



Ideas for a new day

October 01, 2019

Compliance Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001	Compliance Department National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051
Script Code: 539889	Script Symbol: PARAGMILK

Dear Sir / Madam,

Subject: Chairman's Speech at the 27th Annual General Meeting of the Company

The Chairman's Speech at the 27th Annual General Meeting of the Company held on September 30, 2019 is enclosed for your information and records.

The aforesaid information will be hosted on the Company's website at www.paragmilkfoods.com

We request you to kindly take the same on record.

Thanking you,

For **PARAG MILK FOODS LIMITED**

Rachana Sangneria
Company Secretary & Compliance Officer
ACS No.: 10280

Encl:a/a



PARAG MILK FOODS LIMITED

Speech of the Chairman

Devendra Shah

Delivered at

27th Annual General Meeting held on

Monday, September 30, 2019



AGM Chairman's Speech

Dear Shareholders, I welcome you all to the 27th Annual General Meeting. Thank you all for taking out your valuable time to be with us today and for being a part our journey so far.

The Financial year 2019 has been great for our company; we have delivered a strong overall performance. The year marks our growth and evolution as a strong FMCG player, a stature achieved on the back of an expansive and innovative products portfolio, several strong brands, a balanced manufacturing footprint and a growing customer reach. We have been strategically driving finesse into every aspect of our business and have fine-tuned our product offerings by understanding the needs of our consumers, which forms the basis of our FMCG thrust. In turn, our consumers have rewarded us with increased uptake and growing brand equity and trust. We are motivated to ensure that our products are more widely available, and more consumers experience good health and nutrition by including our products into their lives.

Overall, we have seen a lot of headwinds in the global economy with threats of trade war and lower growth on various fronts. Indian economy has also faced issues during this year and a few sectors especially on the discretionary side have performed sub-par due to decreased consumer demand and down-trending. While economists predict this situation to persist for some time, being a player focused on staples within the food category, we are fortunate enough to be insulated from these turbulences.

Under the global spotlight is India's performance as the largest producer and consumer of dairy products in the world. Driven by a large dairy herd and sustained by demand from an increasingly urbanized middle and upper-middle income population, milk output in India is anticipated to increase by 3.5% in 2019, to nearly 196 million tonnes, equivalent to 23% of world milk output. The overall dairy FMCG industry in India is pegged at approximately \$110 Billion and is poised to grow at a fast pace on the back of rising urbanisation, changing consumer lifestyles, higher disposable income, a higher proportion of working women and growing youth population. Lured by these attractive dynamics, we have seen a lot of activity in the dairy space where large Indian companies as well as MNCs are evaluating investments in the Indian dairy space or have already invested in it. The landscape is fast evolving and is witnessing a shift as many new players are finding this space attractive and lucrative. We believe that this is good sign and will help in expanding the organized segment as well as keeping the growth momentum at healthy levels.

The consumers, too, are shifting from unorganized players to organized players. Consumer preferences are evolving towards greater consciousness about health and concern as well as the ability to pay to ensure quality. This also marks a space in which we are seeing our successes build up year on year. The Indian



Consumer today is seeking tasty options of value-added products derived from milk, which are also protein-rich and ready to eat leading to tremendous growth for the ready-to-eat foods segment in which Cheese, Ghee, Paneer etc form a large part of the category. There is a desire to explore flavours and tastes, and premiumization of the same. These changes act as an impetus to organized players like us, towards improving and enriching our value chain throughout. As an integrated FMCG player and the only one in India deriving all our products from 100% cow's milk, we are uniquely positioned in terms of scale, capacity, and portfolio, to deliver on this growth opportunity. The recognised health benefits from our products and their deeply ingrained traditional relevance play an important role in driving demand.

Looking back on FY 2018-19, the year has been great for us. Leveraging our strong brands, our deep category expertise and our brand value have helped us to achieve a sales growth of 23% and a full year revenue of Rs. 2,396 Crs. Sales volume was up, with the largest portion coming from our consumer business in key categories such as ghee, cheese, paneer, and curd. With this, we continue to stay true to our Vision 2020.

The Government of India in its quest for doubling farmers' income has been focusing on dairying as a low-hanging fruit and extending their support in terms of various initiatives. An important decision in this regard is the mass vaccination programme for Foot & Mouth Disease (FMD) announced with a huge outlay over the next 5 years with an aim to make the country free from the disease. This would assist in improving the productivity of cows and enhance the viability of dairy farmers.

Our continuous efforts towards improving the R&D at our Bhagyalaxmi Dairy Farm are helping to educate farmers about best practices in livestock management. During the year, we leveraged latest technologies like sexed semen to achieve more than 90% probability of female calves, and innovations in bio-sciences to improve the quality of organic fertilizers leading to improved yield of various crops at our Bhagyalakshmi Dairy Farms. While we are growing the farm organically through the birth of new calves, our focus going forward is to convert this into a 100% organic farm and further enhance the product offerings under our "Pride of Cows" brand.

We continue to strengthen our backend of milk procurement through solidifying our relationships with grass-root level farmers. We have worked extensively in extending our coverage of milk procurement within Maharashtra in the West as well as Tamil Nadu, Andhra Pradesh & Karnataka in the South by reaching out to more farmers and creating long-term relationships with them. We proactively supported the farmer community in Maharashtra under pressure due to milk price volatility and partnered with the Maharashtra government to introduce milk subsidies, which brought these farmers relief. We have also started work of establishing the milk procurement network in the North around Haryana, Rajasthan, etc. In order to improve the quality of milk and have stronger linkages with the farmers, we have further expanded over coverage of Bulk Chilling Units. With our strong relationships and a bouquet of value-added services



extended to the farmers, we are well poised to reap the benefits in terms of sustained flow of milk during the coming years.

During FY 2018-19 we enhanced our capacity by adding a manufacturing facility in Sonipat, Haryana. Through this manufacturing facility, we have expanded our reach in the North and East parts of India and have scaled up our presence in fresh categories such as milk, curd, paneer, in those areas. While further enhancing our whey processing capability, we have started working on manufacturing Lactose and add more value to this dairy waste stream.

The strength of our established brands such as 'Gowardhan', 'Go' and 'Pride of Cows' and their promise of quality continues to provide an uplift to our portfolio undergoing constant innovation. As the 2nd largest player in the cheese category in India, we are witnessing robust growth in both retail and institutional sales. We have innovated to extend the shelf life of paneer to 75 days while maintaining its freshness and taste and made from 100% cow's milk, it is much better in terms of its softness and texture. We have reached out to our consumers in the five Southern states of India with Gowardhan SWARNA Ghee, customised for the prevalent regional tastes and preferences. Our premium milk brand 'Pride of Cows' is now available in Delhi. We see this as another feather in our cap in helping to expand the market for pure, organic milk sourced from cows that are reared as per world-class standards of quality and care.

One of our focus categories for future growth is 'Health & Nutrition' with protein being a major component. We are focusing on this category with twin objectives: one - with a large cheese business and ample availability of whey as a by-product, we will add further value and achieve a differentiated position in the category, and two – through this we will try to meet the nutritional deficiencies of the Indian people. Protein deficiency is a big issue in our country with every 9 out of 10 Indians having a diet deficient in proteins and is the biggest cause of malnutrition. Indian diets derive almost 60% of their protein from cereals which are of lower quality. Further, there is very low awareness regarding the importance of proteins. The total protein supplement market in India is estimated to be around Rs. 1,700 crs growing at a very fast pace. A majority of the high quality protein requirement in the country is currently met through imports in the form of supplements. We are looking at substituting these imports with freshly made, very high value quality milk proteins.

We have already ventured a year earlier into the sports nutrition segment with a range of products under our brand 'Avvatar' and during the year, we have further strengthened this offering with the addition of new products in our basket such as top-of-the-line 'Avvatar Isorich', a high quality pure isolate product and 'Rapid', a hydration product. During the year, we also expanded our offering in the consumer nutrition segment with the launch of 'Go' Protein Power, a protein supplement for mass consumption. These



products have contributed to enrich our product portfolio and are in line with the domestic, regional and global trends in health and nutrition.

Over the last year, we have consistently put in efforts to improve our supply chain and distribution networks. Helping us flex our retail muscle is the unique 'PRISM' model based on the Theory of Constraints developed with the help of a value-based partnership with a consulting firm. With this new model, we are trying to create a revolutionary model in FMCG distribution, moving away from conventional physical order taking model and redefining the role of channel partners. We have experimented with this model in Mumbai and have realized handsome results. Enthused by this success, we are now planning to roll out this model in major metro markets of the country in a phased manner. Expansion of our retail touchpoints to 3.5 lakh in FY 2018-19 from the 2.5 lakh in FY 2017-18 has been accompanied by a sweeping change by focusing on removing bottlenecks while ensuring freshness and timely replenishment, smaller orders, quick problem resolution, and improved depot and inventory norms. These areas will continue to be our focus going forward.

To bring in higher level of professionalism and drive the Company forward to much greater heights, we have recently hired Mr. Venkat Shankar as the CEO of the Company. Venkat comes with varied experience of working in various FMCG Companies in senior positions and brings insights in creating a large corporate entity with a leaner & meaner work environment. He would be looking after day to day functions of the Company and driving the performance further. I am sure, with his vision of putting the Company in elite league of FMCG companies, we have built the right engine for our future growth.

Our teams ensure these various aspects and components of our business come together on a daily basis, to power our success. I would like to take this opportunity to acknowledge our team's untiring efforts towards driving this transformation, and appreciate our Board of Directors and Shareholders for their unflinching support. We will continue to deliver quality products, services, and performance befitting your trust in us.

Thank you all.

Pune

September 30, 2019

Devendra Shah

Chairman

(DIN: 01123719)