



Ideas for a new day

PARAG MILK FOODS LIMITED

INVESTOR PRESENTATION

February 2017

Gowardhan

GO

PRIDE OF COWS

TOPP

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

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Company Overview

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Q3 & 9M FY17
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Financial Outlook

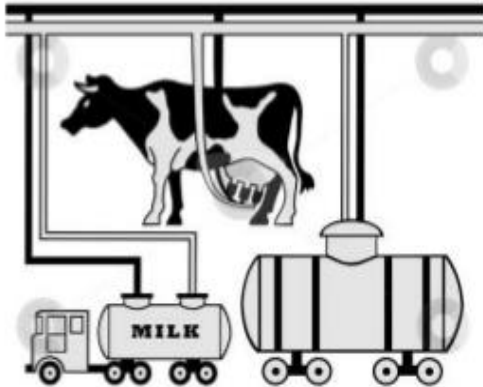


COMPANY OVERVIEW

EVOLUTION – MOVING UP THE VALUE CHAIN

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

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

KEY STRENGTHS

- Integrated Business Model Encompassing the entire value chain - Procurement, Manufacturing, Distribution and Branding.
- Robust brand portfolio with 4 well established brands targeted towards distinct consumer groups - Gowardhan, Go, Topp Up, Pride of Cows
 - Parag Milk Foods is identified as Fortune India's 'Next 500' Company.
 - Gowardhan' ranked among the top 25 most trusted brands in the food products category.
 - 'Go' Cheese was awarded "India's Most Promising Brand 2014-15" in the FMCG category.
- World Class Manufacturing with 2 state-of-the-art Manufacturing facilities and Strong R&D capabilities
- Established Strong Relationships at grass root level with farmers, distributors & institutional customers and a large retail customer base.
- Established Pan-India Distribution Network of 16 Depots, 104 Super Stockists and over 3,000+ Distributors.

STRONG FINANCIAL PERFORMANCE

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

WE FOLLOW 3 TIER MILK PROCUREMENT SYSTEM

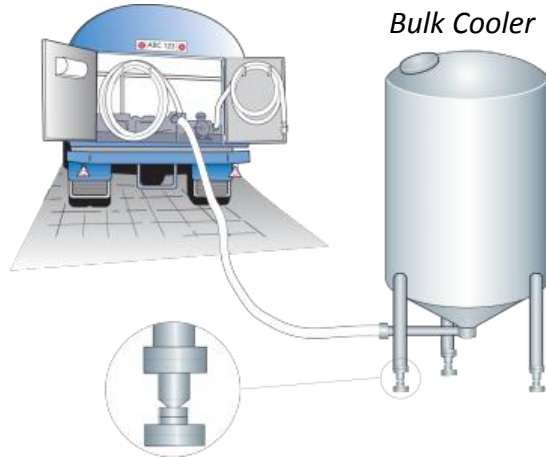
1st Tier Village collection centre



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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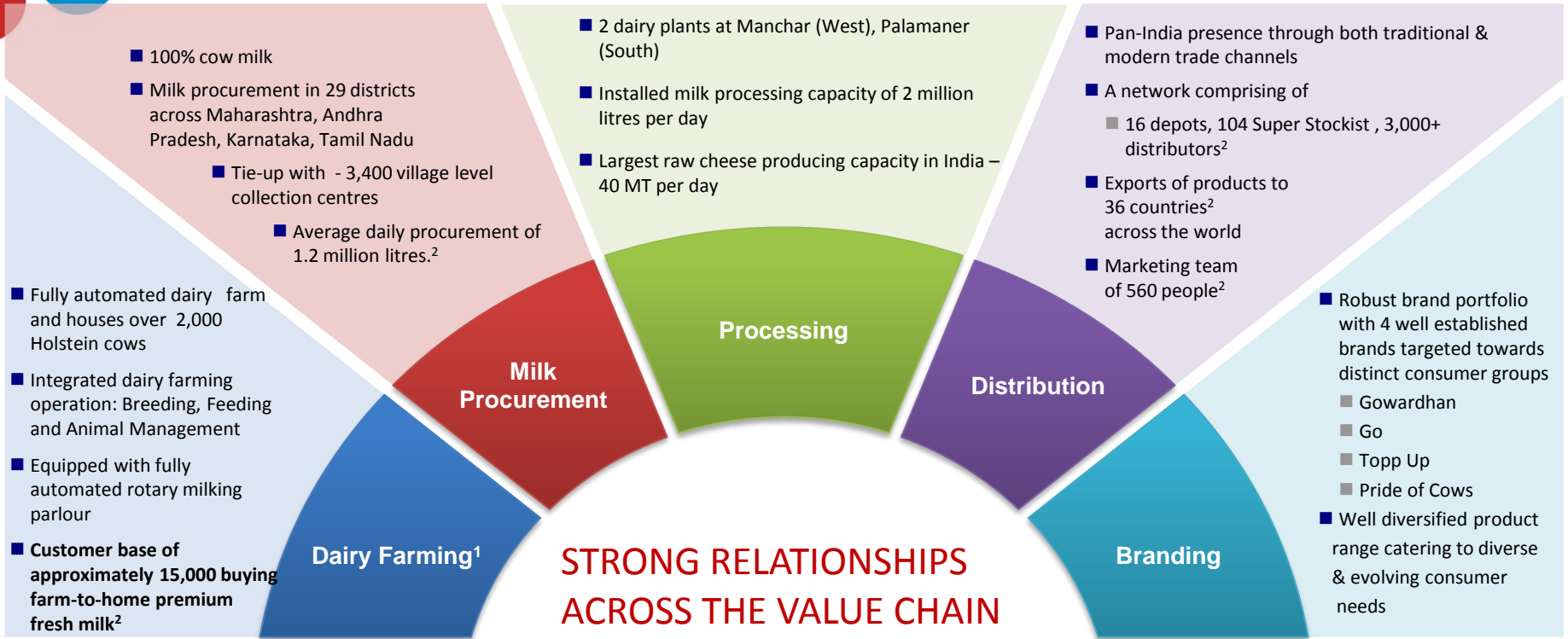
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COMPETITIVE STRENGTHS INTEGRATED BUSINESS MODEL



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 December, 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 & attractive Brand Recognised by TRA in Ghee



Branded player in "Farm to Home" premium milk



Leading private player in UHT category

COMPETITIVE STRENGTHS

PRODUCT INNOVATION – KEY TO OUR SUCCESS STORY

PIONEERING PRODUCT INNOVATION WITH STRONG R&D THRUST



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



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



Wide & innovative variety of
cheese including gourmet
cheese, 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



Leading producer of Whey
protein powder in India

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

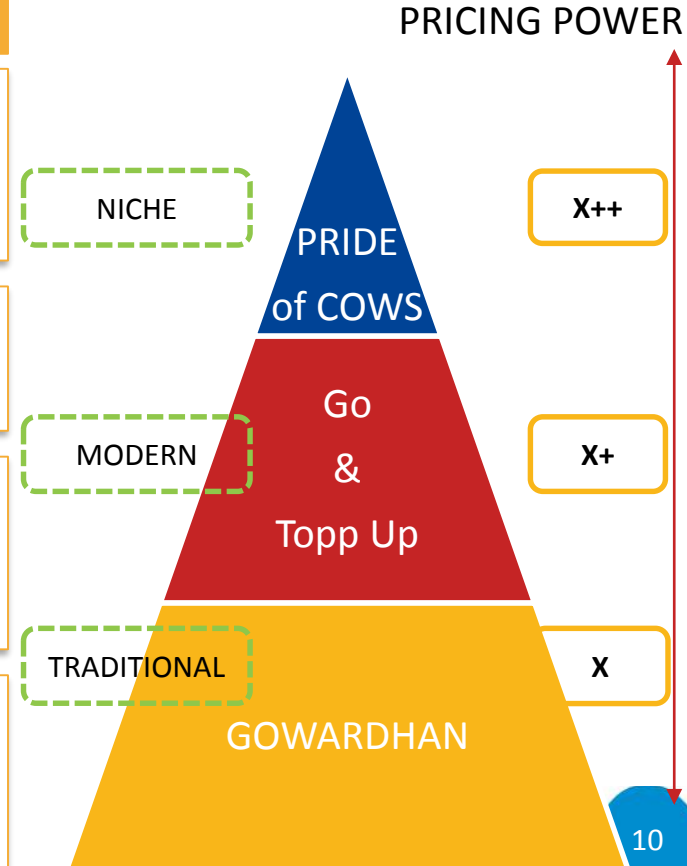
2016

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

COMPETITIVE STRENGTHS

DIFFERENTIATED BRAND & PRODUCT PORTFOLIO

Brands	Target Customer Group
	 <ul style="list-style-type: none"> Targeted at household consumers seeking premium quality cow's milk.
	 <ul style="list-style-type: none"> Targeted at youth generation & travellers as source of instant nourishment
	 <ul style="list-style-type: none"> Targeted at children and the youth generation, primarily for direct consumption
	 <ul style="list-style-type: none"> Targeted at house-hold consumption for traditional Indian recipes and to be used as cooking ingredients



COMPETITIVE STRENGTHS WIDE PRODUCT PORTFOLIO

PRODUCT PORTFOLIO OF PARAG MILK FOODS



SMALL PACKS FOR RURAL CONSUMPTION



9ML GHEE SACHET



200GM CURD POUCH
PACK



200ML SMALL UHT
MILK



20GM INSTANT
BADAM MILK MIX



SEPARATE ROUTE TO
MARKET ESTABLISHED
FOR RURAL MARKET

COMPETITIVE STRENGTHS

EXTENSIVE SALES, MARKETING & DISTRIBUTION NETWORK

Well entrenched Pan-India distribution Network



Enormous Potential to grow in India



Pan-India Distribution network 16 depots, 104 super stockists, 3000+ distributors

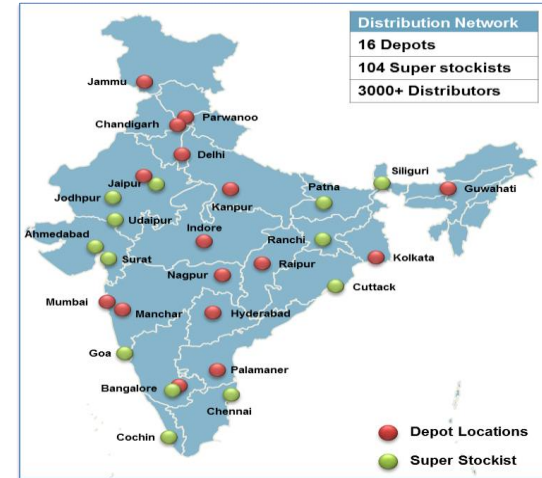


Dedicated sales and Marketing team comprising of 560 personnel¹ to serve our retail as well as institutional customers



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	2	250
North	5	31	450
East	2	17	300
West	5	28	800
South	3	26	1,200
Total	16	104	3,000



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STRATEGIC INITIATIVES

DEPLOYMENT & UTILIZATION OF IPO PROCEEDS

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	245	1,232
2	Expansion and modernisation of the Bhagyalaxmi Dairy Farm	23	4	19
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	1,533	1,251



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

STRATEGIC INITIATIVES

NEW MARKETING CAMPAIGN & PRODUCT LAUNCH

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 and Go Fresh Cream Products with India's most popular Celebrity Chef – '**Ranveer Brar**'



Raveer Brar using **Go cheese chutney** slice on his show '**Good to Go**'

New product launched during 9M FY17



Products launched during 9M FY17

- Go "**Cheese Wedges – Herbs and Spices**"
- Go "**Badam Milk Instant Mix**"
- "**Spice up**" box in 5 New Flavoured Cheese Slices

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 and beverages

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 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.



ENHANCE PRODUCT PORTFOLIO

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

MAINTAIN SALES GROWTH MOMENTUM

Continue to maintain the momentum of growth

- Revenue growth of CAGR 14% – (FY16-FY19). However, for FY17, we expect modest growth of high single digit
- Share of Value added products to increase from current 66% to 70% over the next 3 years
- To expand the capacity of cheese plant from 40MT to 60MT by FY17. Aim to increase our market share and domestic presence.
- Robust growth expected in UHT & Whey products
- Focus on brand building through accelerating advertisement

IMPROVE PROFITABILITY & RETURN RATIOS

- **Within Value added Products, product mix is set to move towards margin accretive products such as Whey, UHT & beverages, cheese.**
- Savings in interest due to reduction of debt of Rs. 100cr through the IPO Proceeds.
 - Credit Re-rating to "BBB+" leading to reduction in cost of debt due to improvement in capital structure.
- **Profitability improved from 0.9% in FY12 to 2.9% in FY16 and endeavour to achieve >5% over next 3 years (FY16-FY19).**
 - Overall, this may lead to improvement in Return Ratios.

Aim to
increase
Return on Capital



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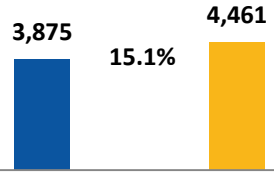
Financial Outlook

Q3 & 9M FY17 RESULTS ANALYSIS

CONSOLIDATED FINANCIAL ANALYSIS

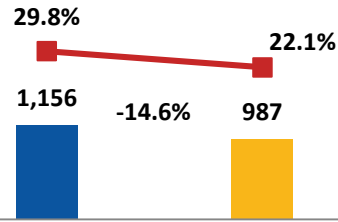
Q3 FY17 Highlights

REVENUES



Q3 FY16 Q3 FY17

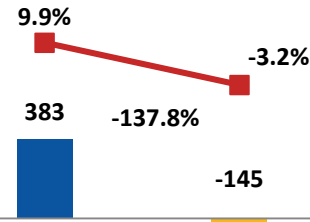
GROSS PROFIT & GROSS MARGIN



Q3 FY16 Q3 FY17

■ Gross Profit ■ Gross Margin %

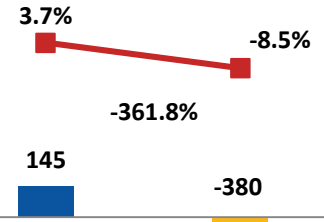
EBITDA & EBITDA MARGIN



Q3 FY16 Q3 FY17

■ EBITDA ■ EBITDA Margin %

PAT & PAT MARGIN

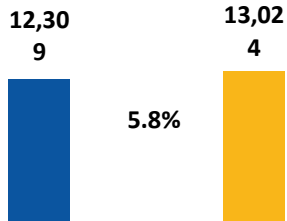


Q3 FY16 Q3 FY17

■ PAT ■ PAT Margin %

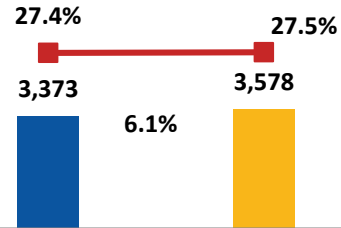
9M FY17 Highlights

REVENUES



9M FY16 9M FY17

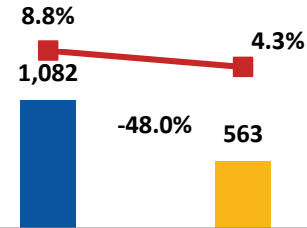
GROSS PROFIT & GROSS MARGIN



9M FY16 9M FY17

■ Gross Profit ■ Gross Margin %

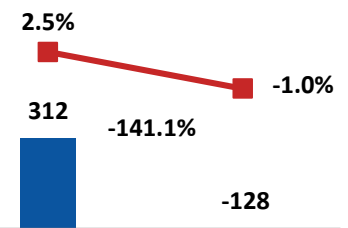
EBITDA & EBITDA MARGIN



9M FY16 9M FY17

■ EBITDA ■ EBITDA Margin %

PAT & PAT MARGIN



9M FY16 9M FY17

■ PAT ■ PAT Margin %

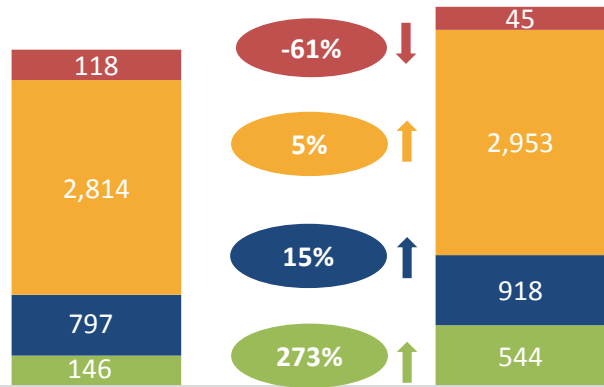
Amounts In Rs Million

Q3 & 9M FY17 RESULTS ANALYSIS

PRODUCT WISE REVENUE BREAK-UP

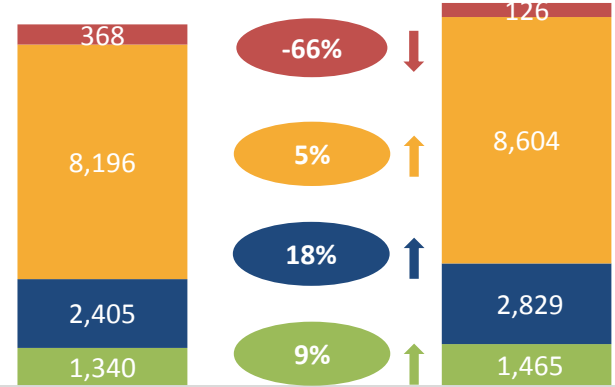
Q3 FY17 YoY ANALYSIS – REVENUE BREAKUP

Total Revenue **3,875.1** **15.1%** ↑ **4,460.7**



9M FY17 YoY ANALYSIS – REVENUE BREAKUP

Total Revenue **12,308.9** **5.8%** ↑ **13,023.8**



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

Q3 FY16

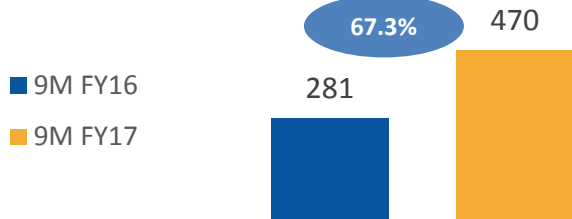
Q3 FY17

9M FY16

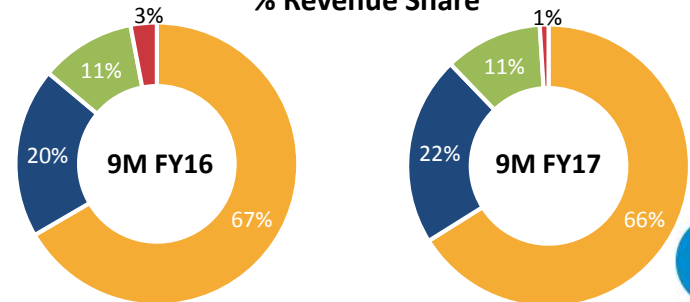
9M FY17

Amounts In Rs Million

Exports Revenue



% Revenue Share



Q3 & 9M FY17 RESULTS ANALYSIS

CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars	Q3 FY17	Q3 FY16	YoY %	Q2 FY17	QoQ %	9M FY17	9M FY16	YoY%
Revenue from Operations	4,460.7	3,875.1	15.1%	4,728.4	-5.7%	13,023.8	12,308.9	5.8%
Raw Material Costs	3,473.9	2,719.4	27.7%	3,284.0	5.8%	9,446.0	8,935.9	5.7%
Gross Margins	22.1%	29.8%	-770 bps	30.5%	-842 bps	27.5%	27.4%	7 bps
Employee Expenses	210.4	181.1	16.2%	206.6	1.8%	595.2	507.8	17.2%
Other Expenses	921.0	591.8	55.6%	860.4	7.0%	2,420.1	1,783.7	35.7%
EBITDA	-144.5	382.8	-137.8%	377.4	-138.3%	562.5	1,081.6	-48.0%
EBITDA Margin %	-3.2%	9.9%	-1312 bps	8.0%	-1122 bps	4.3%	8.8%	-447 bps
Depreciation	108.6	82.0	32.5%	115.0	-5.5%	321.6	236.5	36.0%
Finance Cost	88.8	116.8	-24.0%	63.8	39.2%	245.1	374.8	-34.6%
Other Income	20.2	9.6	109.7%	23.1	-12.8%	51.3	11.9	330.2%
Exceptional Item	164.9	0.0	-	0.0	-	164.9	0.0	-
PBT	-486.7	193.6	-351.4%	221.7	-319.5%	-117.8	482.2	-124.4%
Tax Expense	-107.0	48.6	-320.4%	78.5	-236.4%	10.5	169.9	-93.8%
PAT	-379.7	145.1	-361.8%	143.3	-365.0%	-128.3	312.3	-141.1%
PAT Margin %	-8.5%	3.7%	-1226 bps	3.0%	-1154 bps	-1.0%	2.5%	-352 bps

Q3 & 9M FY17 RESULTS ANALYSIS

KEY HIGHLIGHTS & ANALYSIS

Revenues

Revenues grew by 15.1% YoY from Rs 3,875.1 mn in Q3 FY16 to Rs 4,460.7 mn in Q3 FY17

- Growth in Q3 FY17 revenues was primarily driven by higher growth in fresh milk and skimmed milk powder.
- Revenue in milk products grew by ~5% primarily driven by increase in volume.
- Revenue of fresh milk increased by ~15% driven by increase in volume.
- Export business witness good traction with an increase of ~88% from Rs 72 mn in Q3 FY16 to Rs 135 mn in Q3 FY17.

Gross Margin

Gross Margin witnessed a pressure of 770 bps by declining from 29.8% in Q3 FY16 to 22.1% in Q3 FY17.

- During Q3 FY17, milk prices increased by >20% which impacted the gross margin of the company.
- Price increase of milk products was delayed to Q4 FY17 instead of Q3 FY17 due to demonetization which created pressure on gross margin.
- Higher sales of Skimmed milk Powder (SMP) from 4% of total business in Q3 FY16 to 12% in Q3 FY17 impacted gross margin negatively.

EBITDA

EBITDA de-grew YoY from Rs 383 mn in Q3 FY16 to Rs -145 mn in Q3 FY17

- Increase in other expenses is mainly due to
 - Advertising spends during Q3 FY17 to create brand impact during festive season of Diwali and New Year. However, at an annual level we are likely to remain within the budget.
 - Continued focus on driving distribution and increase in depots caused increase in selling and distribution expenses ahead of time.

PAT

PAT declined by 1226 bps from 3.7% in Q3 FY16 to -8.5% in Q3 FY17

- Company has incurred an exceptional expense of Rs. 164.9 mn pertaining to prior years, as a result of sales tax investigation conducted by Maharashtra sales tax authorities.

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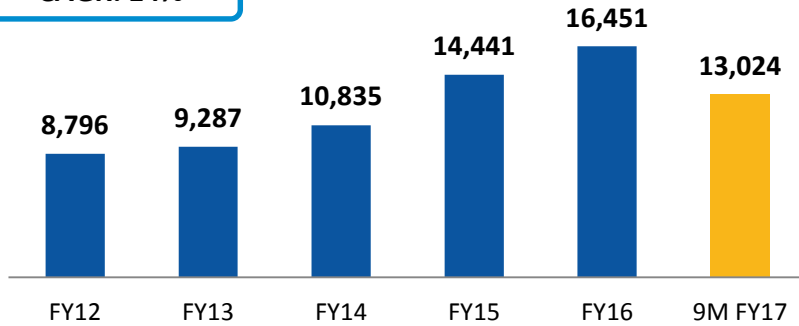


FINANCIAL OVERVIEW

HISTORICAL FINANCIAL SUMMARY

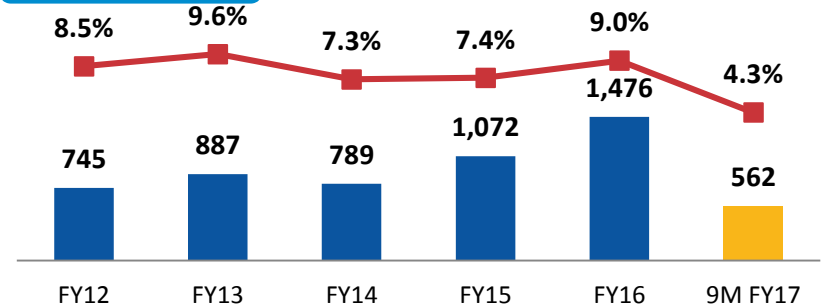
Net Sales (Rs mn)

CAGR: 14%



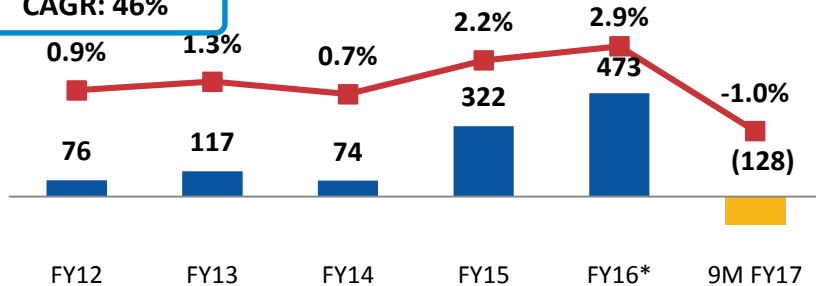
EBITDA (Rs mn) & EBITDA margins (%)

CAGR: 14%

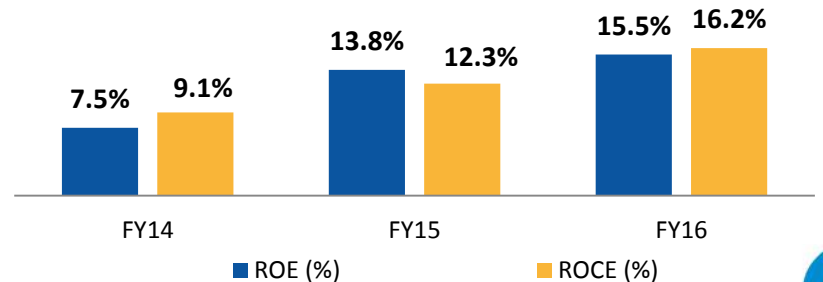


PAT (Rs mn) & PAT Margins (%)

CAGR: 46%



Return Ratios (%)



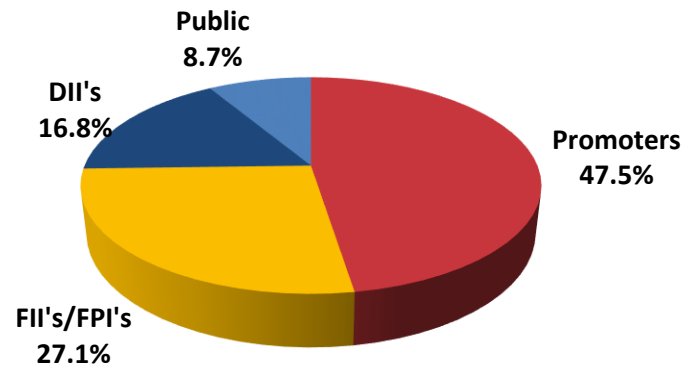
FINANCIAL OVERVIEW

SHAREHOLDING SUMMARY

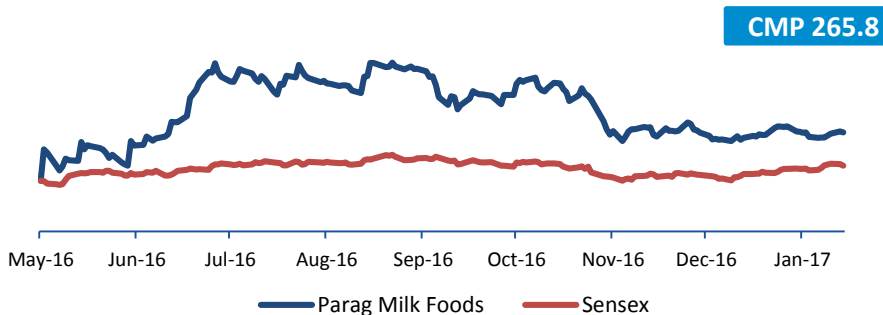
Top 10 Investors as on 31st December 2016

	% Holding
IDFC Trust	6.98%
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%
Ashish Kacholia	1.88%
Quantum (M) Limited	1.79%
Tata Balanced Fund	1.65%

Shareholding as on 31st December 2016



Share Price Performance (Normalized) as on 31st January 2017

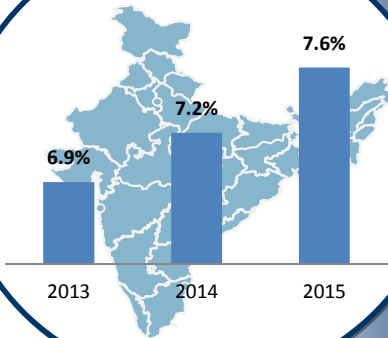


Market Data

As on 31st January 2017

Market Capitalization (Rs mn)	22,353.5
Price (Rs)	265.8
IPO Price (Rs)	215.0
No. of Shares Outstanding (mn)	84.1
Face Value (Rs)	10.0
52 Week High-Low (Rs)	356.7-202.1

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



Mr. Bharat Kedia
Chief Financial Officer
Email: bharat.kedia@paragmilkfoods.com
Contact Number: 022 4300 5555



Mr. Yashesh Parekh
Investor Relations
Email: yashesh.parekh@dickensonir.com
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