



June 28, 2016

**The Secretary**  
**BSE Limited**  
Phizore Jeejeeboy Tower,  
Dalal Street,  
Mumbai-400023  
Stock Code: 539889

**The Secretary**  
**National Stock Exchange Limited**  
Exchange Plaza,  
Bandra-Kurla Complex,  
Bandra (E),- Mumbai-400051  
Stock Code:PARAGMILK

**Ref:-Parag Milk Foods Limited ISIN Code- INE88N01014**

Dear Sir/Madam,

Sub: **Investor Presentation for Q4 and FY 15-16**

We enclose Investor Presentation for Q4 and FY 15-16 of the Company.

Thanking you,

Yours faithfully,  
**For Parag Milk Foods Limited**

  
**Bharat Kedia**  
**Chief Financial Officer**



**Encl: a/a**

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



**PARAG MILK FOODS LIMITED**  
**Q4 & FY16 RESULTS UPDATE PRESENTATION**  
**JUNE 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

## Q4 & FY16 RESULTS HIGHLIGHTS

## ANNEXURE





## COMPANY OVERVIEW

## Q4 & FY16 RESULTS 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" - 'Govardhan', '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 only from 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 - Govardhan, Go, Topp Up, Pride of Cows
  - 'Govardhan' 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
- Improving Share of Value-added Products 39% in FY12 to 79% in FY16
- Significant De-leveraging Efforts have helped improve PAT Margins from 0.9% to 2.9% over FY12-FY16.
- FY16 Debt : Equity was 1.1:1.

# COMPANY OVERVIEW

## PRODUCT INNOVATION – KEY TO OUR SUCCESS STORY



**Strong Thrust On R&D Capabilities To Pioneer Developing Of New Exciting Products**



One of a kind premium quality cow milk under “farm-to-home” concept through a Subscription model



“Go Cheezoo” awarded the “Best Children’s Dairy Product” for the product innovation category



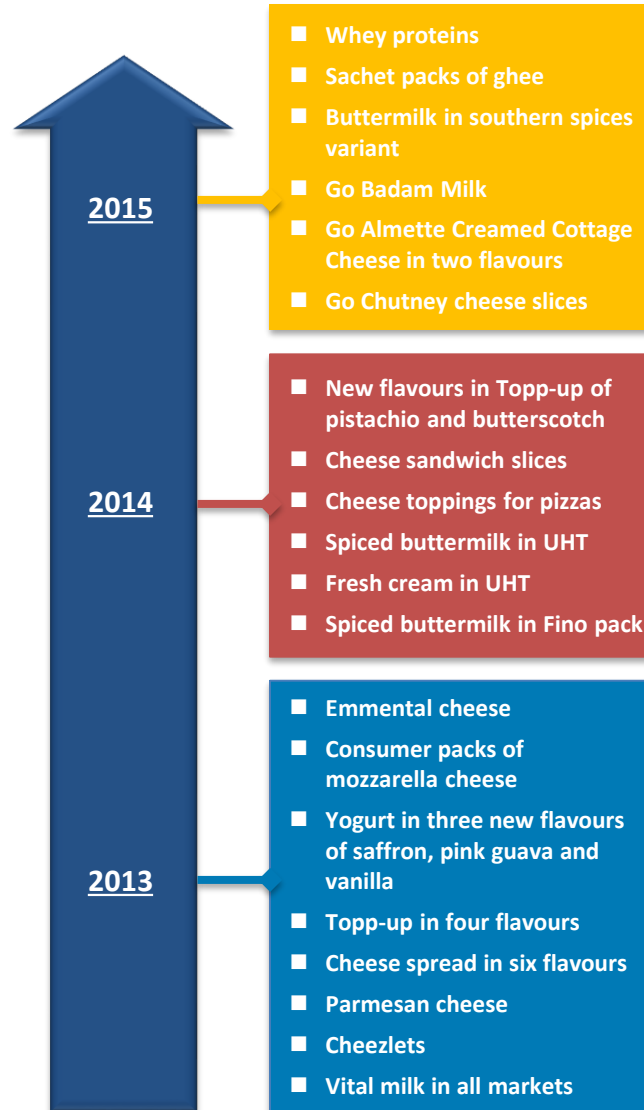
Wide & Innovative variety of cheese including gourmet cheese, creamy, jalapeno cheese spread, herb cheese cubes, etc



Only one in India to market Fresh Paneer in retail stores (not frozen Paneer) which has a shelf life of 90 days



Leading Supplier in India of Whey protein powder to NESTLE



# COMPANY OVERVIEW

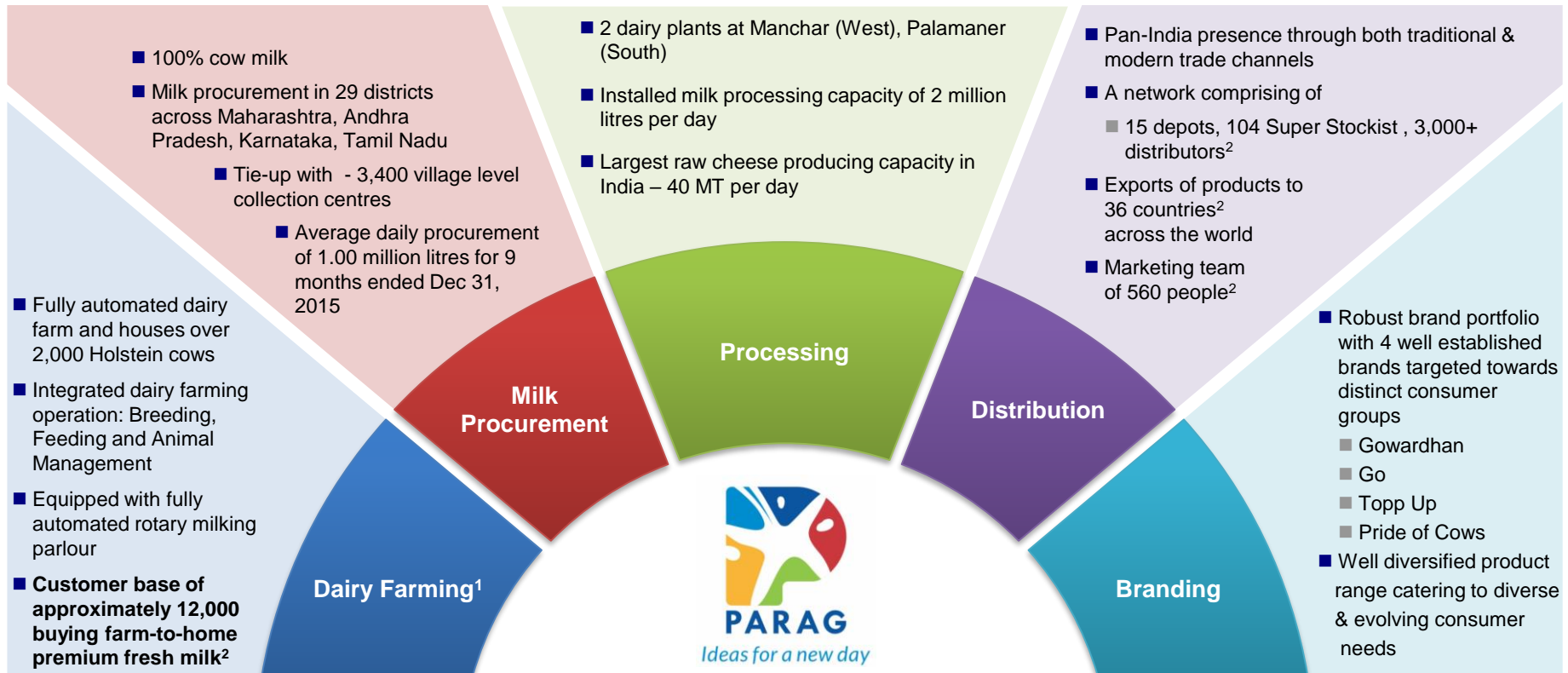
## DIFFERENTIATED BRAND & PRODUCT PORTFOLIO

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 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 February 29, 2016

# COMPANY OVERVIEW

## EXTENSIVE SALES, MARKETING & DISTRIBUTION NETWORK



**Well entrenched Pan-India distribution Network**

**Enormous Potential to grow in India**



Pan-India Distribution network 15 depots, 104 super stockists, 3000+ distributors

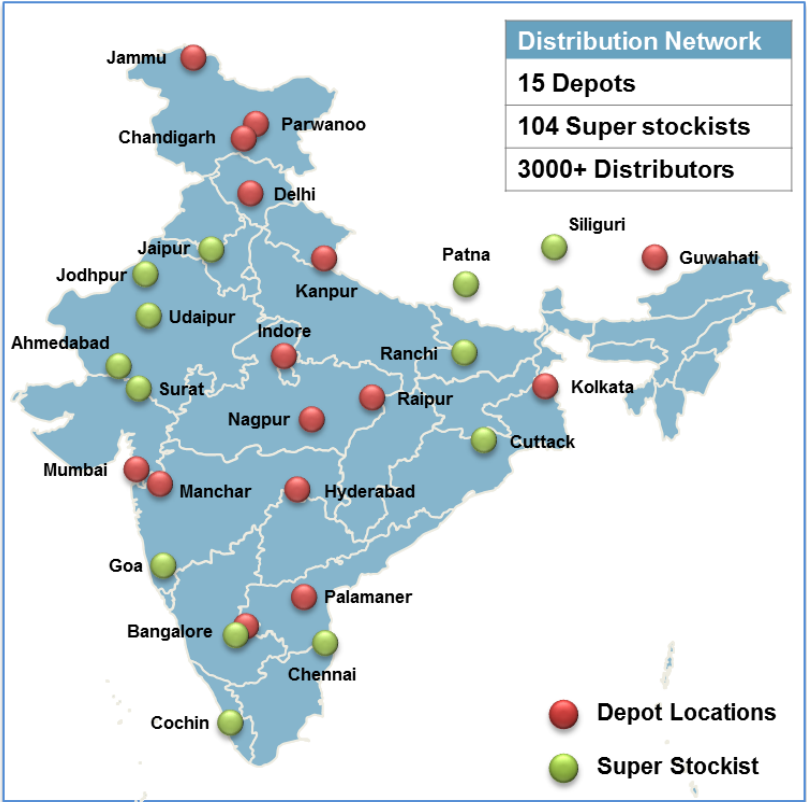
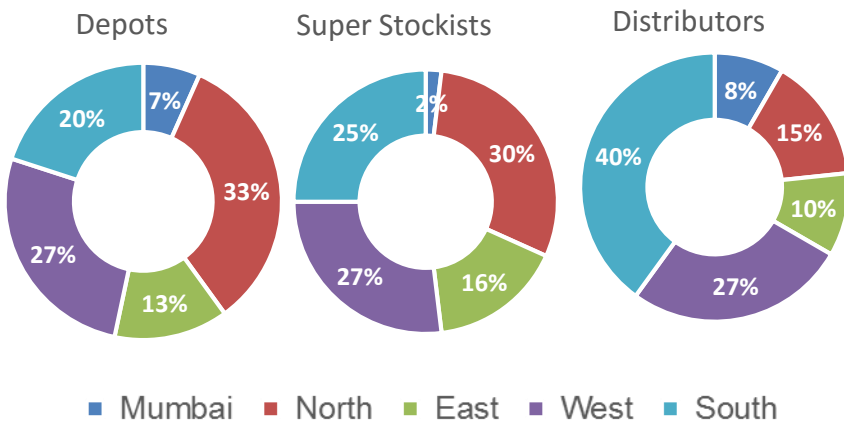


Dedicated sales and Marketing team comprising of 560 personnel<sup>1</sup> to serve our retail as well as institutional customers



Deploys product specific marketing & distribution strategy

**REGION WISE DISTRIBUTION NETWORK IN INDIA**



Note:  
(1) As of February 29, 2016

# COMPANY OVERVIEW

## WORLD CLASS MANUFACTURING FACILITIES



### Dairy Farming



### Processing Facilities



# COMPANY OVERVIEW

## 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 and beverages

### Increase Operational Efficiencies

- Leverage in-house technological, R&D capabilities to:
  - maintain strict operational controls
  - enhance customer services levels
  - develop customised systems & processes

## Areas of Strategic Focus

### Grow Our Product Reach

- Strengthen distributor & stockists base to achieve higher retail penetration
  - Addition of 6 more depots in FY17
- Introduce low unit price products in Tier III cities
- Identify specific states and regions in India to focus sales efforts and increase sales volumes

### 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.

# COMPANY OVERVIEW

## SHAREHOLDING SUMMARY

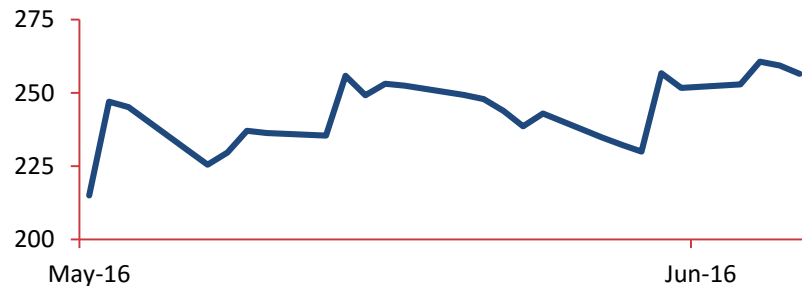


Category (as on 17 <sup>th</sup> May 2016)	No. Of share holders	% Holding
Promoters	3	28.33%
Promoter Group	8	19.15%
Key Management Personnel	1	0.00%
Independent Directors	-	0.00%
FPIs	29	25.79%
Mutual Funds	9	4.47%
Trusts	1	6.98%
Non Resident Indians	156	0.01%
Bodies Corporates	26	6.38%
High Netwoth Individuals	20	4.12%
Retail Investors	52,567	4.49%
ESOP Trust	1	0.27%
<b>Total</b>	<b>52,821</b>	<b>100.00%</b>

Source – Company

Key Investors (as on 17 <sup>th</sup> May 2016)	% Holding
Tata Balanced Fund	4.19%
Macquarie Emerging Markets	3.71%
Nomura India Investment	3.44%
IDFC Spice Fund	2.87%
Quantum (M) Limited	2.33%
Abu Dhabi Investment Authority	1.69%
Government Pension Fund Global	1.69%
Copthall Mauritius Investment Limited	1.68%
Morgan Stanley	1.67%
Pinewood Str	1.45%
Narendra Kumar Agarwal	1.14%
Ashish Kacholia	1.09%

### Share Price Performance



### Market Data

As on 23<sup>rd</sup> June 2016

Market Capitalization (Rs mn)	21,613
Price (Rs)	256.95
IPO Price (Rs)	215.00
No. of Shares Outstanding (mn)	84.1
Face Value (Rs)	10.0
52 Week High-Low (Rs)	266.2-202.1

Source – BSE



## COMPANY OVERVIEW

## Q4 & FY16 RESULTS HIGHLIGHTS

## ANNEXURE



# Q4 & FY16 RESULT ANALYSIS

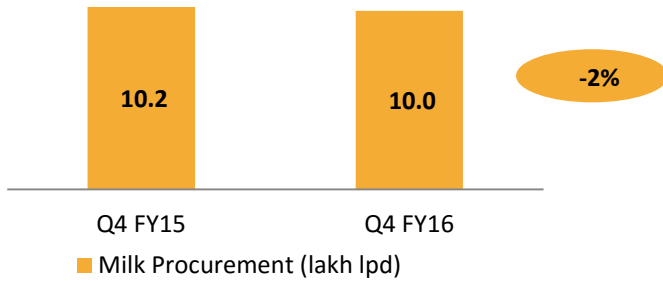
## SEGMENT WISE REVENUE MIX



### Q4 FY16 YoY ANALYSIS

#### Milk Procurement

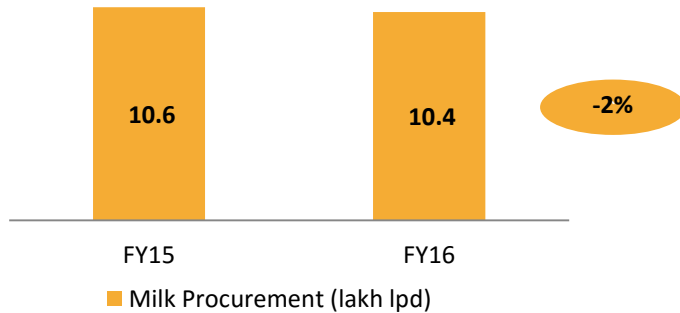
% Growth



### FY16 YoY ANALYSIS

#### Milk Procurement

% Growth

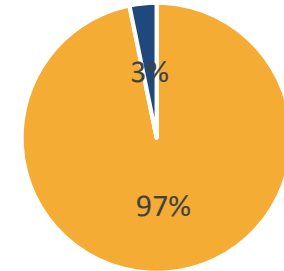


Amounts In Rs Million

### FY16 YoY ANALYSIS

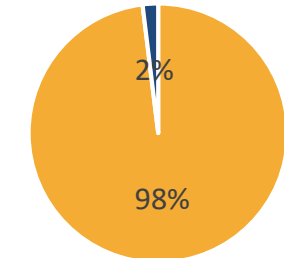
#### Domestic v/s Exports

FY15



■ Domestic ■ Exports

FY16



■ Domestic ■ Exports

% Growth

-32%

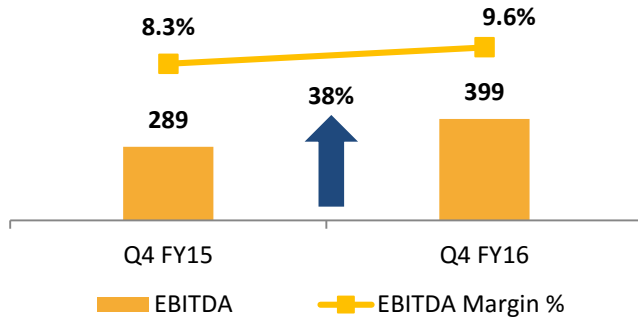
15%

# Q4 & FY16 RESULTS: KEY HIGHLIGHTS

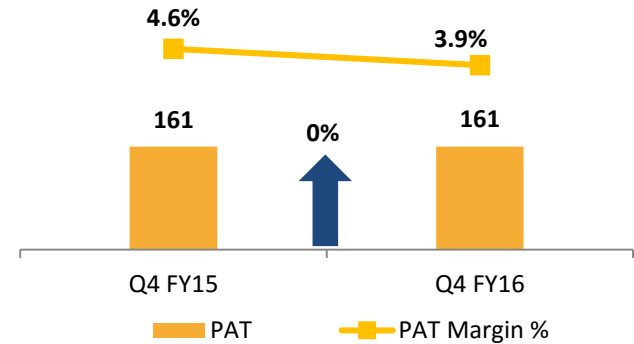


## Q4 FY16 YoY ANALYSIS

### EBITDA & EBITDA MARGIN

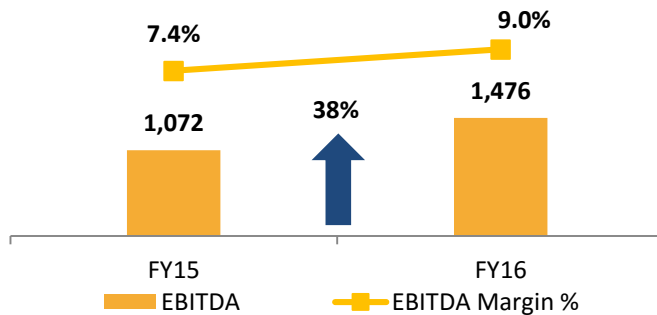


### PAT & PAT MARGIN

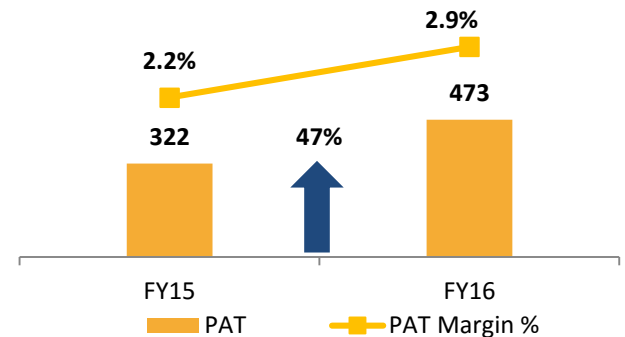


## FY16 YoY ANALYSIS

### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN

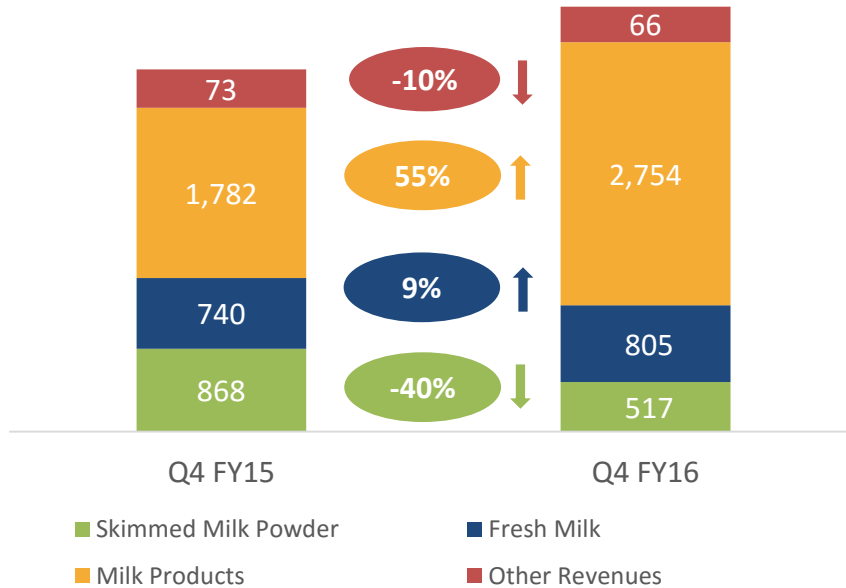


Amounts In Rs Million

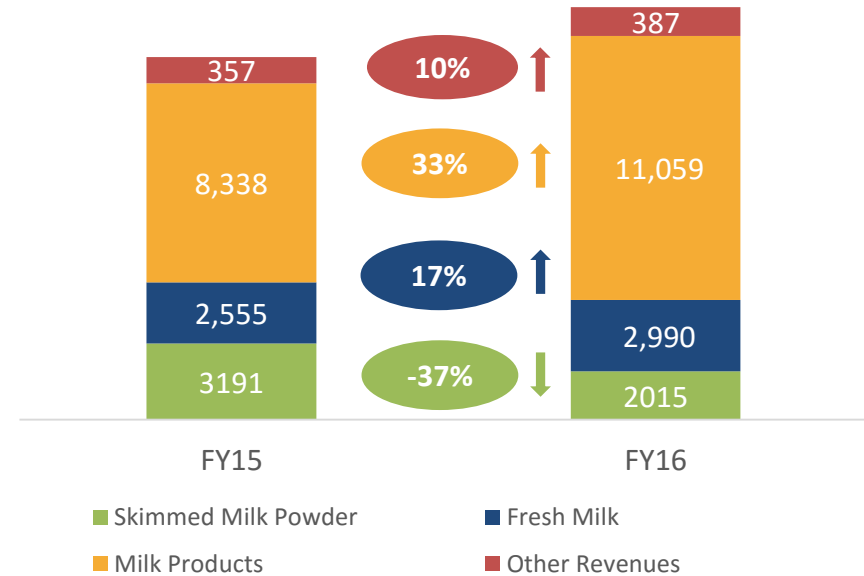
# Q4 & FY16 PRODUCT WISE REVENUE BREAK-UP



## Q4 FY16 YoY ANALYSIS – REVENUE BREAKUP



## FY16 YoY ANALYSIS – REVENUE BREAKUP



% Share	Q4 FY15	Q4 FY16
Skimmed Milk Powder	25%	12%
Fresh Milk	21%	19%
Milk Products	51%	66%
Other Revenues	2%	2%

% Share	FY15	FY16
Skimmed Milk Powder	22%	12%
Fresh Milk	18%	18%
Milk Products	58%	67%
Other Revenues	2%	2%

Amounts In Rs Million Note: Value-Added products are excluding Fresh Milk, Skimmed Milk Powder and Other Revenues.

### Revenues

**Revenues grew by 19.6% YoY from Rs 3,463 mn in Q4 FY15 to Rs 4,142 mn in Q4 FY16**

- Growth was largely driven by Milk products as their share in total revenues grew from 51% in Q4 FY15 to 66% in Q4 FY16
- Fresh Milk Revenue witnessed healthy growth during Q4 FY16 as well as FY16 growing by 9% YoY and 17% YoY respectively.

### EBITDA

**Q4 FY16 EBITDA grew by 38% YoY to Rs 399 mn from Rs 289 mn in Q4 FY15**

- Robust growth in EBITDA was primarily driven by higher Top-Line & lower operating expenses
- Focus on increasing share of value-added products resulted in higher gross margins
- Other Expense included one-time IPO charges of Rs 25 mn

### PAT

**Q4 FY16 remained flat YoY at Rs 161mn compared to Q4 FY15**

- PAT remained constant on account of tax adjustments
- Interest expenses were higher due to lower base in Q4 FY15. Going forward, interest expenses are expected come down significantly due to reduction in debt
- Increase in Tax was due to withdrawal of income tax exemption on Subsidy

### ROCE

- 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



# Q4 & FY16 RESULT FINANCIALS

## CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (In Rs Mn)	Q4 FY16	Q4 FY15	YoY %	FY16	FY15	YoY%
Revenue from Operations	4,142	3,463	19.6%	16,451	14,441	13.9%
Raw Material Costs	2,840	2,375	19.6%	11,776	10,616	10.9%
Employee Expenses	193	168	15.4%	701	572	22.5%
Other Expenses	710	631	12.5%	2,499	2,181	14.6%
<b>EBITDA</b>	<b>399</b>	<b>289</b>	<b>38.1%</b>	<b>1,476</b>	<b>1,072</b>	<b>37.7%</b>
<b>EBITDA Margin %</b>	<b>9.6%</b>	<b>8.3%</b>	<b>129 bps</b>	<b>9.0%</b>	<b>7.4%</b>	<b>155 bps</b>
Depreciation	97	77	25.7%	334	275	21.3%
Finance Cost	120	76	57.0%	490	469	4.5%
Other Income	4	6	-30.0%	16	15	6.0%
PBT	186	141	31.6%	668	343	94.9%
Tax Expense	25	-20	-	195	21	-
<b>PAT</b>	<b>161</b>	<b>161</b>	<b>-</b>	<b>473</b>	<b>322</b>	<b>42.3%</b>
<b>PAT Margin %</b>	<b>3.9%</b>	<b>4.6%</b>	<b>-76 bps</b>	<b>2.9%</b>	<b>2.2%</b>	<b>65 bps</b>

Q4 FY 15 numbers are unaudited

# Q4 & FY16 RESULT FINANCIALS

## CONSOLIDATED BALANCE SHEET



Particulars (In Rs Mn)	FY16	FY15
<b>Equities &amp; Liabilities</b>		
Share Capital	704	160
Reserves & Surplus	2,915	1,079
<b>Shareholder's Funds</b>	<b>3,619</b>	<b>1,239</b>
<b>Non-Current Liabilities</b>		
Long-Term Borrowings	1,529	2,974
Deferred Tax Liability	110	60
Long-term Provisions	176	166
<b>Total Non-Current Liabilities</b>	<b>1,814</b>	<b>3,200</b>
<b>Current Liabilities</b>		
Short-term Borrowings	2369	2,525
Trade Payables	1,678	1,931
Other Current Liabilities	388	340
Short-term Provisions	42	5
<b>Total Current Liabilities</b>	<b>4,477</b>	<b>4,801</b>
<b>Total Equity &amp; Liabilities</b>	<b>9,910</b>	<b>9,239</b>

Particulars (In Rs Mn)	FY16	FY15
<b>Assets</b>		
<b>Non-Current Assets</b>		
<b>Fixed Assets</b>	<b>3,726</b>	<b>3,194</b>
Tangible assets	3,444	2,907
Intangible assets	3	4
CWIP	233	236
Intangible assets under development	46	47
Non-Current Investments	0	3
Other Non-Current Assets	168	684
<b>Total Non-Current Assets</b>	<b>3,894</b>	<b>3,881</b>
<b>Current Assets</b>		
Inventories	2,724	2,119
Trade Receivables	2,360	1,709
Cash & Bank Balance	77	53
Short-term Loans & Advances	455	974
Other Current Assets	400	504
<b>Total Current Assets</b>	<b>6,016</b>	<b>5,359</b>
<b>Total Assets</b>	<b>9,910</b>	<b>9,239</b>

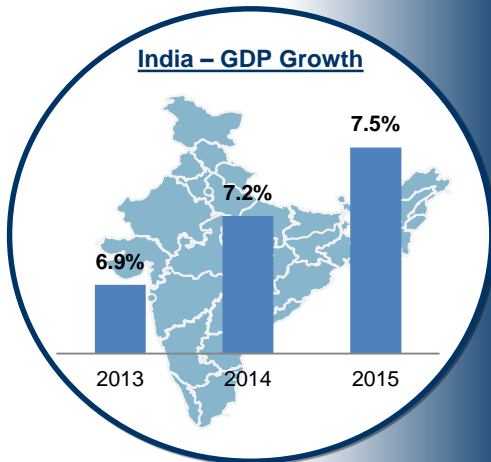
Q4 & FY16 RESULTS  
HIGHLIGHTS

COMPANY OVERVIEW

ANNEXURE



# India's Favourable Dynamics Offer Huge Opportunities



## 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



Mr. Bharat Kedia  
Chief Financial Officer  
Email: [bharat.kedia@paragmilkfoods.com](mailto:bharat.kedia@paragmilkfoods.com)  
Contact Number: 022 4300 5555

DICKENSON **SEAGULL** **IR**

Mr. Mandar Kapse - IR Consultant  
Email: [mandar.kapse@dickensonir.com](mailto:mandar.kapse@dickensonir.com)  
Contact No: +91 9867550004

Mr. Yashesh Parekh - IR Consultant  
Email: [yashesh.parekh@dickensonir.com](mailto:yashesh.parekh@dickensonir.com)  
Contact No: +91 8108321555