

***Parag Milk Foods Emerges as Fortune India's 'Next 500' Company***



**PARAG MILK FOODS LIMITED**  
**Q1 FY17 INVESTOR PRESENTATION**  
**AUGUST 2016**

*This presentation and the following discussion may contain “forward looking statements” by Parag Milk Foods Limited (“Parag Milk”) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of Parag Milk Foods about the business, industry and markets in which it operates.*

*These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Parag Milk Foods control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of Parag Milk Foods. In particular, such statements should not be regarded as a projection of future performance of Parag Milk Foods. It should be noted that the actual performance or achievements of the company may vary significantly from such statements.*

COMPANY  
OVERVIEW

STRATEGIC  
INITIATIVES &  
OUTLOOK

Q1 FY17 RESULT  
HIGHLIGHTS

ANNEXURE



## COMPANY OVERVIEW

## STRATEGIC INITIATIVES & OUTLOOK

## Q1 FY17 RESULT HIGHLIGHTS

## ANNEXURE



### BUSINESS OVERVIEW

- Strong Promoter Pedigree with over 2 decades of rich industry experience. Incorporated in 1992, with collection and distribution of milk, we have now developed into a dairy-based branded FMCG company with an integrated business model.
- Diversified product portfolio catering to wide range of customer - Established "4 Brands" - 'Gowardhan', 'GO', 'Pride Of Cows' & 'Topp Up', having a large customer base & strong brand recall targeting specific customer segments through strategic positioning.
- Derive all of our products from 100 % cows' milk. Our aggregate milk processing capacity is 2 million litres per day and our cheese plant has the largest production capacity in India, with a raw cheese production capacity of 40 MT per day.

### KEY STRENGTHS

- Integrated Business Model Encompassing the entire value chain - procurement, manufacturing, distribution and branding
- Robust brand portfolio with 4 well established brands targeted towards distinct consumer groups - Gowardhan, Go, Topp Up, Pride of Cows
  - Parag Milk Foods is identified as Fortune India's 'Next 500' Company
  - Gowardhan' ranked among the top 25 most trusted brands in the food products category
  - 'Go' Cheese was awarded "India's Most Promising Brand 2014-15" in the FMCG category
- World Class Manufacturing with 2 state-of-the-art Manufacturing facilities and Strong R&D capabilities
- Established Strong Relationships at grass root level with farmers, distributors & institutional customers and a large retail customer base.
- Established Pan-India Distribution Network of 15 Depots, 104 Super Stockists and over 3,000+ Distributors

### STRONG FINANCIAL PERFORMANCE

- Consolidated Revenues, EBITDA and PAT were Rs 16,451 mn, Rs 1,476 mn and Rs 473 mn in FY16 having grown at CAGR of 17%, 18% and 58% over FY12-FY16
- Share of Commodity products reduced from 22% in FY15 to 12% in FY16
- Significant De-leveraging Efforts have helped improve PAT Margins from 0.9% to 2.9% over FY12-FY16.
- ROCE improved from 9.1% in FY 14 to 12.3% in FY 15 and 16.2% in FY 16, due to strong growth in Top-line and improving Operating Profitability and improvement in FY16 Debt : Equity ratio to 1.1:1.

# COMPANY OVERVIEW

## PRODUCT INNOVATION – KEY TO OUR SUCCESS STORY



### PIONEERING PRODUCT INNOVATION WITH STRONG R&D THRUST



Premium quality cow milk  
- “farm-to-home” concept  
through Subscription  
model



Go “Cheezooz” awarded  
the “Best Children’s Dairy  
Product” in the product  
innovation category



Wide & innovative variety  
of cheese including  
gourmet cheese, creamy,  
jalapeno cheese spread,  
herb cheese cubes



Pioneering and Leading  
player in India to market  
fresh (not frozen) paneer  
in retail stores with a shelf  
life of 75 days



Leading producer of Whey  
protein powder in India

2013

2014

2015

2016

- Emmental cheese
- Consumer packs of mozzarella cheese
- Yogurt in three new flavours of saffron, pink guava and vanilla
- Topp-up in four flavours
- Cheese spread in six flavours
- Parmesan cheese
- Cheezlets
- Vital milk in all markets

- New flavours in Topp-up of pistachio and butterscotch
- Cheese sandwich slices
- Cheese toppings for pizzas
- Spiced buttermilk in UHT
- Fresh cream in UHT
- Spiced buttermilk in Fino pack

- Whey proteins
- Sachet packs of ghee
- Buttermilk in southern spices variant
- Go Badam Milk
- Go Almette Creamed Cottage Cheese in two flavours
- Go Chutney cheese slices

- Curd 10kg Bucket
- Badam Milk Instant Mix
- Cheese Wedges – Herbs and spices

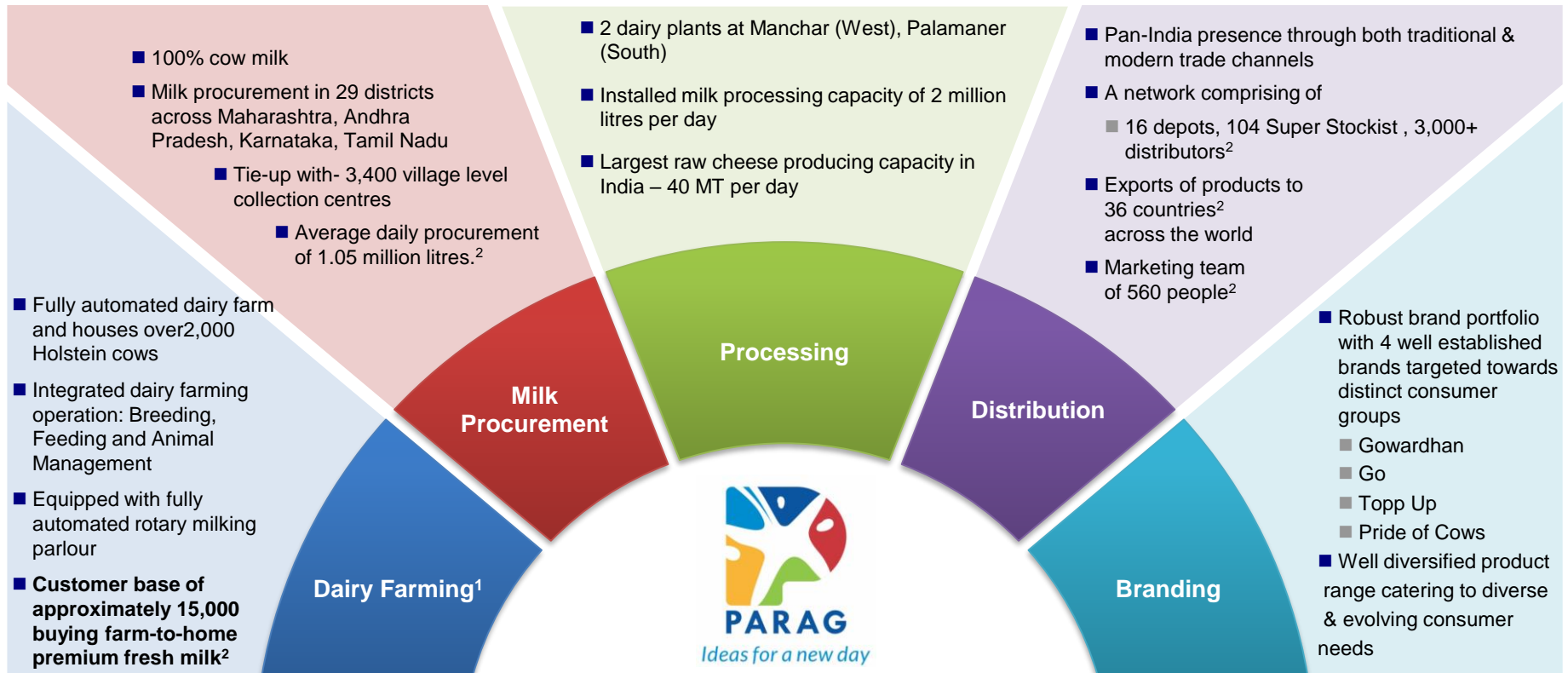
# COMPANY OVERVIEW

## DIFFERENTIATED BRAND & PRODUCT PORTFOLIO

Brands	Products	Target Customer Group
	 <ul style="list-style-type: none"> <li>■ Fresh Milk</li> <li>■ Curd</li> <li>■ Ghee</li> <li>■ Paneer</li> <li>■ Butter</li> <li>■ Milk powder</li> <li>■ Whey proteins</li> </ul>	<ul style="list-style-type: none"> <li>■ Targeted at house-hold consumption for traditional Indian recopies and to be used as cooking ingredients</li> </ul>
	 <ul style="list-style-type: none"> <li>■ Cheese Products</li> <li>■ UHT milk</li> <li>■ Curd</li> <li>■ Fruit yoghurts</li> <li>■ Fresh cream</li> <li>■ Lassi, Buttermilk, Badam milk</li> </ul>	<ul style="list-style-type: none"> <li>■ Targeted at children and the youth generation, primarily for direct consumption</li> </ul>
	 <ul style="list-style-type: none"> <li>■ Premium cow milk</li> </ul>	<ul style="list-style-type: none"> <li>■ Targeted at household consumers seeking premium quality cow's milk.</li> </ul>
	 <ul style="list-style-type: none"> <li>■ Flavoured milk</li> </ul>	<ul style="list-style-type: none"> <li>■ Targeted at youth generation &amp; travellers as source of instant nourishment</li> </ul>

# COMPANY OVERVIEW

## INTEGRATED BUSINESS MODEL - STRONG RELATIONSHIPS ACROSS THE VALUE CHAIN



**Integrated Business Model that encompasses the entire value chain of the dairy based food and beverage business**

**Notes:**  
 (1) The dairy farming business is housed in Bhagalaxmi Dairy Farm which is owned and operated by Bhagalaxmi Dairy Farm Private Limited  
 (2) As of 30<sup>th</sup> June, 2016



# COMPANY OVERVIEW

## EXTENSIVE SALES, MARKETING & DISTRIBUTION NETWORK



**Well entrenched Pan-India distribution Network**



**Enormous Potential to grow in India**



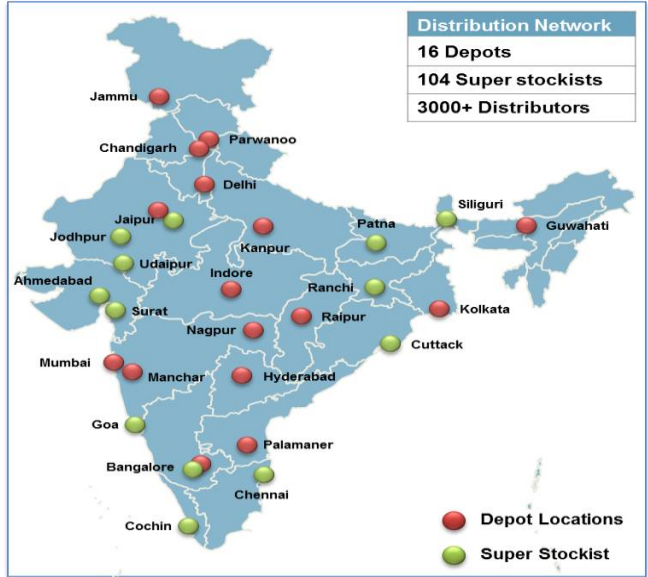
Pan-India Distribution network 19 depots, 104 super stockists, 3000+ distributors



Dedicated sales and Marketing team comprising of 560 personnel<sup>1</sup> to serve our retail as well as institutional customers



Deploys product specific marketing & distribution strategy



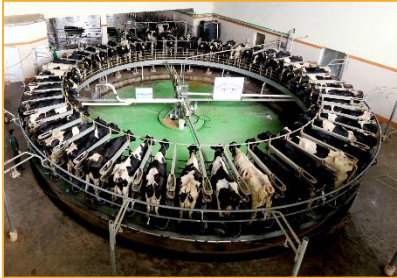
### REGION WISE DISTRIBUTION NETWORK IN INDIA

Region	Depots	Super Stockists	Distributors (greater than)
Mumbai	1	2	250
North	5	31	450
East	2	17	300
West	5	28	800
South	3	26	1,200
<b>Total</b>	<b>16</b>	<b>104</b>	<b>3,000</b>

# COMPANY OVERVIEW

## WORLD CLASS MANUFACTURING FACILITIES

### Dairy Farming



### Processing Facilities



Manchar Plant, Pune



Bhagyalakshi Dairy, Pune



Palamner Plant, Andra Pradesh

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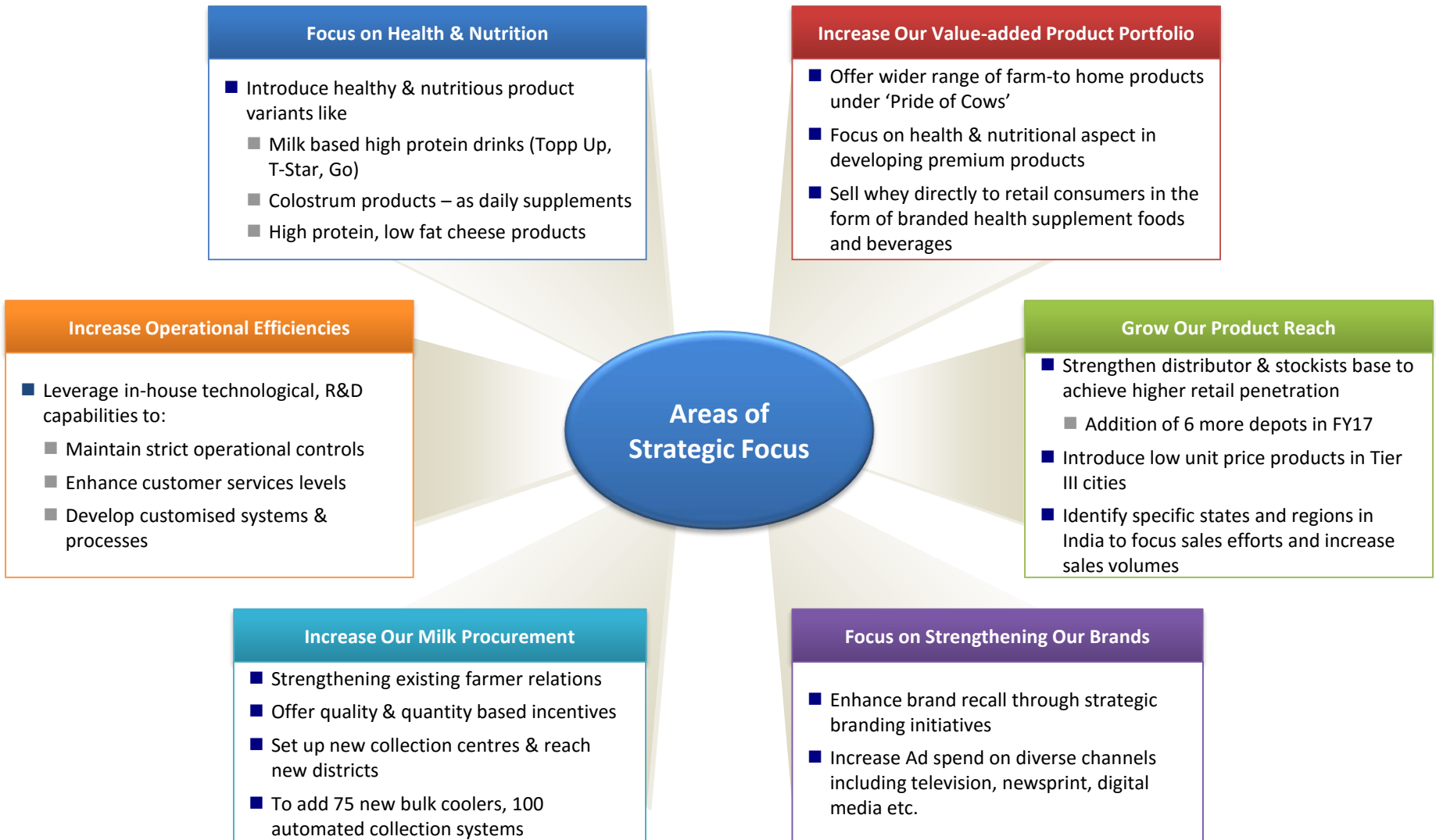


# DEPLOYMENT & UTILIZATION OF IPO PROCEEDS

Sr. No	Objects of Issue	FY 17	FY 18	FY 19	Total	Current Status
1	Expansion and Modernisation of existing capacities at Manchar & Palamner and improving marketing and distribution Infrastructure	832	626	19	1,477	93
2	Expansion and modernisation of the Bhagalaxmi Dairy Farm	23	-	-	23	-
3	Partial repayment of the Working Capital Consortium Loan	1,000	-	-	1,000	1,000
4	General corporate purposes (Gross of Expenses)	284	-	-	284	284
	<b>Total</b>	<b>2,139</b>	<b>626</b>	<b>19</b>	<b>2,784</b>	<b>1,377</b>



Rs. in million, LLPD = Lakh litres per day, MTD = Metric tonnes per day



# STRATEGIC INITIATIVES – BUILDING BRAND EQUITY BRAND ASSOCIATION WITH CELEBRITYCHEF “RANVEER BRAR”



Association for Go Cheese and Go Fresh Cream Products with India’s most popular  
Celebrity Chef – ‘Ranveer Brar’



Signed Celebrity Chef Ranveer Brar for Go products



Ranveer Brar using Go cheese chutney slice on his show ‘Good to Go’



Ranveer Brar using Go products on his show ‘Good to Go’

Launching a dedicated You tube channel and special edition shows on Living Food  
Channel as ‘Good to Go!’

# STRATEGIC OUTLOOK

## BUSINESS STRATEGY & OUTLOOK OVER NEXT 3 YEARS

### BUSINESS STRATEGY & OUTLOOK - NEXT 3 YEARS

#### ENHANCE PRODUCT PORTFOLIO

- **Focus on Branded Whey Products** - Plan to emerge India's 1st domestic company to produce and sell Whey protein consumer products
  - in the form of branded health supplement foods and beverages
  - Competitive pricing compared to imported brands (~40% import duty)
- **Focus to Increase the product portfolio of UHT products and Beverages to entice youth with our new variants**
- Offer wider range of farm-to-home products under 'Pride of Cows'

#### MAINTAIN SALES GROWTH MOMENTUM

- **CAGR growth for last five years in the revenue is ~17%, Focus to continue the growth momentum driven by –**
  - Share of Value added products to increase from current 66% to 70% over the next 3 years
  - To expand the capacity of cheese plant from 40MT to 60MT by FY17. Aim to increase our market share and domestic presence.
  - Robust growth expected in UHT& Whey products

#### IMPROVE PROFITABILITY & RETURN RATIOS

- **Within Value added Products, product mix is set to move towards margin accretive products such as Whey, UHT & beverages, cheese.**
- **Significant savings in interest due to reduction of debt of Rs. 100cr through the IPO Proceeds.**
  - Focus on Credit Re-rating leading to reduction in cost of debt due to improvement in capital structure
- **Profitability improved from 0.9% in FY12 to 2.9% in FY16 and endeavour to achieve 5% over next 3 years.**
  - Overall, this may lead to improvement in Return Ratios.

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# Q1 FY17 RESULTS ANALYSIS

## NEW PRODUCTS LAUNCHED DURING THE QUARTER



### Go Cheese Wedges – Herbs and Spices

- Launched at Pan India Level
- Premium Packaging targeting youth
- New cheese flavours to spice up taste
- Available in 4 exotic flavours – Jalepeno, Four Pepper, Roasted Jeera, Chilli and herbs.
- Available for Rs.125/-, net weight 140 gms



### Go Badam Milk Instant Mix

- Launched at Pan India Level
- Already available in tin packaging, launched Instant mix for home made use
- Foraying into healthy ready mix market
- Instantly used as Indian Desert
- Available for Rs.10/-, net weight 20gms

Increased our territorial reach in Western region by opening a new depot at Jaipur

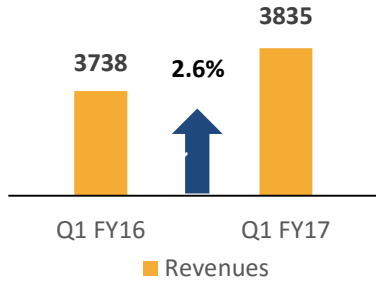
# Q1 FY17 RESULTS ANALYSIS

## KEY HIGHLIGHTS

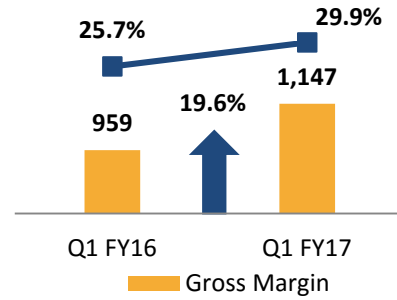


### CONSOLIDATED FINANCIAL ANALYSIS

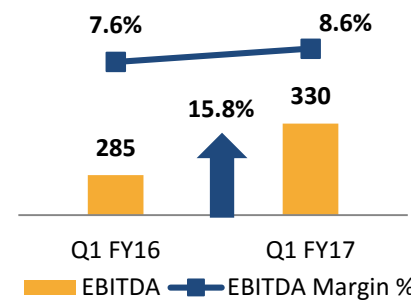
#### REVENUES



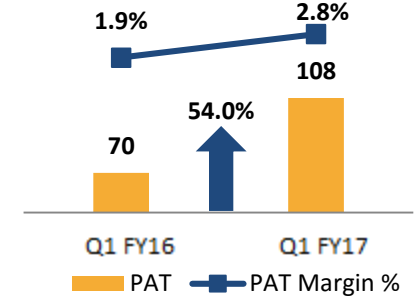
#### GROSS MARGINS



#### EBITDA & EBITDA MARGIN

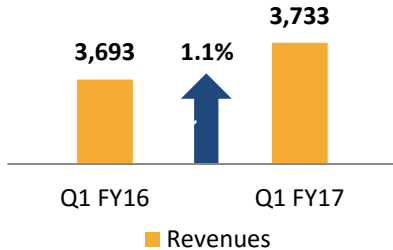


#### PAT & PAT MARGIN

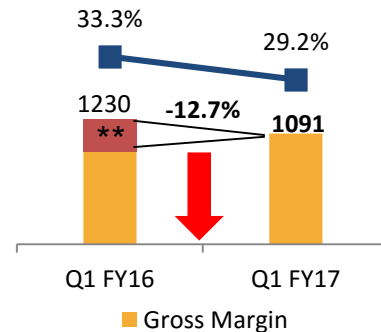


### STANDALONE FINANCIAL ANALYSIS

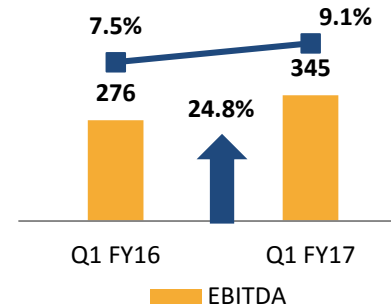
#### REVENUES



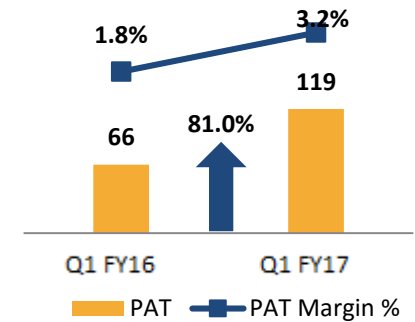
#### GROSS MARGINS



#### EBITDA & EBITDA MARGIN



#### PAT & PAT MARGIN

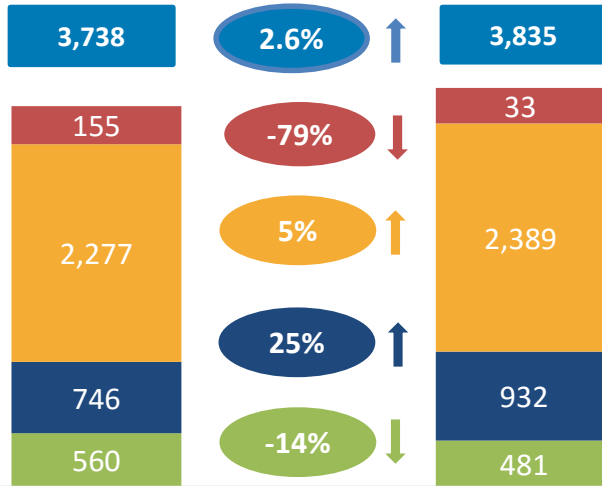


**\*\* In Quarter 1 of FY 15-16 transactions between subsidiary and parent were recorded in other expenses in Parag Standalone. Highlighted to reflect right comparison in Gross Margin.**

# Q1 FY17 RESULTS ANALYSIS

## PRODUCT WISE REVENUE BREAK-UP

### Q1 FY17 YoY ANALYSIS – REVENUE BREAKUP



Q1 FY16

Q1 FY17

- Skimmed Milk Powder
- Fresh Milk
- Milk Products
- Other Revenues

% Share	Q1 FY16	Q1 FY17
Skimmed Milk Powder	15%	13%
Fresh Milk	20%	24%
Milk Products	61%	62%
Other Revenues	4%	1%



Amounts In Rs Million Note: Milk Products are excluding Fresh Milk, Skimmed Milk Powder and Other Revenues.

# Q1 FY17 RESULTS ANALYSIS

## CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q1 FY17	Q1 FY16	YoY %	FY16
Revenue from Operations	3,835	3,738	2.6%	16,451
Raw Material Costs	2,688	2,779	-3.3%	11,776
<b>Gross Margins</b>	<b>29.9%</b>	<b>25.7%</b>	<b>425 bps</b>	<b>28.4%</b>
Employee Expenses	178	139	27.9%	701
Other Expenses	639	535	19.4%	2,499
<b>EBITDA</b>	<b>330</b>	<b>285</b>	<b>15.8%</b>	<b>1,475</b>
<b>EBITDA Margin %</b>	<b>8.6%</b>	<b>7.6%</b>	<b>98 bps</b>	<b>9.0%</b>
Depreciation	98	90	8.4%	334
Finance Cost	92	112	-17.5%	490
Other Income	8	5	64.3%	16
PBT	147	87	69.0%	668
Tax Expense	39	17	131.7%	195
<b>PAT</b>	<b>108</b>	<b>70</b>	<b>54.0%</b>	<b>473</b>
<b>PAT Margin %</b>	<b>2.8%</b>	<b>1.9%</b>	<b>94 bps</b>	<b>2.9%</b>



### Seasonality Index:

Particulars	Q1 FY 16	FY 16	Q1 as a % of FY 16
Revenue	3,738	16,451	22.7%
EBITDA	290	1,492	19.4%
PAT	70	473	14.8%



Q1 FY 16 numbers are unaudited

### Revenues

**Revenues grew by 2.6% YoY from Rs 3,738 mn in Q1 FY16 to Rs 3,835 mn in Q1 FY17**

- Growth was largely driven by increase in revenue from Fresh milk which witnessed ~ 25% growth in volumes.
- Export business witnessed good traction during the quarter with export turnover nearly doubling from Rs 80 mn in Q1 FY16 to Rs 152 mn in Q1 FY17

### Gross Margins

- Healthy improvement in Gross Margins of 425 bps from 25.7% in Q1 FY16 to 29.9% in Q1 FY17 primarily due to utilization of lower priced Raw Material of previous quarter during Q1 FY17.
- Continued increase in Raw Milk prices have increased the valuation of the inventory.

### EBITDA

**Q1 FY17 EBITDA grew by 38% YoY to Rs 399 mn from Rs 289 mn in Q1 FY16**

- Growth in EBITDA was primarily driven by higher Gross Margins coupled with better product mix.
- Share of Skimmed Milk Powder in total revenues declined from 15.0% to 12.5% YoY.

### PAT

**Robust growth in PAT from Rs. 70 mn in Q1 FY16 to Rs.108 mn in Q1 FY17**

- PAT increased substantially on account of savings in Finance cost of 17.5% due to repayment of working capital debt of Rs. 100 crore in Q1 FY17.
- Increase in Tax was in line with FY16.

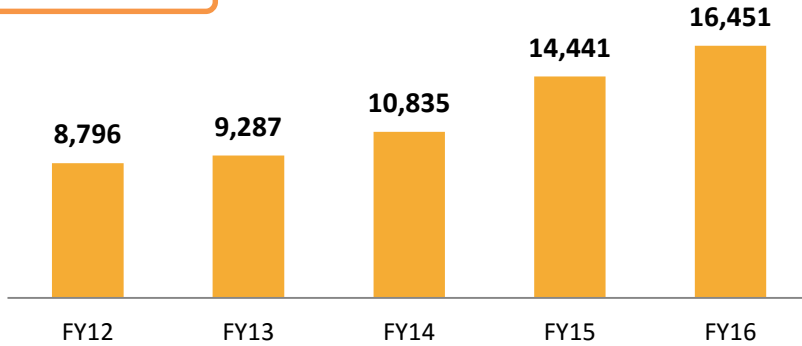
# FINANCIAL OVERVIEW

## HISTORICAL FINANCIAL SUMMARY



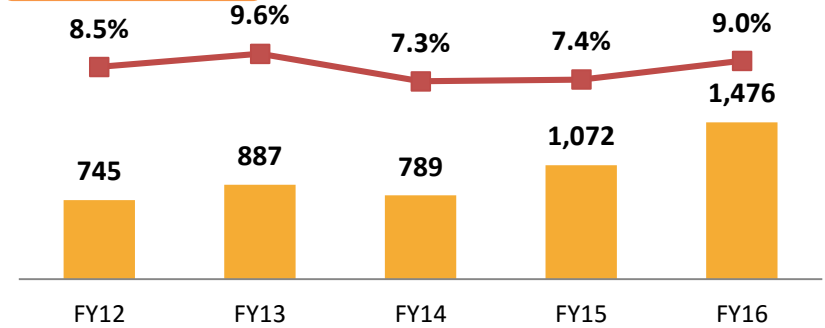
### Net Sales (Rs mn)

**CAGR: 17%**



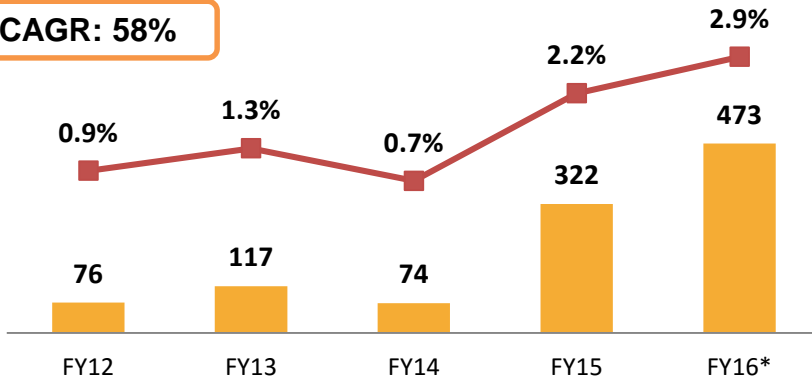
### EBITDA (Rs mn) & EBITDA margins (%)

**CAGR: 19%**

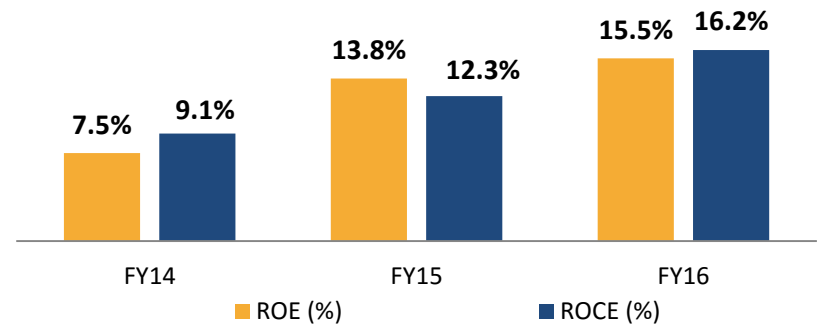


### PAT (Rs mn) & PAT Margins (%)

**CAGR: 58%**



### Return Ratios (%)



ROE: PAT/Avg. Equity, ROCE: EBIT/Avg. Capital Employed [(Capital Employed = Equity + Total Debt)]

# FINANCIAL OVERVIEW

## SHAREHOLDING SUMMARY

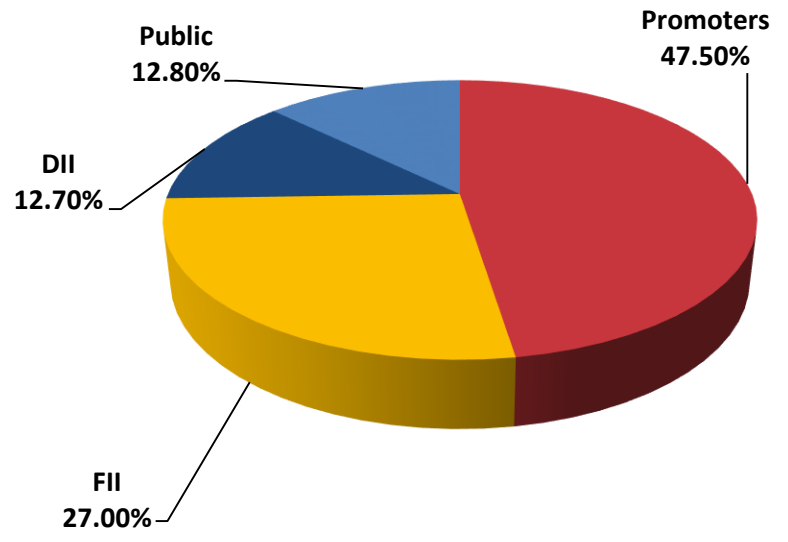


### Key Institutional Investors at 30<sup>th</sup> June 2016 % Holding

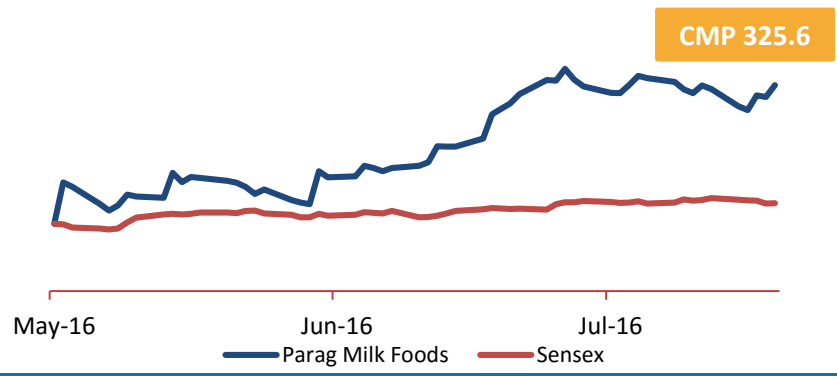
IDFC Trust	7.00%
Nomura India Investment	2.98%
Macquarie Emerging Markets	2.95%
IDFC Spice Fund	2.87%
Pinewood Str	2.21%
Government Pension Fund Global	2.19%
Abu Dhabi Investment Authority	2.10%
Tata Balanced Fund	2.05%
Quantum (M) Limited	1.79%
Ashish Kacholia	1.70%
Copthall Mauritius Investment Limited	1.68%
Morgan Stanley Mauritius Company Limited	1.67%

Source – Company

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



### Share Price Performance as on 5<sup>th</sup> August 2016



### Market Data As on 5<sup>th</sup> August 2016

Market Capitalization (Rs mn)	27,383.5
Price (Rs)	325.6
IPO Price (Rs)	215.0
No. of Shares Outstanding (mn)	84.1
Face Value (Rs)	10.0
52 Week High-Low (Rs)	356.7-202.1

Source – BSE

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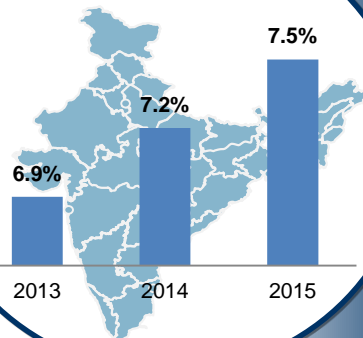
Q1 FY17 RESULTS  
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India – GDP Growth



### Rising middle class population

- Middle class households to grow from 255 million in 2015 to 586 million in 2025 at a CAGR of 8.7%
- Simultaneously, the working population will increase from 826 million in 2015 to 988 million by 2030

### Rising income levels

- Rising income & disposable income to drive consumption of milk & dairy products
- India is witnessing continuous increase in GDP, expected to be US\$ 3,172 billion in 2020

### Urbanisation

- Urban population expected to increase from 31.2% in 2011 to 34.5% in 2021
- Preference for clean, hygienic & ready-to-eat milk & dairy products to boost organised dairy industry

### Changing Dietary Patterns with focus on Milk, a Perfect Health Food

- Milk being important source of vital nutrients -proteins, fats, carbohydrates & vitamins especially for vegetarians, consumers are shifting away from cereals to milk & dairy products
- 31% Indian population is vegetarian, ensuring continuous demand for milk & dairy products
- Increasing monthly expenditure proportion on milk & dairy products – Urban 16.4%, Rural 15.2%

### Shift to packaged food to drive organised market

- Increasing quality & safety concerns increasing demand for packaged food, in particular pasteurised packaged milk
- Organised dairy market to grow at 19.5% CAGR over 2015-20
- Organised market share to also increase to 26%, in value terms, by 2020

# THANK YOU



Ideas for a new day

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