



“Parag Milk Foods Limited Q3 FY2020 Earnings Conference Call”

January 31, 2020



MANAGEMENT:

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RELATIONS**



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Moderator: Ladies and gentlemen, good day and welcome to Parag Milk Foods Limited Q3 FY2020 Earnings Conference Call. From the management side, we have with us today Mr. Devendra Shah, Chairman, Mr. Shirish Upadhyay, Senior VP Strategy, Mr. Shashikant Dalmia, Chief Financial Officer; and Ms. Akshali Shah, VP Strategy, Sales & Marketing. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Natasha Kedia, Head Investor Relations. Thank you and over to you Madam!

Natasha Kedia: Good afternoon everyone. I hope you all had a chance to go through our financial results as well as our investor presentation. I would now like to hand over to our chairman, Mr. Devendra Shah, for further remarks. Thank you.

Devendra Shah: Good afternoon and a very warm welcome to everyone on the call. We have delivered a steady performance in the context of a challenging operating environment recording a revenue growth of 10.4% and EBITDA margin of 9.0% in 9MFY20. We have seen a continued increase in milk prices over the last few quarters, however because of our Brand Strength, Distribution Network, Cost Rationalization and productivity Measures we have managed the tough industry situation.

The situation turned unfavourable during the year because of:

- The excess and unseasonal rainfall this year led to shortages of feed and fodder availability and a resultant decline in milk production. Heavy rainfall across the country washed away the first crop of the season, creating a shortage of animal feed and affecting livestock farming.
- The late onset of and extended monsoon, non-availability of green fodder and delayed calving have affected the flush season.
- During the flush season, ingredient users pile up on inventories of SMP for utilization during the rest of the year. With a drop in availability of milk and no significant improvement seen on the onset of the flush season, there has been a scramble to get the required inventories in the market, fearing further contraction in availability during the lean season.
- To add to all this, due to attractive incentives for exports of SMP announced last year to get rid of the glut situation, carry-forward inventories are already at very low levels.



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This has led to abnormal increase in demand of commodities and prices have almost doubled as compared to last year.

As a result, milk procurement which usually improves during the flush season has not taken place this year. We were expecting raw milk prices to taper down post the high consumption festive season which is also the onset of the peak production season. There were early signs visible during early November; however, the situation tightened going forward and milk prices were back to Aug-Sep levels. Moreover, with the peak season nearing completion, there is a further increase in milk prices during Dec and Jan to cover up for the available milk.

We believe this is peak pricing and most of the buying is nearing completion, improvement in terms of availability and stabilization of milk prices may take some time as the next production cycle is dependent on calving season.

We are expecting this tight environment to last for a couple of quarters post which the correction in the milk availability is inevitable because of the following reasons:

- A strong monsoon has led to abundant availability of water which shall ensure more than enough feed and fodder available for the next season.
- Further, dairy farmers have started getting more than remunerative prices for milk which will increase their attention towards the business.

Both these factors combined would surely lead to bumper availability of milk going forward. We have been in the dairy business for almost three decades and successfully navigated these situations in the past, reflecting the inherent strength of our business model.

Now moving on to other business initiatives, we have continued our focus on key products like ghee, cheese and paneer as these are the mainstays of our business. We also did a TVCs on top regional channels for Gowardhan Ghee, Swarna and Go Cheese and ran digital campaigns for Pride of Cows and Avvatar on social media platforms.

Our health and nutrition business has shown a very positive traction and is a very promising segment in our current product portfolio. Avvatar was promoted at the Fit Expo Kolkatta and our brand ambassador, Sunil Jadhav, conducted a tour and conference for whey protein distributors and dealers. We are also continuing our efforts on driving depth of our distribution in our existing outlet base. We believe, this will help us increase our relevance with the customer, increase stickiness with distributors, improve our quality of revenue and drive growth on existing investments.



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Before I hand over the call to CFO for the discussing the financial numbers, I would like to update you on the promoter pledge. We are happy to let you know that over the last two quarters, we have partially repaid the outstanding loan amount which was taken post the IPO to increase promoter stake. We have subsequently released 20.5 lakh shares that were pledged, bringing down the promoter pledge to 14% of the total equity. We are committed to repaying the outstanding debt and looking at releasing the pledge in a phased manner over the next few months. Further, to let you know, we have increased our stake in the Company by acquiring some shares during the quarter.

On that note, I would now request Mr. Shashikant Dalmia, our CFO, to take you through the financial performance for the quart

Shashikant Dalmia:

Thank you. Good afternoon everyone and thank you very much for joining us today to discuss the operating and financial performance of our company for the third quarter and nine months ended 31st December, 2019.

For 9M FY20, consolidated revenue from operations grew 10.4% YoY to 19,027 million in 9M FY20. EBITDA stood at Rs. 1,711 million, while EBITDA margins stood at 9.0%. PAT stood at Rs. 836 million with a PAT margin of 4.4%.

Consolidated revenue from operations for Q3 FY20 stood at Rs. 6,329 million, a growth of 5.4% YoY from Rs. 6,006 million in Q3 FY19 and a minor slip of 1.1% QoQ from Rs. 6,400 million in Q2 FY20. Growth was subdued on account of the shortfall in milk availability during the quarter.

EBITDA for Q3 FY20 stood at Rs. 588 million as compared to Rs. 554 million in Q2 FY20. EBITDA margins stood at 9.3% for Q3 FY20. Decline in employee and other expenses is due to tight operational controls and improved productivity measures as well as a decline in the variable costs and marketing expenses.

PAT for Q3 FY20 was Rs. 276 million with a PAT margin of 4.4%.

Due to constraints in the availability of milk, we had to make faster payments to our farmers which has led to a ~10 day decrease in the creditor days. Further, there is an increase of ~5 days in receivable days and inventory days is almost similar due to an inflationary effect. As a result of this, our working capital cycle stood at 90 days. In order to meet this increase in working capital requirement, as discussed over the previous call, we have seen an increase in our overall debt position during the quarter by ~Rs. 100 Crs to



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reach a current debt position of 309 Crs at the end of Dec'19. We are committed to bring this down over the next few quarters as the milk availability situation improves.

In terms of the government incentives such as the PSI Incentive and milk subsidy, ~Rs. 75 Crs is still pending from the government against claims submitted.

On that note, we come to an end to opening remarks and would like to now ask the moderator to open the lines for the Q&A. Thank you.

Moderator: Thank you very much. The first question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Sir, just wanted to understand the split between the volume growth and the price growth for this quarter?

Shirish Upadhyay: Yes. So basically, it is all inflation based growth, which has come, in fact volume has dipped a little bit around 5%- 6% during the quarter.

Percy Panthaki: And the dip in volume is largely across the board or is it concentrated in few segments?

Shirish Upadhyay: No. So, you are talking about availability of milk or in terms of product sales volumes?

Percy Panthaki: Sales.

Shirish Upadhyay: Yes. So what we have tried to do is we have tried to protect our core categories like cheese, paneer and ghee and we had to sacrifice a few of the non-core categories based on the current availability situation.

Percy Panthaki: Right. Secondly Sir wanted to know especially in your institutional businesses like cheese and all that, have you taken all the price increase that is necessary or is there some more price increase likely in the future?

Shirish Upadhyay: No. See there has been sequential increase in terms of raw milk prices, which has happened in Q3 as well and as we are speaking in Q4 also there has been further price increase in raw milk and accordingly we have taken further price increase in the market. So, for example in few categories with effect from February 1, 2020 we are taking further price increases.

Percy Panthaki: SMP prices have gone up quite a lot, so have you taken advantage of that and tried to liquidate as much of SMP inventory as possible and if you can give us some idea on what is the kind of SMP inventory that you are sitting on at the end of the quarter?



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Shirish Upadhyay: Yes. So obviously we have also tried to liquidate. In fact, for us, lot of liquidation happened during Q4 of last year itself and there were some government incentives for exports and whatever little bit we have also tried to liquidate during the first three quarters of this year as well, so as of now it is a bare minimum inventory that we are maintaining for SMP.

Percy Panthaki: Right, so how do we look at the outlook going ahead, what kind of margins should we sort of pencil in for the next few quarters given the volatility and the increase in the procurement prices?

Shirish Upadhyay: Yes so as Mr. Shah discussed in his speech, the current tightness in terms of availability and therefore the effective increase in raw milk prices is a situation which we believe will last for another 2-3 quarters or so till the time the new season starts post calving, and till that time our focus has been to work on bringing back the EBITDA margins to a level of around 9%, which is a comfortable level for us and that is what we have been trying to do, but any further issue of expansion of margins, as we discussed, it will take some time for things to normalize.

Percy Panthaki: Right and lastly Sir do you think that because of availability of milk being short for the next 2, 3 quarters your sales growth will remain in single digit?

Shirish Upadhyay: Sales growth see there are two things, number one is, Q4 for us will always be a challenge because last year's Q4 was bulkier for us because of exports of SMP and other things and obviously this Q4 would not be able to match that kind of level. Going forward next 2 quarters of the next year will depend on how the availability situation improves. So as of now with this abnormal kind of situation it would be difficult for us to quantify in terms of numbers.

Percy Panthaki: That is all from me. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Sneha Ghosal from SKS Capital. Please go ahead.

Sneha Ghosal: In the last call, you said that the working capital days have been increased by 3 days, is the situation under control right now, what is the status of the working capital days?

Shirish Upadhyay: Basically, it is linked with the milk prices. There is a constraint on the availability of milk, so we are making some faster payment to our suppliers so our working capital has increased by Rs.100 Crores in this quarter and in parallel, our creditors has decreased by somewhere



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Rs.85 Crores in this quarter. So, our overall working capital days has increased by another 14 days, it is now 90 days. Our creditor days has decreased from 40 to 30 days.

Sneha Ghosal: Secondly, out of Rs.150 Crores subsidy, Rs.75 Crores is still left, so have you received anything regarding that?

Shirish Upadhyay: In this quarter, we got Rs.4.5 Crores for PSI subsidy from the government and we have accrued another Rs.5.5 Crores for this quarter. On an average Rs.1 Crores has increased in terms of the government receivable and for the milk subsidy we are expecting to get before March end. Overall subsidy pending with the government is Rs.75 Crores.

Sneha Ghosal: So, it has reduced from Rs.150 Crores last time to Rs.75 Crores this time, right?

Shirish Upadhyay: Last time it was somewhere Rs.74 Crores and it is increased by Rs.1 Crores.

Sneha Ghosal: Alright. Thank you. That is, it.

Moderator: Thank you. The next question is from the line of Amarjeet Maurya from Angel Broking Limited. Please go ahead.

Amarjeet Maurya: Sir could you tell me your future strategy for the next year, FY2021-2022, what is the strategy and what kind of product you will launch for further growth?

Shirish Upadhyay: Yes. So, as we were discussing Amarjeet, with the difficult situation of availability which is prevailing as of now and which we see will also spill over in the next year as well. As of now, new launches are something which have kept on hold. As and when the situation improves it would be a better time for us to talk about that.

Amarjeet Maurya: Thank you Sir.

Moderator: Thank you. The next question is from Nitin Gosar from Invesco Mutual Fund. Please go ahead.

Nitin Gosar: Any update on previous call - Mr. Venkat articulated the strategy, any update on those strategies, where have we started, what is the progress?

Shirish Upadhyay: Yes. So, Nitin, as we had discussed on the call last time, we are continuing on the same strategy, focusing on key categories, focusing on key markets and key outlets and that is going on. Secondly, we have also been working diligently in terms of productivity and



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some of the early results are visible in terms of the savings that we have seen in the margin profile that has been delivered. So, all that work is going on and early signs are quite good.

Nitin Gosar: On this cost saving program. Sir, my question was pertaining to staff cost, which has come down Y-o-Y, how should we look at the staff cost as well as even the other expenses have been coming down for the last two quarters, how should one look, what is your new normal one should look at, if this is a sustainable exercise from here on?

Shirish Upadhyay: Yes. So basically, the other costs as well as staff cost, if you break it down, will fall down into 3 different buckets. One is costs like advertisement and promotion expenses which because of difficult situation we have postponed or cut down on the cost because of availability issues. Second, our costs which are more variable in nature, something like freight cost and direct manpower costs, which are because of reduced volumes have gone down and third our productivity related cost savings that we have done. The third part is more sustainable in nature and first two parts will come back once the situation normalizes.

Nitin Gosar: Okay. How big will be the third part?

Shirish Upadhyay: So, Nitin, as you were discussing, it has only been a few months since you have started this exercise and started making gains, and secondly the current savings have happened on a sub-optimal utilization, so as the situation normalizes we will have a better handle in terms of the absolute savings that we have reaped out of this.

Nitin Gosar: Fair point Sir. Thank you.

Moderator: Thank you. The next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: Yes. Couple of questions, first on the pledged shares, right, could you let us know how much the original loan was that you took against the pledge of the shares and also the purposes for which the proceeds were used, at one point in the earlier calls you had said that some of that money was used to buy shares of the company to increase the promoter shareholding, but I think if I look at the amount pledged it looks like the loan was significantly larger than what has been used to buy back shares, so what was the other purpose of taking out this loan by pledging shares. Secondly in your annual report it was not clear to me whether the promoter is guaranteeing the company's debt or the company is guaranteeing the promoter's debt, will be useful to clarify. And finally on the accounts receivables provisioning for bad debts, etc., could you give us some sense of how you think



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about that, on the aging of the receivables, at what point we should be looking to write these off such that we do not realistically think they are recoverable?

Devendra Shah: Total shares pledged are around 1.38 Crores, out of that we have reduced recently 20.5 lakhs shares, so at the time the rates were Rs. 225-240, promoters have increased this share with this money.

Nagraj Chandrasekar: No, sorry. That did not answer my question. I know the amount of the promoter increases stake, I am just saying if you look at the amount that is pledged I can calculate based on that using a 50% LTV or whatever it is that the lender uses, what the size of the loan is, that size looks significantly large to spend on buying the shares so what else has the money been used for, so what was the total loan amount, how much was used for buying back shares, how much was used for purposes other than buying buy shares and what were those purposes?

Devendra Shah: The total loan amount is around Rs.55 Crores and after repayment it is now at Rs.38 Crores.

Nagraj Chandrasekar: Okay and so how much has been used to buy back shares and how much has been used for other purposes?

Devendra Shah: Total 100% was used for the buyback.

Nagraj Chandrasekar: Okay. So, it looks like under the LTV that your lenders using was quite low then because it looks like they wanted a very high level of cover to make this loan?

Shirish Upadhyay: Yes.

Nagraj Chandrasekar: Who is the lender?

Shirish Upadhyay: Sir, this becomes a personal question.

Nagraj Chandrasekar: What is the harm in disclosing who the lender is?

Shirish Upadhyay: What you want is the amount, the shares pledged and everything. It is a total commercial bank, and it is a transaction between promoter and a third-party lender, the company has nothing to do with that. So, I think as far as company is concerned we have clarified this.

Nagraj Chandrasekar: Yes, some of the language in the annual report, I was not able to understand when it came to guarantees between the promoter and the company. Is the company guaranteeing the promoter's debt or is the promoter guaranteeing the company's debt?



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- Shashikant Dalmia:** It is the company's debt and the promoter has given their personal guarantee, whatever the company has taken loan from the bank, so promoter has their personal guarantee for this.
- Nagraj Chandrasekar:** Okay but the company has not guaranteed any personal debts to the promoter?
- Shashikant Dalmia:** No.
- Nagraj Chandrasekar:** Third question was on the accounts receivable and the policy for bad debt, aging of receivables, etc. Could you let us know how you think about that?
- Shashikant Dalmia:** If you can see the debtor position for these 9 months, we have provision for Rs.6 Crores, which is in normal course of the business. Last year, it was the first time for application of new rate so it was higher for doubtful debts, but we are looking somewhere Rs.6 Crores to Rs.8 Crores for FY2020 and FY2021 we are looking some reversal in case of provision amount.
- Nagraj Chandrasekar:** Alright. Thank you.
- Moderator:** Thank you. The next question is from the line of Danish Jain from Assie Capital Ltd. Please go ahead.
- Danish Jain:** Sir I have 2 questions. Sir, one question is on the revenue side. Sir, can you provide any long-term revenue guidance for around the next 3 - 5 years?
- Shirish Upadhyay:** Yes. So, as we were discussing earlier with the kind of situation that we are going through as of now it would be unwise for us to provide any guidance going forward.
- Danish Jain:** My second question is on debt, what is the latest debt-to-equity ratio up to December quarter?
- Shashikant Dalmia:** It is around 0.34x.
- Danish Jain:** You must be aware on the recent announcement by Maharashtra Government regarding 24x7 open restaurants and that it will be accepted by most burger chains and pizza chains and as the company supplies to this permanent burger chain and pizza chain, are you seeing any improvement or increase in demand from that announcement Sir?
- Shirish Upadhyay:** Too early days for us to comment on that.
- Danish Jain:** Thank you very much Sir.



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Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Investment Consultancy. Please go ahead.

Sunil Kothari: Shashikant, regarding this Rs.100 Crores additional debt, can you just give a little bit more details where it is used, broadly you said working capital, so inventory and debtors if you can bifurcate?

Shashikant Dalmia: Yes. If you see on the debt side, our creditors decreased by Rs.85 Crores in this quarter because of the milk availability, so we are giving some faster payment to suppliers and credit that we are getting earlier has also reduced and some partial milk we are buying on cash and carry system also, so our creditors have decreased. Inventory we are at same level. In quantity-wise it is decreased, but the value of raw milk has increased, so inventory is at the same level of Q2 and our debtors has increased roughly Rs.20-Rs.25 Crores in this quarter, basically because of festival season, Christmas in the last week of December, which is temporary. If you see on the overall basis debtors will be in the range of Rs 300 to 324 crores for the quarter.

Sunil Kothari: Right and are we expecting any debt repayment in last quarter or now it seems very difficult?

Shashikant Dalmia: This is based on the milk scenario. If there are availability issues within this quarter also we will be on the same debt for this quarter also.

Sunil Kothari: My last question is - we are substantially reducing our marketing spend and expenses. We had a strategic change and restructuring in our marketing strategy also, so how that is progressing and working, are we continuing with Vector or not and this reduction in marketing expense, how you see impact of all these things over the next 1 or 2 years on our business?

Akshali Shah: So, we are doing a lot of things. In fact, we are improving the solution provided to them day-by-day. So that is going pretty much on track; and talking about the marketing spends in fact we did a little bit in Q3. Moving forward we are doing a lot of digital, especially in our baby brands like Avvatar and Pride of Cows, it was a lot of digital and influential marketing, so that is not that expensive, but it is giving us good results. So, moving forward we see a lot of digital activity on these 2 brands. Cheese also we are doing a lot of things on TV and digital.

Sunil Kothari: And regarding the Vector's relationship?



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- Akshali Shah:** Regarding Vector's relationship, they are still on board. There is a solution that has been provided by them, we have come across, and we have implemented it. We are improving it day by day and are on track, so we are making the solution better and better day by day. So, I think by end of this quarter or early somewhere in May we should be able to get back with the results on what is happening with Vector.
- Sunil Kothari:** My last question is, last quarter, we had our CEO, Mr. Venkat and this quarter he is not on call, any specific reason why we cannot continue with same practices, the way he explained last quarter so any reason for not being present on this call?
- Shirish Upadhyay:** He is basically not keeping well and therefore he is unable to join this call unfortunately today, but that has nothing to do with the overall strategy and the policies that he had discussed over last quarter, and as we were discussing all 3 questions, we are continuing in the same line and we have seen some early results out of it as well. So, these are quite encouraging, and we are moving in that direction.
- Sunil Kothari:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Jay Shroff from Cask Capital. Please go ahead.
- Jay Shroff:** Again, I had a similar question. So, you said Venkat is unwell. So, he is on leave?
- Shashikant Dalmia:** He is on medical leave.
- Jay Shroff:** Okay. Because he had promised on last call about detailed explanation or the way forward in terms of the strategy. It is not about continuation. I think he said that we are working on our product strategies and all and maybe next call will be able to better explain in terms of what products you want to push, what we want to discontinue or something like that, so are we planning a separate call with him?
- Shirish Upadhyay:** I think that if you refer to the Chairman's speech earlier as well as the whole discussion that we have had, during the last discussion and today a lot of water has flown under the bridge and the situation has become tighter and tighter going by the day. So, based on that, while all those initiatives are going on, the exact results that are coming out of them are suboptimal in nature and we do not have complete clarity in terms of those and as we were discussing earlier once the situation normalizes we will have a better handle over it and therefore the exact nature of way forward will also become more clear as of now.



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- Jay Shroff:** Alright. So, you do not think that a call separately with him is required?
- Shirish Upadhyay:** Currently, the situation is such that we are trying to just meet the existing demand in the market with whatever supplies that we have on hand. So, in that situation it is more of thinking about today rather than anything for tomorrow.
- Jay Shroff:** Just a very inquisitive question. He is still with the company, right?
- Akshali Shah:** Yes. He is still around. Yes.
- Jay Shroff:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rakesh Roy from Indsec Securities and Finance. Please go ahead.
- Rakesh Roy:** Sir, my first question regarding, can you highlight on the major product performance during the quarter?
- Shirish Upadhyay:** Yes. So, as we were discussing on the earlier questions, we have been trying to focus on our core categories and trying to protect volumes and shares in cheese, ghee and paneer and we had to sacrifice few non-core categories based on today's situation.
- Rakesh Roy:** Okay. Sir, can you highlight on the region-wise performance of the company in which region you face a major decline?
- Shirish Upadhyay:** See, as we are discussing, I would again like to reiterate we do not have any problems in terms of demand slowdown here. It is more of input milk availability, which is forcing us to restrict whatever size and shape that we are in and it has nothing to do with any particular geography, this is a nationwide phenomenon.
- Rakesh Roy:** Okay. So, my last question is, can you share the breakup of the other expenses?
- Shashikant Dalmia:** Yes. The other expense basically covers transportation cost, advertisement, and provision cost. Advertisement and sales promotion, which is in the range of Rs.14 Crores, Rs.15 Crores for this quarter.
- Rakesh Roy:** How much is the transportation?
- Shashikant Dalmia:** Rs.22 Crores.



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- Rakesh Roy:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Prateek Giri from Emerge Capital. Please go ahead.
- Prateek Giri:** I was just wondering that we already have really good and extensive distribution network but most of our products seem to be commoditized in nature and that is what is reflected in our gross margins, but on the other side if we see we have lot of startups who are working towards making products more fancier and people are really happy to own them and people are really paying for those kind of products and that is somewhere leading to these startups are having some first-mover advantages. Also Sir I have been listening to the strategy of the company that we are not focusing much on the product side right now, but Sir what about having the joint venture or having the partnership kind of relation with a similar startup and giving them a leverage or boost of our distribution network and making some incremental margins because we already are Rs.2000 Crores company, so even if we try to capture this increasing consuming habit for people and try to make brands where you can get a first move. My point is why don't we leverage our distribution network with a fancier product where we can have some first-mover advantage and really focus on our margin Sir because our gross margins somewhere deny the fact that we are a brand company and we are a milk brand or a FMCG dairy company Sir?
- Shirish Upadhyay:** Okay. So, we take your suggestions in good earnest and we will try to see what best step can be done within the existing set up that we are. Having said that I would also like to clarify that we are a dairy-based FMCG company and based on the space that we are sitting in our margins are quite healthy as compared to the other players in the market, but we take your suggestion in good earnest and we will try to see what best can be done there.
- Prateek Giri:** No Sir, I totally agree with you. Yes, our margins are definitely better, definitely good even in this market, but there are a lot of players who really want extensive distribution network. So, I was just thinking that if we can collaborate with them and have a first-mover advantage in any of the niche category of even the consumption of people.
- Shirish Upadhyay:** Yes, we will look into that definitely.
- Prateek Giri:** Secondly, I have been told that in a whey protein category we have been making good gross margins?
- Shirish Upadhyay:** Right.



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Prateek Giri: I was wondering, there are a lot of players in this space like lot of ayurvedic players as well, lot of established player as well and moreover since this category particularly caters to youth of the country it is very easy for any startup to penetrate into this category, I was just wondering if entry barriers are a bit low in this segment, so how come these high-gross margins are sustainable for the next 5, 7 years because I am seeing newer products in this category every third or fourth month?

Shirish Upadhyay: Yes. You are right. You need to understand 2 things currently whatever are the products which are there in this particular category are import dependent, so they depend on imported raw material and currently it is all packing and branding, which is done locally, otherwise everything is all made out from imports from US and Europe. Differentiation with us is that this is 100% our own products right from milk to the shaker cup and that is where it differentiates and while there may be 100 different players who would be doing this packing job they might find it difficult going forward. For us that is not the competition.

Akshali Shah: Yes, and on the other bit we are the only company in the entire India who is making whey protein from scratch. We are the only company that is making whey protein from milk to through this thing, so we are already 2 steps ahead. In fact, I would say the entry barriers of what we are doing are very, very high because by the time somebody needs to get that cheese or paneer volume to set up a whey protein plant and then make a product. So right now, whatever that you see are, the third-party manufacturing or importing and the gross margin for them would not be as high as what we have and we are looking at this game, like of whey protein market as a long-term theme. So whatever players that you are seeing are something that comes, stays for a couple of months, something new comes up. So, this is going to happen, but the things that we are doing in the whey protein category we are thinking of for the future - 5 years from now or 3 years from now. It is very different from what these small time players are doing.

Prateek Giri: Understood. Thanks a lot. Wish you all the best.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint that was the last question for today. On behalf of Parag Milk Foods Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.