareholding Pattern



Shareholding as on 30th September, 2016

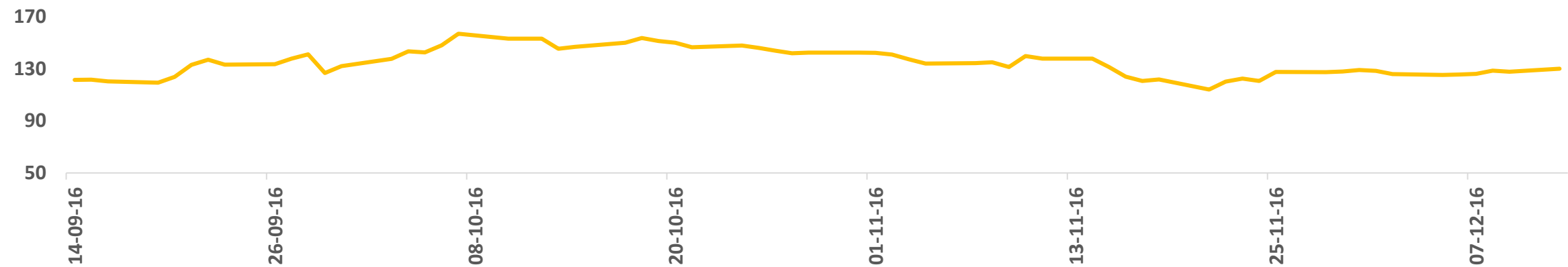


Stock Data

As on 12 th Dec, 2016	
Share Price (INR)	130.0
Market Capitalization (INR Mn)	30,564.0
Outstanding Shares (Mn)	236.1
52-Week High/Low (INR)	159.4/78.5

Source: Money Control

Stock Price Movement : 14th Sep – 12th Dec, 2016



Source: BSE, NSE, Yahoo Finance

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

Kwality Limited

CIN – L74899DL1992PLC255519

Mr. Varun Kapoor

Varun.Kapoor@kdil.in