

Manufacturing Happiness

KWALITY LIMITED



Manufacturing Happiness

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At Kwaliti Limited, we are not just in the business of manufacturing dairy products. We are essentially in the business of “manufacturing happiness”. For us, manufacturing happiness has a much deeper connotation. It encompasses everything we do and all the lives we touch across all our stakeholders.

We manufacture happiness by educating the farmers to increase productivity, offering assistance on cattle feed and artificial insemination, organizing health camps to ensure animal health and wellness, enabling them to grow their household income. We work towards strengthening relationship and trust with farmers while uplifting their social and economic lives.

We manufacture happiness by creating a culture of a learning organisation, assigning our employees with responsibilities and helping them to emerge as decision makers; and essentially making them our partners in growth by granting ESOPs. We manufacture happiness by ensuring stronger supply chain and a rewarding distribution network for our channel partners. We intend to be a world-class manufacturing business by building strong internal processes and robust IT infrastructure to enhance efficiencies. To make this a reality, we have involved E&Y for IT transformation. We are also developing an IT roadmap aligned to our retail business with them.

We manufacture happiness by enabling our consumers make informed choices; by providing tastier and healthier food choices in line with their evolving tastes; enriching consumer's buying experience by continuously expanding our bouquet of high quality product offerings to meet multiple needs; by delivering an exciting experience; and by keeping our consumers' health foremost in our minds by manufacturing pure and safe quality products.

Today, we are amongst the largest and fastest growing private dairy companies in India. We possess a culture of transparency and elevated corporate governance, directly benefiting and bolstering confidence among our stakeholders. We are committed that our processes, resources, and systems are directed towards the primary goal of achieving newer milestones.

Over the years, this frame of mind, in how we treat our stakeholders, has helped us transform into an engine with ample forward thrust to generate year-on-year growth in market access, market share, and overall market growth. An engine with ample torque to consistently produce an attractive return on investment and capital deployed has helped us emerge as the largest private dairy company.

A man with dark hair and a beard, wearing a white kurta and a red shawl, is smiling and giving a thumbs up. He is standing outdoors next to a blue water dispenser. The background shows a rustic setting with wooden poles and a thatched roof.

**We manufacture
happiness for all our
stakeholders by being
a growth oriented
company.**

**Today, we are amongst
the largest and fastest
growing private dairy
companies in India.**

Corporate Information

Board of Directors

Dr. Rattan Sagar Khanna
(Chairman)

Mr. Sanjay Dhingra
(Managing Director)

Mr. Manjit Dahiya
(Executive Director)

Dr. Satyendra Kumar Bhalla
(Executive Director)

Mr. Sidhant Gupta
(Non-Executive Director)

Mr. Ashok Kumar Gupta
(Independent Non Executive Director)

Ms. Ankita Mehrotra
(Women Independent Director)

Chief Financial Officer

Mr. Satish Kumar Gupta

Company Secretary

Mr. Pradeep K. Srivastava

Statutory Auditors

M/s. P.P. Mukerjee and Associates

Secretarial Auditors

M/s Mukun Vivek & Co.

Internal Auditor

M/s Raman Bhuraria & Associates

Registered & Corporate Office

KDIL House, F-82,
Shivaji Place, Rajouri Garden,
New Delhi – 110027

CIN : L74899DL1992PLC255519

Registrars & Transfer Agents

Beetal Financial & Computer Services (P) Ltd.
Beetal House, 3rd Floor, 99 Madangir,
Behind Local Shopping Centre,
Near Dada Harsukhdas Mandir,
New Delhi-110062

Plant Locations:

Village Softa, Palwal, Haryana
Bakra Mandi, Ajmer, Rajasthan.
Village: Kumarherha, NH-73, Saharanpur, UP
Village: Mumrejpur, Dibai, Bulandsahar, UP
Village: Ram Nagar, Hardoi Road, Sitapur, UP
Village: Jarar, Tehsil: Bah, District: Agra, UP

Listing Detail

BSE Limited
National Stock Exchange of India Limited

Depositories Detail

National Securities Depository Limited
Central Depository Securities (India) Limited

Bankers

Andhra Bank
Allahabad Bank
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
Corporation Bank
Dhanlaxmi Bank
IDBI Bank Ltd
Syndicate Bank

Contents



Manufacturing happiness by empowering milk farmers **12**

4	At a Glance
6	Chairman's Message
8	Managing Director's Message
10	Our Well Diversified Product Portfolio
12	Manufacturing happiness for all our stakeholders
28	Our Performance
30	Our Journey
32	Management Discussion and Analysis
46	Kwality Mitra
48	Notice
60	Board's Report
98	Corporate Governance
115	Business Responsibility Report
122	Standalone Financial Statements
158	Consolidated Financial Statements



Manufacturing happiness by positioning ourselves as an aspirational brand **24**

At a Glance

We are amongst the largest and fastest growing private-sector manufacturers and processors of dairy products, with a strong portfolio of products/brands that our evolving consumers in India deserve.

We have established our presence through six milk processing units which currently has processing capacity of 3.41 million litres of milk per day. With enhanced focus on B2C, we aim to launch 10-12 variants of value-added products such as UHT, Flavoured milk, paneer, cheese, table butter, cream and yoghurts, amongst others over the next 12-18 months. We will also expand our milk processing capacity by 9.0 lac litres per day primarily for such products.

Our Institutional Clientele:

- Britannia industries
- ITC
- Amritsar Shiromani Gurudwara Prabandhak Committee (SGPC)
- Tirumala Tirupati Devasthanam (TTD)
- Parle
- Vadilal
- Café coffee day
- Kaleva
- Bikanerwala
- Gianis
- HUL, amongst others

Our R&D capabilities

The Company possesses a strong Research and Development infrastructure which encompass a technological advanced equipment and in-house testing labs with stringent quality control. 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.

Our Vision and Mission

Our vision is to become a global leader in dairy food business and be connected to millions of hearts.

To achieve our vision, we are committed to manufacture consumer safe products and maintain high quality of standards for our products with continuous efforts to improve.

We are committed to fulfil the needs of consumers by providing high quality of products at competitive rates.



Product Categories

GHEE

PURE GHEE

COW GHEE

LOW CHOLESTEROL GHEE

MILK POWDER

SKIMMED MILK POWDER

WHOLE MILK POWDER

MILK

POUCHED MILK

FULL CREAM MILK

TONED MILK

CURD

SET CURD

POUCHED CURD

BUTTER

DAIRY WHITENER

Chairman's Message

Dear Shareholders,

We are strategically located and well positioned in North India, which comprises of the largest milk production and consumption markets. As the market and demand for dairy products in India continues to increase, we aim to become a leading consumer dairy products company compliant with global standards. To accomplish this vision, we recognised the need for a business transformation to rapidly shift our business model towards the retail segment. With the vast demand opportunity waiting to be met and our ample scale to provide headroom for growth, your Company chalked a structured strategic approach to connect directly with consumers through strong products and brands. As a result, we are now leveraging our sectoral experience to the retail segment.

The dairy industry stands at the crossroads of change. Even as India is the world's largest dairy consumer, a major part of this consumption is in unbranded and unpackaged. A growing willingness to buy branded products; a growing preference to experiment new tastes; and an increasing openness to pay higher prices for superior and assured quality, warrants the need for players like us to respond to consumer demand. With a rise in population and income levels, and increasing emphasis on the nutritional value of dairy products, supply in this sector has been struggling to keep its pace with consumer demands. As consumption trends and dairy product purchase patterns change, Kwaliti wishes to ensure that its delivery infrastructure meets customer expectations.

We have therefore adopted customer engagement strategies, technological innovations and organisational strengthening initiatives in order to do so.

With meticulous planning from our management team, we have made solid progress in widening our procurement channels; shifting our product mix to cater to the evolving needs and tastes of customers wanting high quality; creating an extensive distribution network to ensure product availability; expanding our retail presence; and in strengthening our IT infrastructure for process integration and strong managerial competencies. Today, the Company has established the organisational and systems architecture that will steer us into new orbits of growth.

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The principal message that I wish to send out to our stakeholders is that our Company is at an inflection point from which a new trajectory of development and growth is about to take shape. We are at a point where we are adequately funded and competently prepared to address the emerging opportunities from great consumption story of India.

Outlook

We are in critical stage of growth in which we are evolving our business model and revamping all our business functions across the value chain. Moving forward, by investing a sizeable amount of capital to expand production capacities and producing value added products, the Company aims to increase the share of retail sales to 70% from a current 32% of its turnover in 3-4 years. Just recently, Kohlberg Kravis Roberts (KKR), one of the largest Private Equity firms globally, showed their faith in our story by supporting us with upto ₹ 520 crore through structured debt. This is a strong validation of our transformation strategy and our long-term goals to shift our business model towards the retail segment and become a foods company with dominant brands. We believe that this relationship would evolve over a period of time.



On behalf of the Board, I express my appreciation for your invaluable support and your confidence in us. Your continued encouragement will help our Company to reach new levels of excellence.

Sincerely,
Dr. Rattan Sagar Khanna
Chairman

Managing Director's Message

Dear Shareholders,

I am pleased to present the Company's performance during the year under review. The Company reported a consolidated revenue of ₹ 64,438 mn (against ₹ 58,901 mn in the previous year) and consolidated profit after tax of ₹ 1,736 mn (against ₹ 1,665 mn in the previous year). More excitingly, the Company is successfully moving closer towards its dream – transforming itself from being B2B business, to becoming best in class consumer facing dairy company in India compliant with global standards. Our retail business now contributes 32% of our total sales, against a mere 12% in 2011-12. With a capacity to handle 3.41 mn litres of milk per day, today, we are one of the largest private dairy companies in India. We have the scale and gravitas to make a sea change in our approach to business, value creation and consumer connections.

Key developments

In the process of becoming a full-on B2C player, we have delineated clear plans to incorporate various high margin value-added products to our portfolio. We are expanding our production capacities and aim to launch 10-12 variants of valued added products over the next 12-18 months. To make this a reality, we had to re-look at the way we procured, marketed and distributed these new dairy products.

Increasing our focus on retail has also meant that we would have to increase the amount of milk we sourced directly from farmers. Because this mode encourages stricter quality control standards, the direct procurement of milk has allowed the company to manufacture products for the retail business more effectively. To achieve this, we aim to take direct procurement to 50% of our total requirement over the next 3-4 years. In order to do so, we are building even stronger relationships with our farmers. To this effect, Kwaliti has established various Farmer Connect Programs in consultation with veterans having rich experience in organising such programs. These programs help to educate our farmers about various aspects of dairy farming such as hygienic milk production, cattle breeding, cattle feed, nutrition, medication, cattle insurance, and cattle loaning. All of these initiatives ultimately help the farmers improve their economic wellbeing by helping to increase their milk production and by improving the quality and yields. We have also focused on establishing a hybrid procurement channel where milk analysers are provided to contractors to ensure quality. In this direction, We also introduced a monthly magazine in November 2015 named 'Kwaliti Mitra' for farmers providing information on cattle health, cattle breeding and best practices to increase productivity. This magazine also updates the farmers on schemes, programs, camps and developments in our Company.

Our marketing team is looking at multiple ways for capturing the attention of the consumers. A key initiative towards this purpose was the appointment of the renowned Bollywood actor, Akshay Kumar, as our brand ambassador. Furthermore, we formed strategic business arrangements with several world-class agencies, for brand building and marketing. 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. Over the years, we have established strong position in North India. We currently have a network of 1,800 dealers covering 40,000 touch points. We will continue to strengthen our network for wider reach in existing and new markets. We aim to cover over one lakh point of sales in the next 3-4 years.

At a strategic level one of our principal initiatives during the year under review comprised the creation of three strategic business units – 1. Fresh Products, 2. Consumer Products and 3. Institutional Products. These were created to enhance product-wise focus and move with greater marketplace agility. These three growth engines are now managed by accountable business heads who are empowered to pursue their respective goals with more autonomy and customised approaches.

We realised that our various steps toward this transformation have to be matched equally with our internal operations and efficiencies. Hence, we also looked at improving our internal intellectual capacity and efficiencies. E&Y is our IT transformation partner for IT enablement and business automation to develop B2C aligned IT roadmap. They will also bring in place real time business performance monitoring, and enable quick and informed decision making backed by extensive data analytics. This setup is meant to smoothly facilitate our growth and transformational aspirations. In addition, we also hired professionals from various dairy and consumer product companies, this brought in several years of relevant and top-notch professional experience in-house. We have also focused on bringing in advanced technology, such as ERP, which has inculcated best business practices to our various functions. This is also providing us with insightful KPI dashboards that help us make better decisions. Furthermore, Kwaliti is the first dairy company that has taken the initiative of giving ESOPs to its each and every member of its organisation, a step towards keeping the workforce highly motivated and committed to our growth agenda.