



Ideas for a new day

PARAG MILK FOODS LIMITED

INVESTOR PRESENTATION

May 2017

Gowardhan

GO

PRIDE OF COWS

TOPP

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

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.

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Competitive Strengths

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Strategic Initiatives &
Outlook

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Q4 & FY17
Result highlights

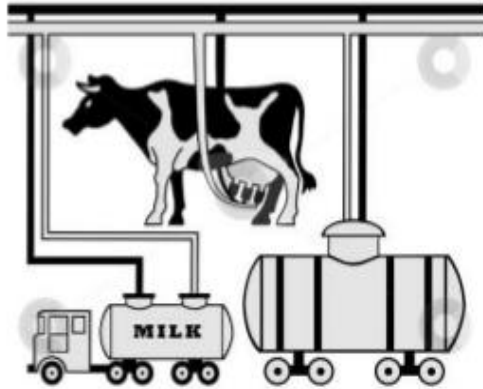
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Financial Outlook



1992-1998 Commodity player

- Established in 1992
- Primarily involved in collection and distribution of milk



1998-2008 Milk Products Player

- Developed the 'Gowardhan' Brand
- Started manufacturing Ghee and Butter at Manchar
- Launch of Bhagyalaxmi Dairy Farms
- Launch of 'Go' Brand for targeting youth of India.
- Raised first round of private equity funding from MOSL



2008-2016 Branded Foods Player

- Established 40 MT per day capacity cheese plant at Manchar
- Launched dairy plant in Palamaner
- Launched Farm-to-Home brand 'Pride of Cows' & beverages range with 'Topp Up'
- Raised second round of private equity funding
- Expansion of cheese product ranges
- Focus on brand building and distribution



COMPANY OVERVIEW

ABOUT US: BRIEF PROFILE

BUSINESS OVERVIEW

- Incorporated in 1992, with collection and distribution of milk, we have now developed into a dairy-based branded FMCG company. Strong promoter pedigree with over 2 decades of rich industry experience.
- Diversified product portfolio with 170+ SKU's to cater wide range of customer by established "4 Brands" - 'Gowardhan', 'GO', 'Pride Of Cows' & 'Topp Up' through strategic brand positioning.
- Launched "2 new brands" in Q4 of FY17– Milkrich and Avvatar to enter into the Dairy whitener and Whey Protein powder categories respectively.
- 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 entire value chain - Procurement, Manufacturing, Distribution and Branding.
- Robust brand portfolio targeted towards distinct consumer groups across the pyramid for better pricing power
 - Parag Milk Foods is identified as Fortune India's 'Next 500' Company.
 - Gowardhan Ghee ranked as most trusted brand by the brand trust report.
 - Akshali Shah the next Gen entrepreneur is nominated by exchange 4 media as "50 most influential woman".
 - '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 with over 2 lakh farmers and over 2 lakh retail touch points.
- Pioneering product innovation with strong R&D thrust with strong emphasis on health and nutrition
- Established Pan-India Distribution Network of 17 Depots, over 100 Super Stockists and over 3,000 Distributors.

WE FOLLOW 3 TIER MILK PROCUREMENT SYSTEM

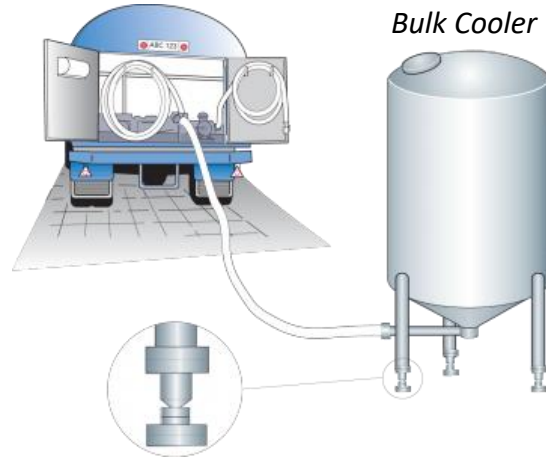
1st Tier Village collection centre



Everyday ~1.2 MN LPD of milk is deposited at 3000+ VCC



2nd Tier Chilling centre



This milk is transported to nearby chilling centres and chilled at 4°C



3rd Tier Dairy Plant



The chilled milk is then transported to our dairy plant

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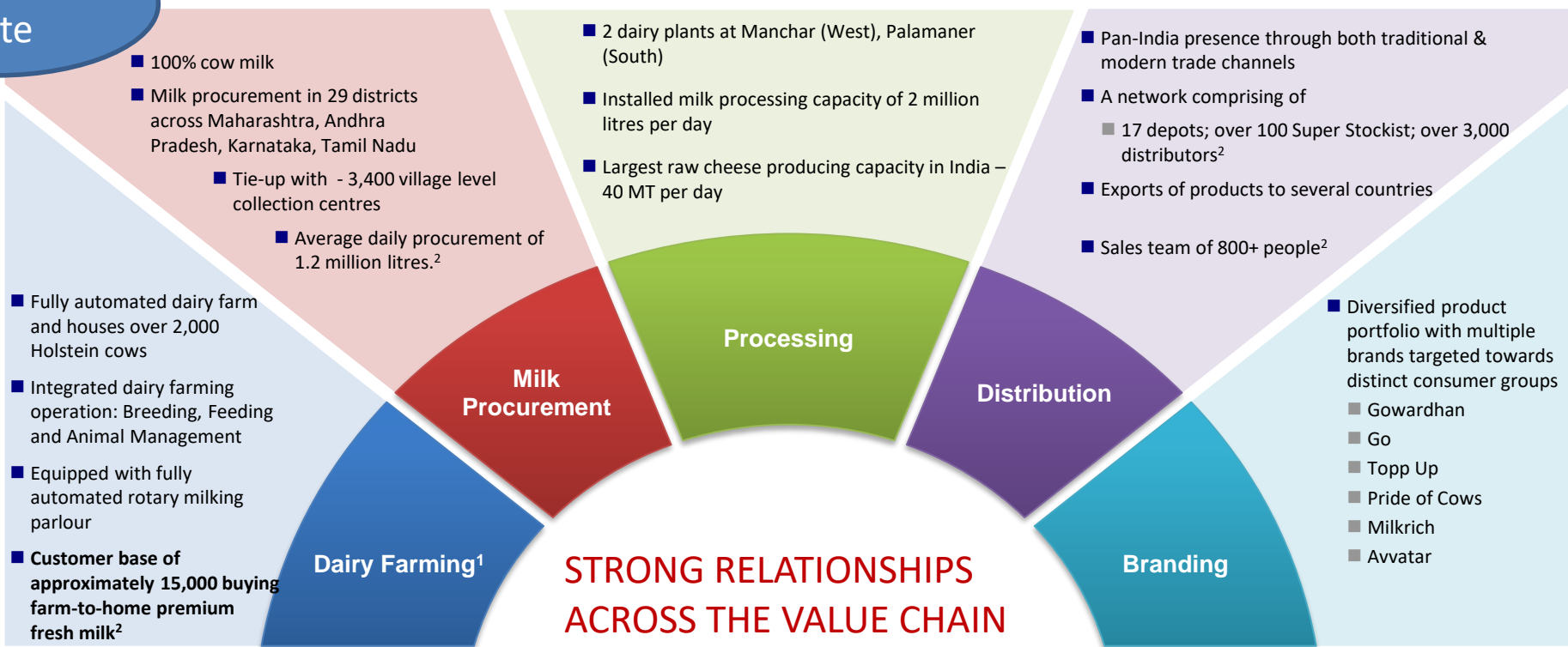
Financial Outlook



COMPETITIVE STRENGTHS

INTEGRATED BUSINESS MODEL

Change the
date



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

Notes:

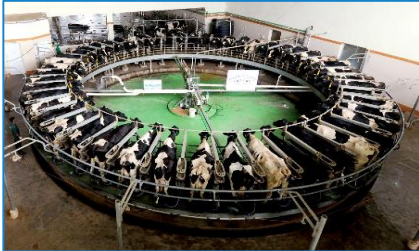
(1) The dairy farming business is housed in Bhagalaxmi Dairy Farm which is owned and operated by Bhagalaxmi Dairy Farms Private Limited

(2) As of 31st March, 2016

COMPETITIVE STRENGTHS

WORLD CLASS MANUFACTURING FACILITIES & PRODUCTS

Processing Facilities



Bhagalaxmi Dairy, Pune



Palamaner Plant, Andra Pradesh

Leadership in Dairy FMCG space



Second largest market share in Cheese



Most trusted Brand recognised by TRA in the Gowardhan Ghee for 2nd consecutive year



Branded player in "Farm to Home" premium milk



Leading private player in UHT category



Avvatar – India's first company to launch truly made in India Whey protein powder

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, jalapeno cheese
spread, herb cheese cubes



Pioneering and Leading
player in India to market
fresh paneer in retail stores
with a shelf life of 75 days



Avvatar – India’s first
company to launch a sports
nutrition protein powder

2013

- 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

2014

- 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

2015

- 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

2016

- Spice-up Flavoured cheese slices
- Curd 10kg Bucket
- Badam Milk Instant Mix
- Cheese Wedges – Herbs and spices

2017

- Milk Rich - Milk whitener
- Avvatar - Whey protein

COMPETITIVE STRENGTHS

DIFFERENTIATED BRAND & PRODUCT PORTFOLIO

Brands Portfolio



Pricing power and Positioning

X++

Niche

X+

Modern

X

TRADITIONAL

Target Customer Group



- Targeted at household consumers seeking premium quality cow's milk
- Targeted for health enthusiasts



- Targeted at children and the youth generation, primarily for direct consumption
- Targeted at youth generation & travellers as source of instant nourishment



- Targeted for traditional Indian recipes and cooking ingredients
- Targeted at Indian households

COMPETITIVE STRENGTHS

WIDE PRODUCT PORTFOLIO

PRODUCT PORTFOLIO OF PARAG MILK FOODS



SMALL PACKS FOR RURAL CONSUMPTION



9 ml Ghee sachet



200 gm Curd pouch



200 ml small UHT milk



Badam milk mix – 20 gm



Cheese wedges – herbs and slices



Go – Spice up in 5 new cheese flavors



Avvatar – 2.3 kg sports nutrition protein powder



Milkrich - dairy whitener

NEW PRODUCTS LAUNCHED IN FY17

COMPETITIVE STRENGTHS

EXTENSIVE SALES, MARKETING & DISTRIBUTION NETWORK

Well entrenched Pan-India distribution Network



Enormous Potential to grow in India



Pan-India Distribution network 17 depots, over 100 super stockists, 3000+ distributors



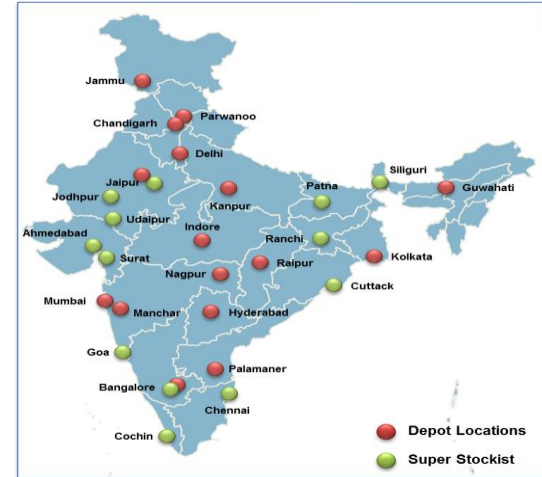
Dedicated sales and Marketing team comprising of over 800 personnel to serve our retail as well as institutional customers



Deploys product specific marketing & distribution strategy



Increased our territorial reach in Western region and Southern region by opening new depots at Jaipur and Chennai respectively



REGION WISE DISTRIBUTION NETWORK IN INDIA

Region	Depots	Super Stockists	Distributors (greater than)
Mumbai	1	4	250
North	5	45	450
East	2	18	300
West	5	40	800
South	4	33	1,200
Total	17	140	3,000





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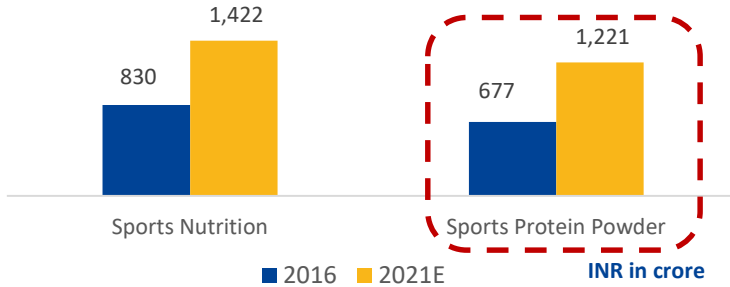
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Financial Outlook

Sports Nutrition Industry

CAGR 2016-21
CAGR 2011-16

11%
22%

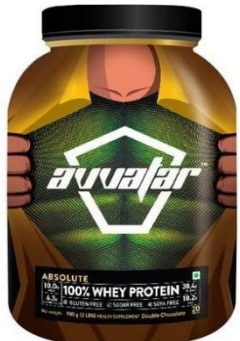


Source: Euro monitor

Rationale

- Whey is a by-product of cheese which gives a clear advantage to enter the category
- Meets the company's vision of promoting health and nutrition
- Expands the company's market presence through the introduction of new route-to-market channels
- Broadens the portfolio of higher margin products
- Exploits our advanced technology in Dairy sector

AVVATAR



India's first company to launch a sports nutrition protein powder

It is quality tested at every stage, Fresh and 100% vegetarian whey protein

Higher and better quality protein per scoop. It has 24 gm of protein, 7.8 gm BCAA and EAA of 7.9 gm in every scoop.

It is gluten free and soya free

Available at Gyms, Nutrition outlets and E-portals

STRATEGIC INITIATIVES

COMPARISON WITH TOP BRANDS

Comparative Features	Avvatar 100% Whey Protein	Imported Brands	Indian Brands
Source of milk	Best of Cow's milk	Not known	Not known
100% Made in India	✓	Imported	Repacked in India
100% Vegetarian	✓	Not known	Not known
100% control in manufacturing	✓	X	X
Freshness of raw whey protein	Milked & processed in 24 hrs	~7-9 months old	Not known
Detailed nutritional info on pack	✓	X	X
No artificial colors	✓	X	X
No artificial flavour	✓	X	X
No preservatives	✓	X	X
Manufacturer	Leading International dairy player with multiple dairy FMCG products	Mostly imported by multiple importers	Mostly unorganized or small players, mixing and repacking

STRATEGIC INITIATIVES

BHAGYALAXMI BIOSCIENCE DIVISION

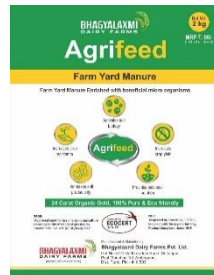
DRIVING INNOVATION BY CONVERTING WASTE INTO USEFUL MARKETABLE PRODUCTS

- Bhagalaxmi Bioscience Division has introduced certified organic fertilizers through the commercialization of cow manure and cow urine into value added products
- Taken advantage of the well-established dairy farm that hosts 2,000+ cows
- Innumerable farmers are benefiting economically through an increase in soil health, crop yield and lower costs
- Use of Bio-gas plant to generate electricity for captive consumption and save scarce resources



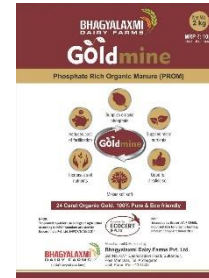
Liquid plant growth fertilizer

- Organic slurry released as a by-product from the Biogas plant
- 100% organic and natural and rich in plant nutrients
- Increases resistance against pests & diseases



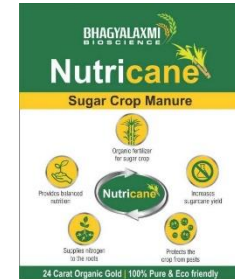
Farm Yard Manure

- Prepared from pure cow dung
- Useful for all kinds of crops
- Improves soil fertility & soil productivity
- Safe for soil micro flora



Phosphate rich organic manure

- Produced by co-composting high-grade phosphate rock with organic waste
- Increases the moisture storage capacity of the soil and makes the soil smooth & healthy
- Reduces cost of fertilization



Sugar crop manure

- Helps to improve the production and productivity of the sugarcane crop
- Improves water and nutrients uptake
- Reduces the use of chemical fertilizers

Parag Milk Foods assigns creative mandate to **JWT** for our flagship products '**Gowardhan**' Ghee and '**GO**' Cheese



Focused marketing campaign for 'Cow Ghee' with new slogan – '**Pyar ka Rang Sunehra**'

Association for Go Cheese with **popular Celebrity Chef – 'Ranveer Brar'** and new campaign for Go Spice-up with '**Vir Das**'



Raveer Brar using **Go cheese chutney** slice on his show '**Good to Go**'
Vir Das promoting **Piri Piri cheese** slice of **Spice up** box

New products launched during FY16-17



Products launched during FY17

- Go "**Cheese Wedges – Herbs and Spices**"
- Go "**Badam Milk Instant Mix**"
- "**Spice up**" box in 5 New Flavoured Cheese Slices
- **Milkrich – Dairy Whitener**
- **Avatar – Whey Protein powder**

STRATEGIC INITIATIVES

KEY AREAS OF STRATEGIC FOCUS

Focus on Health & Nutrition

- Introduce healthy & nutritious product variants like
 - Milk based high protein drinks (Topp Up, T-Star, Go)
 - Colostrum products – as daily supplements
 - High protein, low fat cheese products

Increase Our Value-added Product Portfolio

- Offer wider range of farm-to home products under 'Pride of Cows'
- Focus on health & nutritional aspect in developing premium products
- Sell whey directly to retail consumers in the form of branded health supplement foods.

Grow Our Product Reach

- Strengthen distributor & stockists base to achieve higher retail penetration
 - Addition of 3 more depots in FY17
- Introduce low unit price products in Tier III cities
- Identify specific states and regions in India to increase sales volumes

Areas of Strategic Focus

Increase Operational Efficiencies

- Leverage in-house technological, R&D capabilities to:
 - Maintain strict operational controls
 - Enhance customer services levels
 - Develop customised systems & processes

Increase Our Milk Procurement

- Strengthening existing farmer relations
- Offer quality & quantity based incentives
- Set up new collection centres & reach new districts
- To add 75 new bulk coolers, 100 automated collection systems

Focus on Strengthening Our Brands

- Enhance brand recall through strategic branding initiatives
- Increase Ad spend on diverse channels including television, newsprint, digital media etc.

STRATEGIC INITIATIVES

BUSINESS OUTLOOK SNAPSHOT

CAGR – Last 3 years

Guidance for next 3 years

SALES

17.0%

14.0%
CAGR

FY17

Guidance for next 3 years

PAT

1.0%

5.0% +

FY17

Guidance for next 3 years

ROCE

7.3 %

20.0% +

Rs. in million

Sr. No	Objects of Issue	Amount to be utilized	Amount utilized till now *	Pending Utilization
1	Expansion and Modernisation of existing capacities at Manchar & Palamner and improving marketing and distribution Infrastructure	1,477	730	747
2	Expansion and modernisation of the Bhagyalaxmi Dairy Farm	23	5	18
3	Partial repayment of the Working Capital Consortium Loan	1,000	1,000	0
4	General corporate purposes (Gross of Expenses)	284	284	0
	Total	2,784	2,019	765



* - 31st December 2016, LLPD = Lakh litres per day, MTD = Metric tonnes per day,



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**Devendra Shah,
Chairman**

*Focus on
Growth and
Innovation*

Business Performance Overview

- Has been a year of focused performance while balancing overall growth
- We are pleased with our innovation of Whey protein launched under the brand “Avvatar”
- We have expanded capacity of cheese to 60 MT/day and have setup a Paneer facility



**Bharat Kedia,
CFO**

*Revenue
Growth*

Financial Performance Overview

- Revenue growth of 5.2% amidst pressure of demonetization and subdued rural demand
- Product mix management to drive better Gross margin through launch of higher margin accretive products.
- Milk price fluctuations management improving profitability.

*Improving
Branding,
Distribution
and Visibility*

- Gowardhan ghee was ranked among the top trusted brands in the food products category by the Brand Trust Report
- We have added X new depots to further strength our distributional reach
- We made investments in Visi Coolers, increasing the visibility of our products, aiding the growth

PAT Margin

- Delivering positive EBITDA margin of 6.2% combating milk price growth of > 25% YoY
- Savings in interest cost led by improved credit rating and partial repayment of debt
- Driving cost efficiency programs and optimizing A&P expenses

*Increasing
Milk
Procurement
& Social value*

- We have installed several Bulk Milk Coolers to boost milk procurement
- We have helped drive value for farmers through our Bio-science division

ROCE

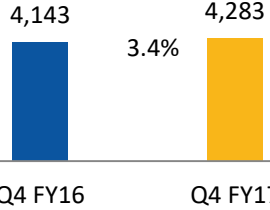
- Continued pressure on working capital with growth of cheese and SMP
- Selectively investing in Capex with higher payback to improve ROCE

Q4 & FY17 RESULT ANALYSIS

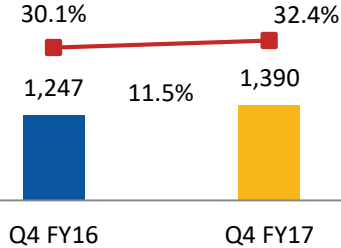
KEY RESULT HIGHLIGHTS

Q4 FY17 Highlights

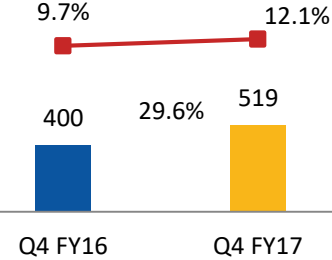
REVENUES



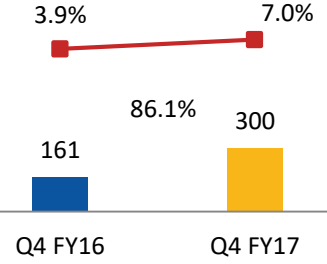
GROSS PROFIT & GROSS MARGIN



EBITDA & EBITDA MARGIN

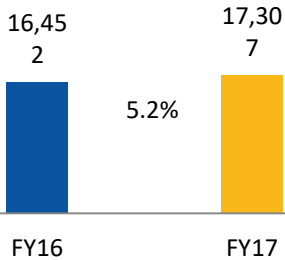


PAT & PAT MARGIN

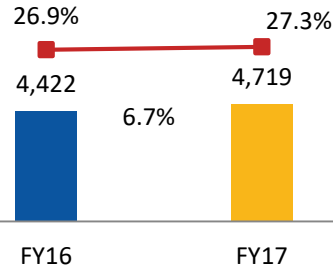


FY17 Highlights

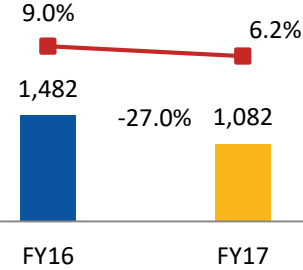
REVENUES



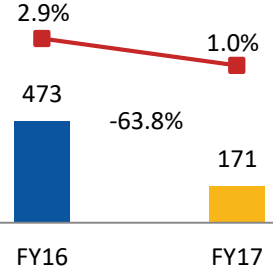
GROSS PROFIT & GROSS MARGIN



EBITDA & EBITDA MARGIN



PAT & PAT MARGIN



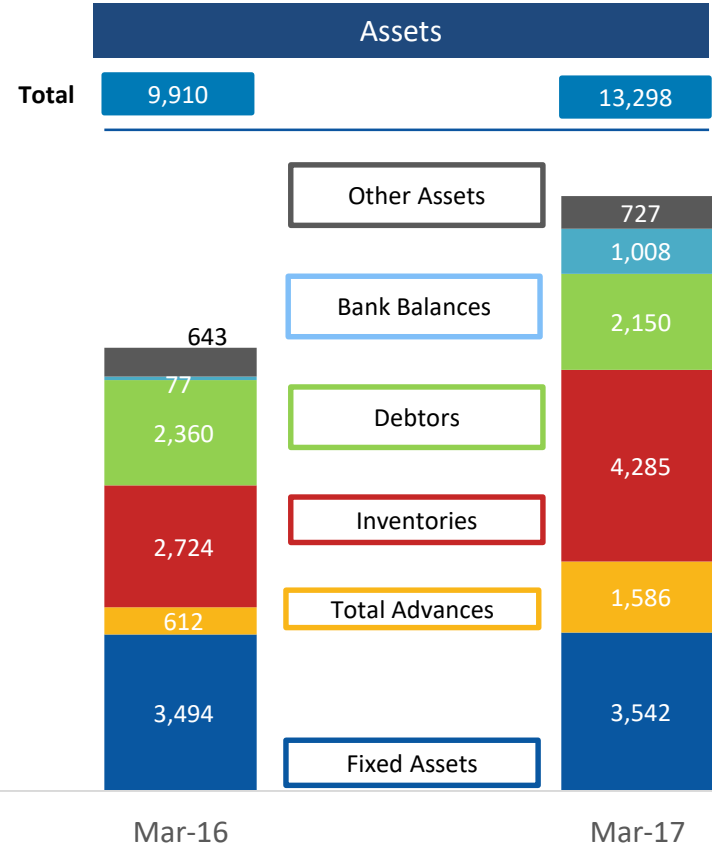
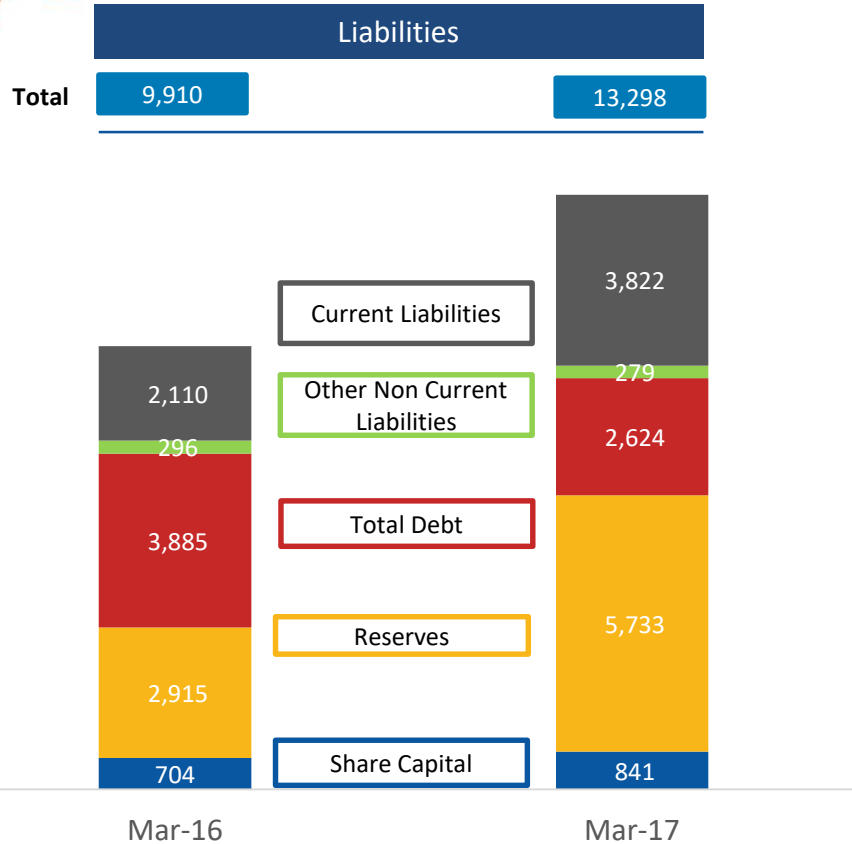
Q4 & FY17 RESULT ANALYSIS

CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q4 FY17	Q4 FY16	YoY %	Q3 FY17	QoQ %	FY17	FY16	YoY%
Revenue from Operations	4,283.0	4,142.6	3.4%	4,460.9	-4.0%	17,307.4	16,452.0	5.2%
Raw Material Costs	2,893.3	2,895.9	-0.1%	3,571.9	-19.0%	12,588.3	12,029.7	4.6%
GROSS PROFIT	1,389.7	1,246.7	11.5%	889.0	56.3%	4,719.1	4,422.3	6.7%
Gross Margins	32.4%	30.1%	235 bps	19.9%	1252 bps	27.3%	26.9%	39 bps
Employee Expenses	224.0	183.4	22.1%	199.0	12.6%	794.4	671.3	18.3%
Other Expenses	647.1	663.3	-2.4%	834.4	-22.4%	2,843.0	2,269.0	25.3%
EBITDA	518.5	400.0	29.6%	-144.4	-459.2%	1,081.6	1,482.0	-27.0%
EBITDA Margin %	12.1%	9.7%	245 bps	-3.2%	1534 bps	6.2%	9.0%	-276 bps
Depreciation	168.0	97.4	72.6%	108.6	54.7%	489.6	333.9	46.6%
Finance Cost	87.7	120.9	-27.5%	88.8	-1.2%	332.8	495.7	-32.9%
Other Income	59.1	4.0	1378.5%	20.0	195.7%	109.9	15.5	609.9%
Exceptional Item	28.9	0.0	-	164.9	-82.5%	193.8	0.0	-
PBT	293.1	185.7	57.8%	-486.7	-160.2%	175.3	667.9	-73.8%
Tax Expense	-6.5	24.8	-126.2%	-107.0	-93.9%	4.0	194.7	-97.9%
PAT	299.5	160.9	86.1%	-379.7	-178.9%	171.3	473.2	-63.8%
PAT Margin %	7.0%	3.9%	311 bps	-8.5%	1551 bps	1.0%	2.9%	-189 bps

Q4 & FY17 RESULT ANALYSIS

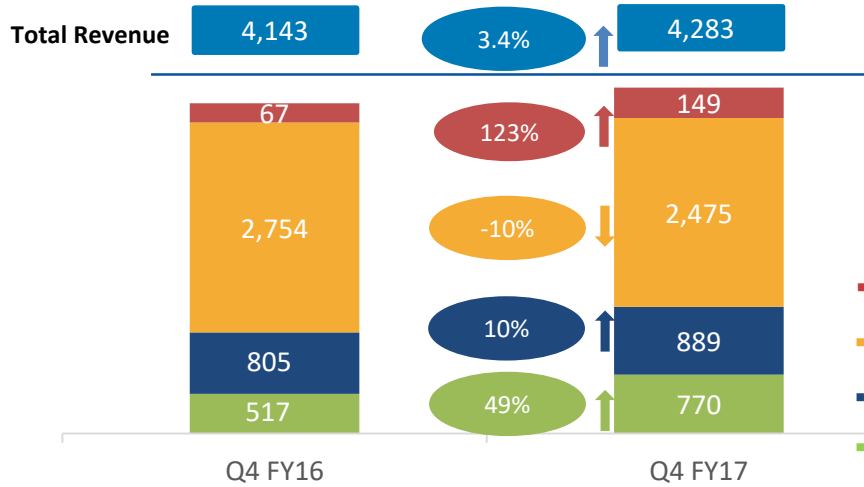
Balance Sheet as on 31st March 2017



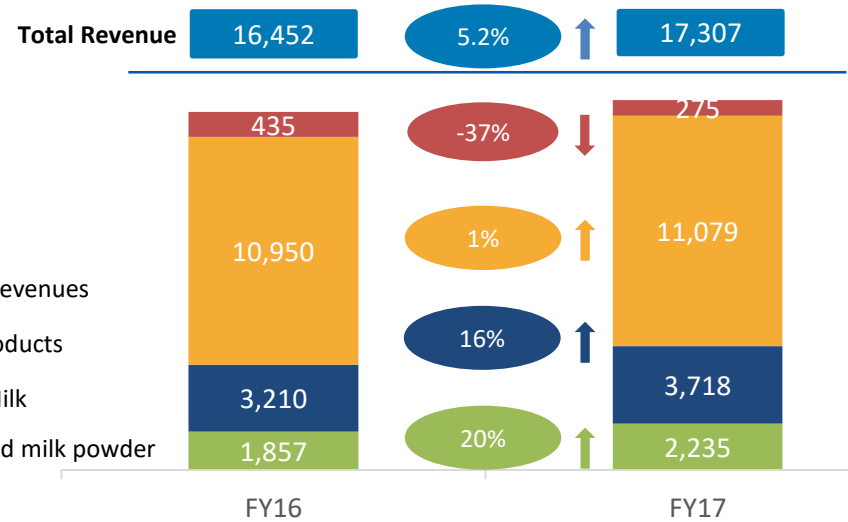
Q4 & FY17 RESULT ANALYSIS

PRODUCT WISE REVENUE BREAK-UP

Q4 FY17 YoY ANALYSIS – REVENUE BREAKUP

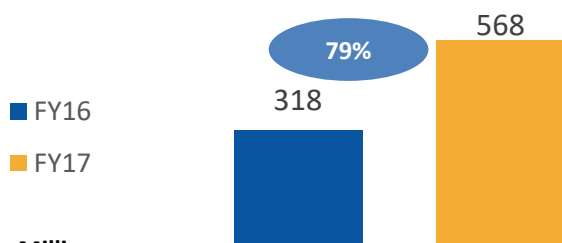


FY17 YoY ANALYSIS – REVENUE BREAKUP

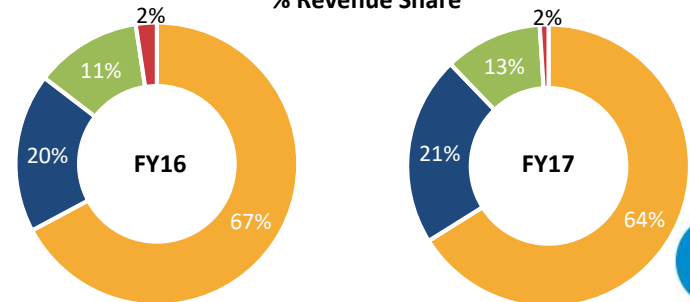


- Other Revenues
- Milk Products
- Fresh Milk
- Skimmed milk powder

Exports Revenue



% Revenue Share



Q4 - FY17 RESULT ANALYSIS

KEY HIGHLIGHTS & ANALYSIS

Revenues

Revenues grew by 3.4% YoY from Rs 4,142.6 mn in Q4 FY16 to Rs 4,283.0 mn in Q4 FY17

- Growth in Q4 FY17 revenues was primarily driven by higher growth in fresh milk and skimmed milk powder.
- Revenue of fresh milk increased by ~10% driven by increase in volume and price.
- Revenue in SMP grew by ~49% primarily driven by improved realization in the market.
- Revenue in milk products de-grew by ~10% primarily driven by increase in volume.

Gross Margin

Gross Margin increased by 235 bps from 30.1 % in Q4 FY16 to 32.4% in Q4 FY17.

- During Q4 FY17, Fresh milk prices increased by >5% which was offset with an increase in the price hike
- The company took a average price hike of >8% across multiple product portfolio at the start of Q4 FY17
- Higher sales of Skimmed milk Powder (SMP) from 12% of total business in Q4 FY16 to 18% in Q4 FY17 aided gross margin due to improved realization in the market.

EBITDA

EBITDA grew by YoY from Rs 400 mn in Q4 FY16 to Rs 519 mn in Q4 FY17

- Other expenses remained stable mainly due to higher proportion of advertising spends was incurred in Q3 FY17 to create brand impact during festive season and during Q4-FY17 company was in line with annual A&P spends budget

PAT

PAT increased by 311 bps from 3.9% in Q4 FY16 to 7.0% in Q4 FY17

- Other income increased to Rs.59.1 mn due to reversal of provision for impairment of livestock
- During Q4 FY17 company has accounted for reversal of tax expenses.

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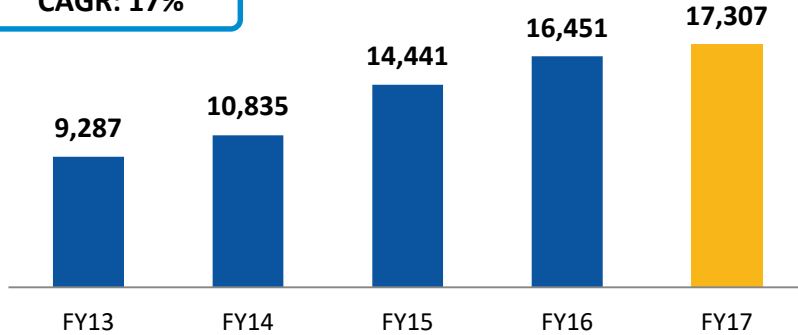


FINANCIAL OVERVIEW

HITORICAL FINANCIAL SUMMARY

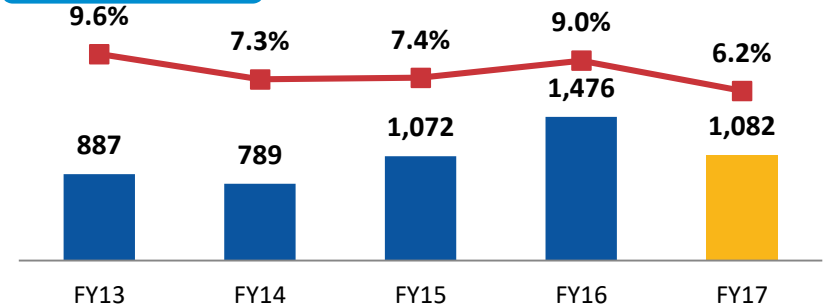
Net Sales (Rs mn)

CAGR: 17%



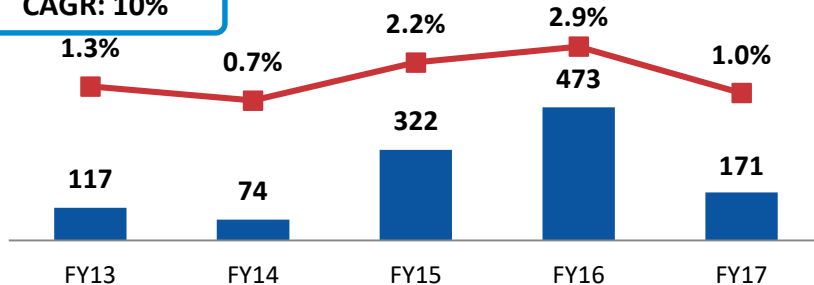
EBITDA (Rs mn) & EBITDA margins (%)

CAGR: 5%

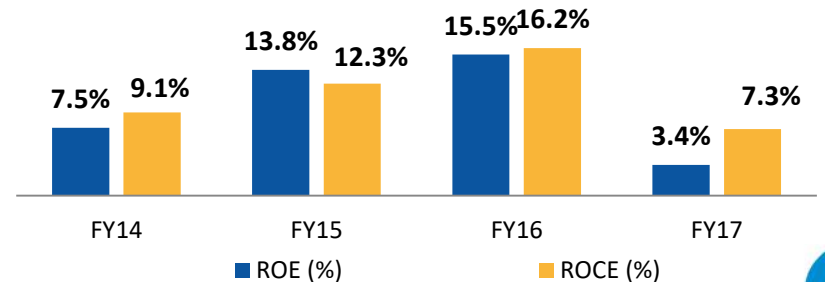


PAT (Rs mn) & PAT Margins (%)

CAGR: 10%



Return Ratios (%)



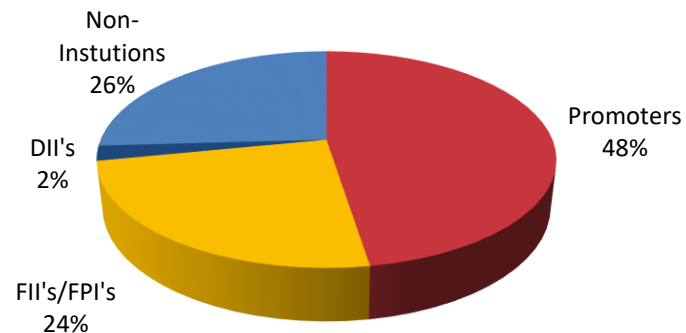
FINANCIAL OVERVIEW

SHAREHOLDING SUMMARY

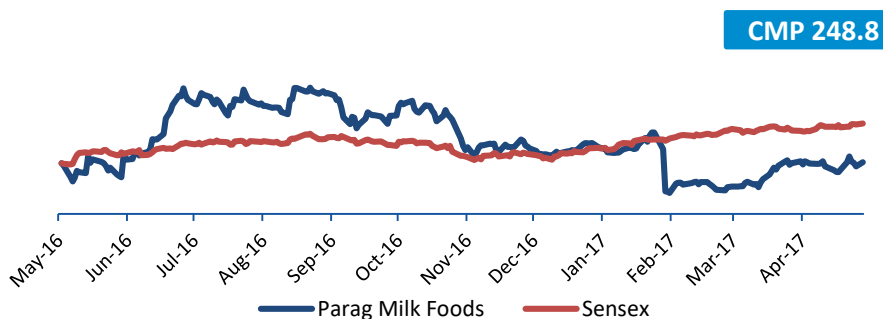
Top 10 Institutional Investors as on 31st March 2017

	% Holding
IDFC Trust	6.03%
Nomura India Investment	3.50%
New Horizon Opportunities	3.01%
Goldman Sachs India Limited	2.92%
IDFC Spice Fund	2.87%
Government Pension Fund Global	2.66%
Abu Dhabi Investment Authority	2.10%
Quantum (M) Limited	1.79%
Tata Equity Opportunities Fund	1.35%
Copthall Mauritius Investment Ltd.	1.29%

Shareholding as on 31st March 2017



Share Price Performance (Normalized) as on 15th May 2017

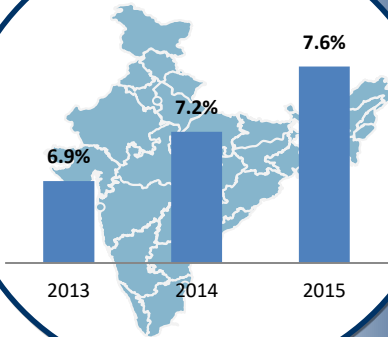


Market Data

As on 15th May 2017

Market Capitalization (Rs mn)	20,927.7
Price (Rs)	248.8
IPO Price (Rs)	215.0
No. of Shares Outstanding (mn)	84.1
Face Value (Rs)	10.0
52 Week High-Low (Rs)	356.7-203.0

India – GDP Growth



Rising middle class population & income levels

- Middle class households to grow from 255 million in 2015 to 586 million in 2025 at a CAGR of 8.7%
- Rising income & disposable income to drive consumption of milk & dairy products

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

- Milk being important source of vital nutrients 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

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



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