



PARAG MILK FOODS LIMITED

Investor Presentation

August 2018



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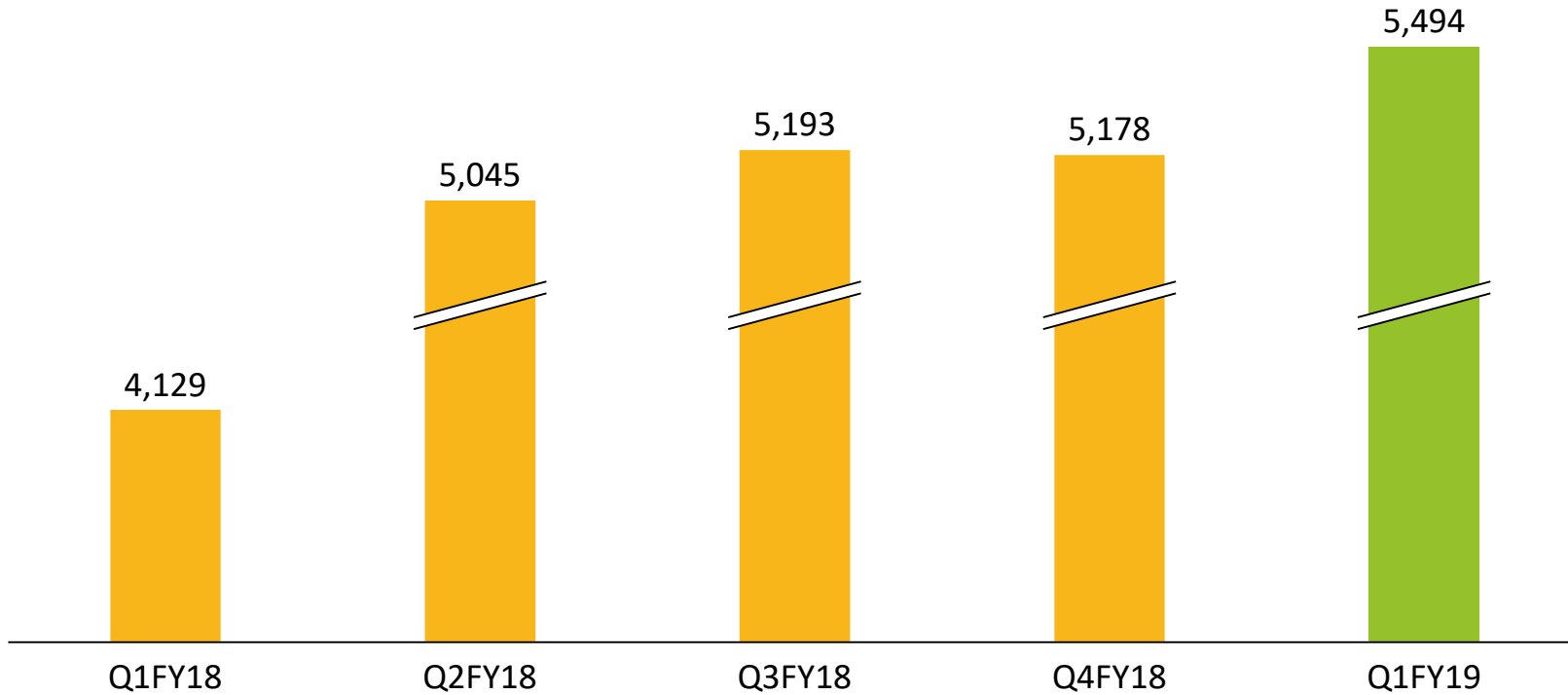
Q1 FY19 Financials & Key Developments

Q1FY19 Performance is on track with Vision FY20



Ideas for a new day

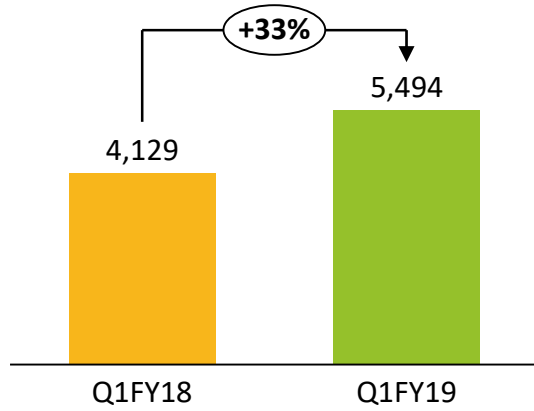
Revenue Trend



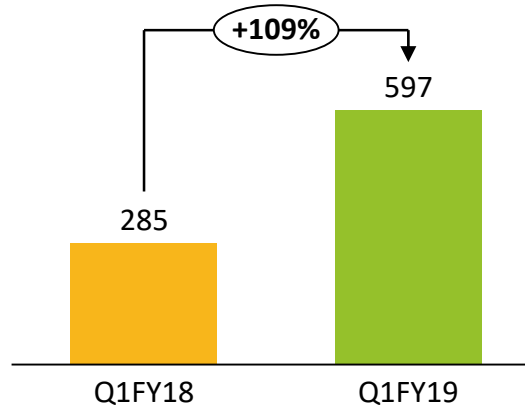
Our Strategy on Value-added Products is yielding Results

Consolidated Financial Analysis – Q1 FY19

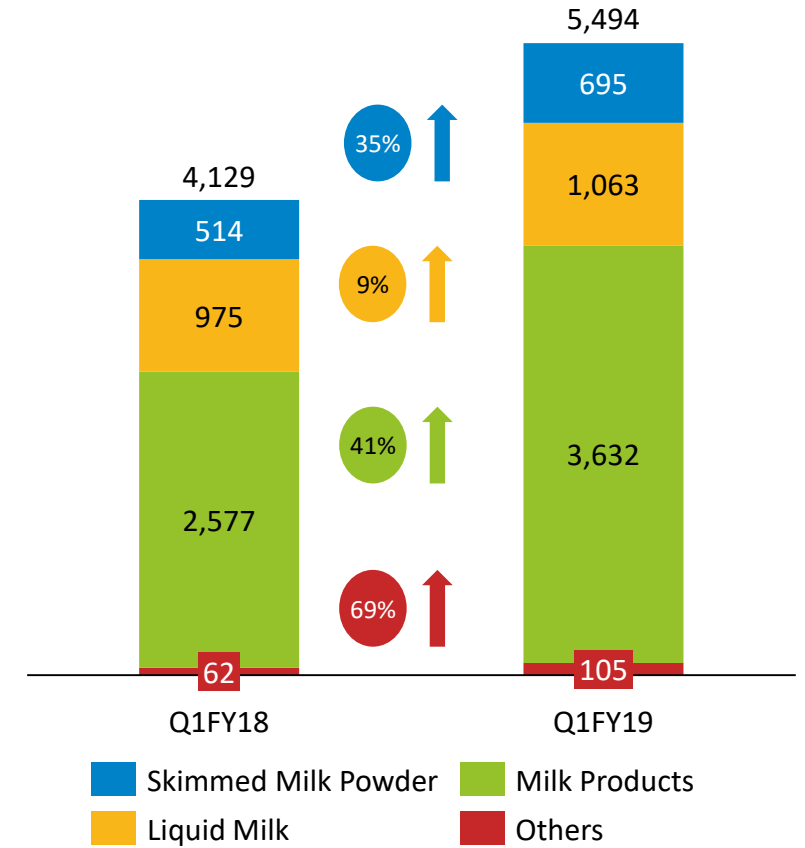
Revenue (Rs. Mn)



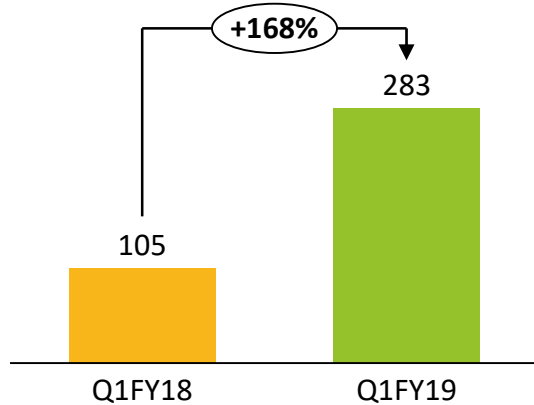
EBITDA (Rs. Mn)



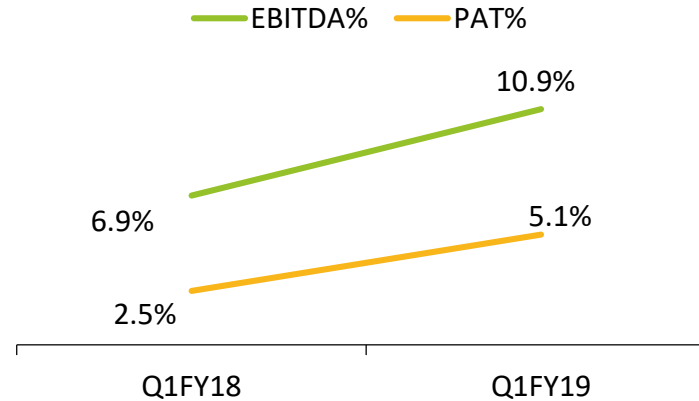
Product wise Revenue Break-up (Rs. Mn)



PAT (Rs. Mn)



Margins (%)



Revenue

- Consolidated Revenue from operations for Q1 FY19 stood at Rs. 5,494.2 million as compared to Rs. 4,128.8 million for Q1 FY18, registering a growth of 33% YoY
 - Growth is driven by an increase in revenue from Milk Products of 41% YoY which is led by growth in key product categories

Gross Profit

- Gross Profit for Q1 FY19 was Rs. 1,667.7 million as compared to Rs. 1,199.3 million in Q1 FY18, with margins expanding by 140 bps to 30.4%
 - This was mainly due to increase in revenues and efficient procurement prices

EBITDA

- EBITDA for Q1 FY19 stood at Rs. 597.4 million as compared to Rs. 285.2 million in Q1 FY18
 - EBITDA Margin stood at 10.9% for Q1FY19 vis-à-vis 6.9% for Q1FY18.
 - This was due to operating leverage and higher capacity utilizations

PAT

- PAT for Q1 FY19 stood at Rs. 282.7 million as compared to Rs. 105.3 million in Q1FY18. PAT Margin stood at 5.1% for Q1FY19 vis-à-vis 2.5% for Q1FY18.

Consolidated Profit & Loss Statement

Particulars	Q1FY19	Q1FY18	YoY	Q4FY18	QoQ
Revenue from Operations	5,494.2	4,128.8	33%	5,178.4	6%
Raw Material Costs	3,826.6	2,929.4	31%	3,522.8	9%
GROSS PROFIT	1,667.7	1,199.3	39%	1,655.5	1%
Gross Margins	30.4%	29.0%	140 bps	32.0%	-160 bps
Employee Expenses	204.2	161.0	27%	207.8	-2%
Other Expenses	866.0	753.1	15%	896.7	-3%
EBITDA	597.4	285.2	109%	551.1	8%
EBITDA Margin %	10.9%	6.9%	400 bps	10.6%	30 bps
Other Income	17.8	15.5	15%	43.5	-59%
Depreciation	135.5	115.6	17%	124.7	9%
EBIT	479.7	185.0	159%	469.8	2%
Finance Cost	102.6	70.5	46%	96.3	7%
Exceptional Items	-	-	-	-	-
PBT	377.1	114.5	229%	373.6	1%
Tax Expense	94.4	9.3	918%	112.1	-16%
PAT	282.7	105.3	169%	261.5	8%
PAT Margin %	5.1%	2.5%	260 bps	5.0%	10 bps
Other Comprehensive Income	-0.4	-1.8	-	-0.7	-
Total Comprehensive Income	282.3	103.5	173%	260.8	8%

Deployment & Utilization of IPO Proceeds

Sr. No	Objects of Issue (Rs. in Million)	Amount to be utilized	Amount utilized upto 30 th June'18	Pending Utilization
1	Expansion and Modernisation of Plant	1,477.0	1,249.6	227.4
2	Expansion and modernisation of the Bhagalaxmi Dairy Farm	23.0	10.5	12.5
3	Partial repayment of the Working Capital Consortium Loan	1,000.0	1,000.0	-
4	General corporate purposes (Gross of Expenses)	340.2	340.2	-
	Total	2,840.2	2,600.3	239.9



New Product Launches



Avvatar Advance Muscle Gainer

1st Muscle Gainer in India to be **certified by Informed Sports** from a WADA approved lab in UK

Right blend of **Protein-Carbohydrates Matrix**

- Whey Protein Concentrate and Isolate
- Casein, Maltodextrin and Dextrose

Flavours & Pack Size

- Available in a rich **chocolate flavour** with pack sizes of **3.3 lbs, 6 lbs and 10 lbs**

Enriched with **21 essential vitamins** and minerals that are depleted drastically during strenuous physical activity



Gowardhan Mishti Doi

Target to sell through **Modern Trade, General Trade** and **Online**

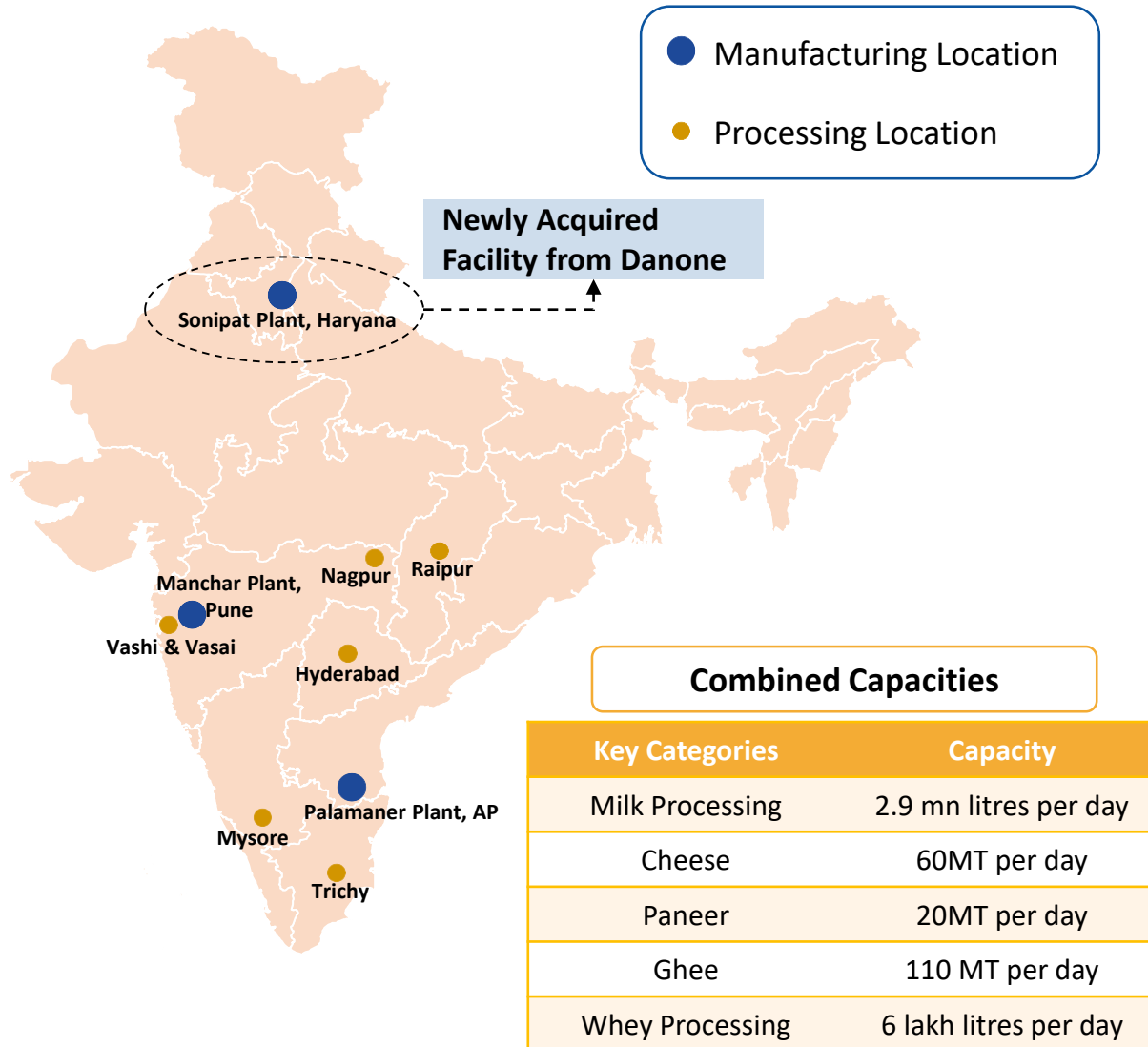
Prime components: **Caramelized Sugar** and **Lactic Culture**

Target Markets **All Major Metros**

Cup Format in **80 gm**

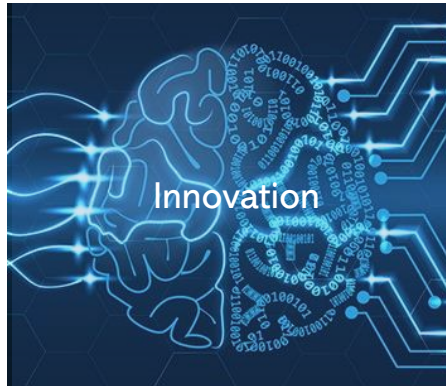


Added a new Manufacturing Facility



Key Features : Parag's Manufacturing Footprint

- One of the **Largest Cheese Plants** in India
- India's 1st state-of-the-art fully integrated **Whey Protein Plant**
- Fully automated **Paneer Plant**
- World-class **UHT facility**
- India's most **Modern Dairy Farm**
 - Houses Over **2,000 Holstein Friesian Cows**
 - With an **Average yield of 20-25 litres per cow** vs India's Average of 4-5 litres per cow
- Newly **Acquired Danone's Facility** & Infrastructure in Sonipat
 - Currently has a Milk & Curd Processing Unit
 - Future Plans to install processing units for pouch milk, flavoured milk, pouch butter milk, cup curd, misthi doi as well as expand the existing yoghurt facility



Our Journey so far...

Did You Know???



Ideas for a new day



One of India's **Largest Private Dairy** with a milk processing capacity of **2.9 Mn Litres Per Day**

2nd Largest Market Share in Cheese

Leaders & Pioneers of **Cow Ghee** category

Pioneers of **Fresh Paneer** with a **75 Day Shelf Life**

The **Leading private player in UHT Milk based Category**

Own's one of the **Largest Cow Farms in India**

Introduced the concept of "**Farm to Home**" milk under the brand '**Pride of Cows**'

India's First Company to launch a truly made in India B2C **Whey protein powder** under Brand Name '**Avvatar**'

Parag at a Glance



Ideas for a new day

Strong Relationships

Established Strong Relationships with over 2 lakh farmers and over 2.5 lakh retail touch points

State-of-the-art Facilities

Aggregate milk processing capacity of 2.9 mn litres per day with the largest Cheese production capacity in India of 60 MT / day and a Paneer Capacity of 20MT / day

Strong Distribution

Pan-India Distribution Network of 17 Depots, over 140 Super Stockists and 3,000+ Distributors

170+ SKU's

Diversified product portfolio with 170+ SKU's that cater to a wide range of customers

7 Brands

Gowardhan
Go
Pride Of Cows
Topp Up
Milkrich
Avvatar
Slurp

Ranked #1

Parag Milk Foods was ranked #1 in Fortune India's 'Next 500' from #67 last year



Evolution



Ideas for a new day



1992

Parag Milk Foods Limited founded in 1992 with one purpose:
To deliver Fresh Milk and Dairy Products



1998

Commissioned Manchar plant and began manufacturing Traditional products like Butter and Ghee under the brand, **'Gowardhan'**



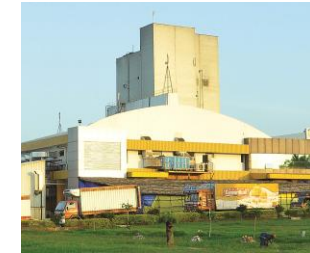
2005

Birth of **Bhagyalaxmi Dairy Farm** - India's most modern dairy farm with the finest International Equipments



2008

Commissioned **"Go Cheese World"** - India's largest cheese manufacturing plant with a capacity of 40 MT per day



2010

Palamaner plant was established with a **world-class UHT facility**



2011

Birth of **'Pride of Cows'**, a First-of-its-kind premium farm-to home milk brand



2014

Realising the needs of our institutional clients, we launched **B2B Whey Protein**



Ideas for a new day

2015

Relaunched the brand **Parag** with a new identity



2016

Got listed on the bourses, thus becoming a **Publicly branded** and owned entity



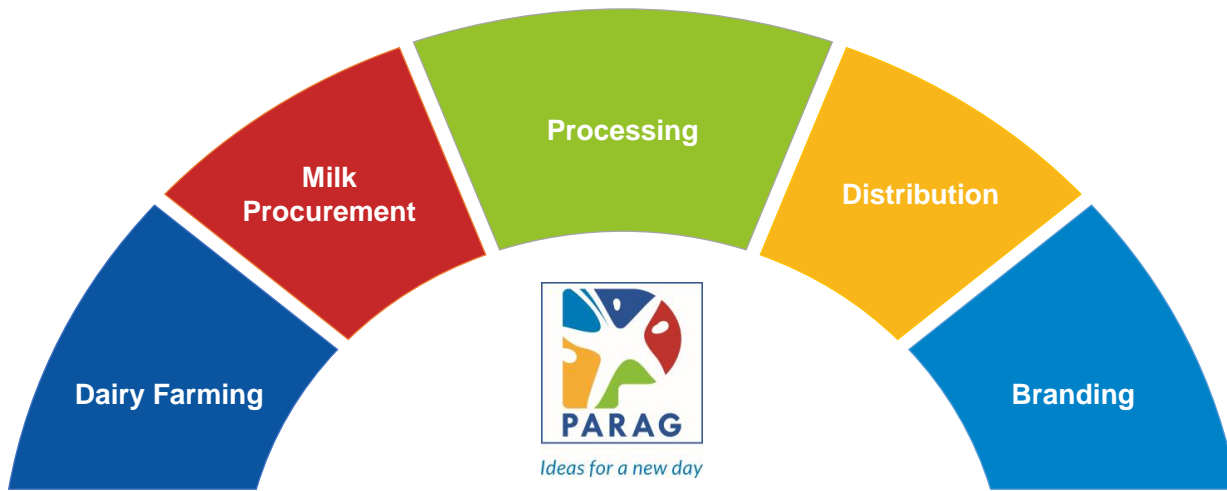
2017

Entered into the Juice drink market by launching a mango drink with a **Dash of milk' and 100% Whey protein**



Creating Value through an Integrated Business Model

Fully Integrated Business Model...



COMPETITIVE EDGE OVER OTHER PLAYERS IN INDUSTRY

There are only **FEW** who **OWN A DAIRY FARM**

There are only **FEW** who have **INHOUSE MILK PROCUREMENT EXPERTISE**

There are only **FEW** who have **INHOUSE MANUFACTURING**

There are only **FEW** who **OWN A STRONG BRAND**

STRONG PRESENCE ACROSS THE VALUE CHAIN

Dairy Farming

Owns **2,000** Holstein Freisan Cows

Milk Procurement

Relationship with over **2 Lakhs** Farmers – Our Partners in Progress

Processing

Capacity of processing **2.9 million** liters per day

Distribution

Network of **17** Depots, **140+** Stockiest, **3,000+** Distributors – Well Integrated Supply Chain Network

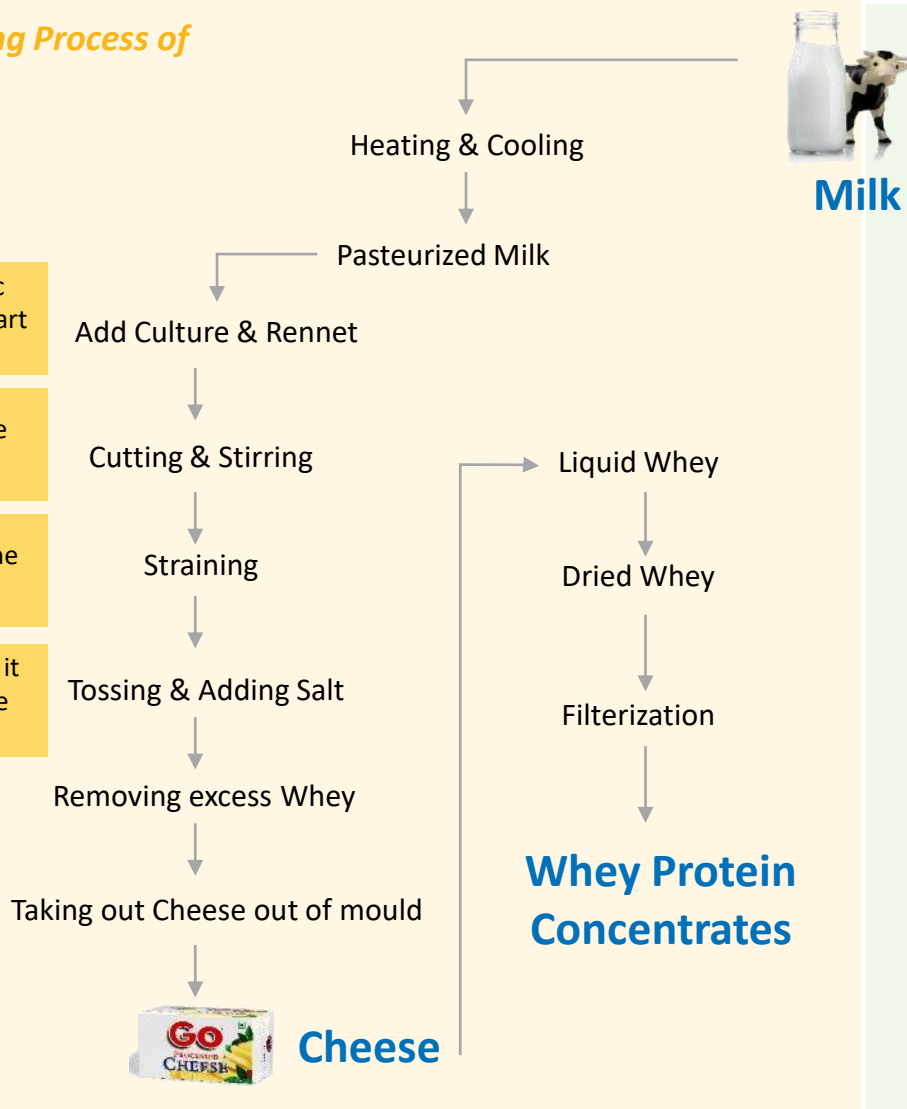
Branding

Owns **7** Brands – Targeting Distinct Consumer Groups with Diverse Needs

...Catering to Products across the Value Chain

Manufacturing Process of Cheese

- Turns lactose into lactic acid which makes milk start to curdle
- Helps to evenly turn the milk into curd
- Strains the whey from the curds
- Curd is Tossed to loosen it up and add salt for taste and to preserve it



Milk

Standardization + Heating → Pasteurized Milk

Fat

Heating & Churning



Butter

Heating



Ghee

SNF

Drying

SMP



Products

Manufacturing Process of Butter, Ghee & Supplementary Products

UHT



Tetra Milk

Flavour



Flavoured Milk

Bacteria

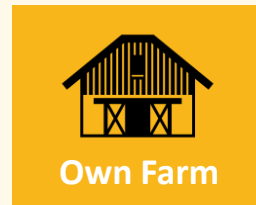
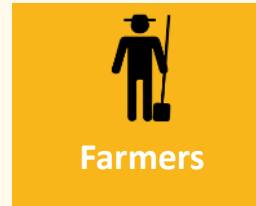


Dahi

... with Strong Relationships and Trust

100% Direct Procurement

- Procure 100% cow's milk from more than 2 lakh farmers in 29 districts in Maharashtra, Andhra Pradesh, Tamil Nadu and Karnataka
- Own a Dairy Farm called Bhaghyalaxmi Dairy that houses over 2,000 Holstein Freisan Cows
- The brand 'Pride of Cows' derives its milk from these cows



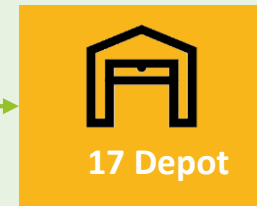
- Two dairy plants at Manchar (Maharashtra) and Palamaner (Andhra Pradesh)
- Installed milk processing capacity of 2.9 mn litres/day



Dairy Plant

- One of the largest cheese plant with a capacity of 60 MT/day
- India's 1st state-of-the-art whey plant
- UHT Technology at the Palamaner plant

Distribution System



Customers

- Pan – India Reach
- Targeting distinct consumer groups
- Catering to the diverse needs of a consumer
- Providing consumers with a varied product portfolio of the highest quality

Farmer Relationship is an integral part of our business...

3-tier Milk Procurement Process

Tier 1

Village collection centres procure milk from over 2 lakh farmers in 29 districts

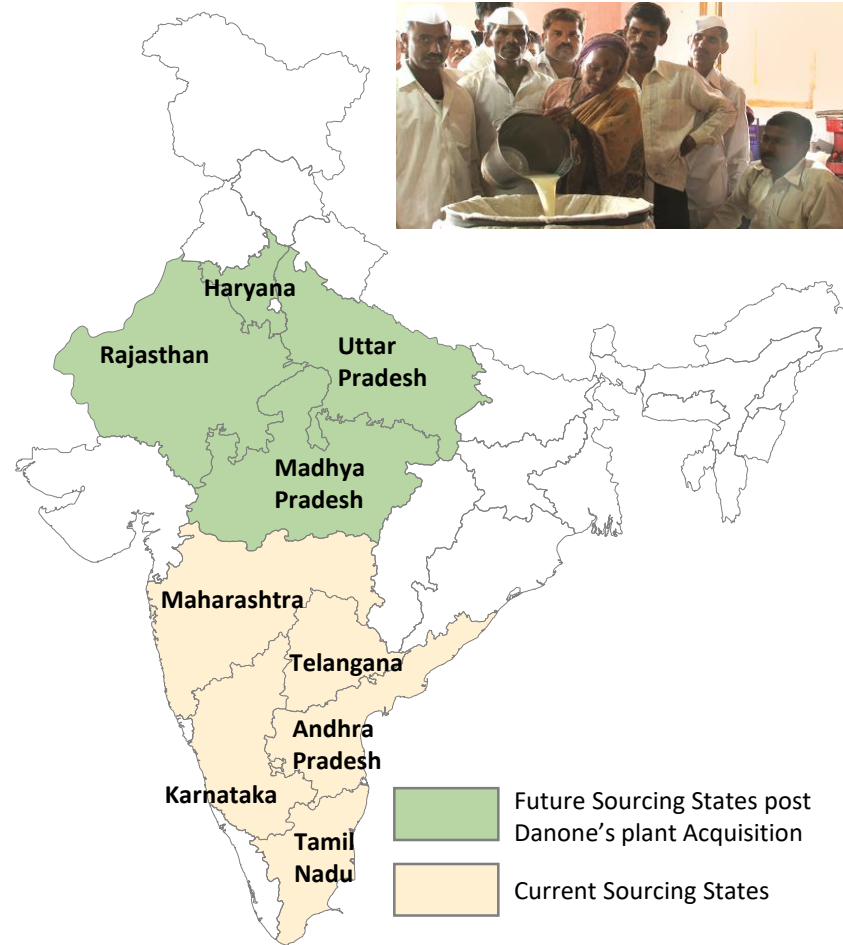
Tier 2

Milk is then transported to nearby Bulk Milk Coolers (BMC) and chilled

Tier 3

The chilled milk is then transported in tanks to our dairy plant

Procurement Network



Farmer Services

Never Say No for Milk

Correct Quantity & Quality

Transparent Milk Pricing

Supplying Cattle feed at subsidized rates

Building Relationship with Farmers

Improving the Productivity of Cows

Free Health Camps for Cattles

Free Vaccinations for Cattles

...and superior Product Offerings

Product Categories

Milk

Ghee

Cheese

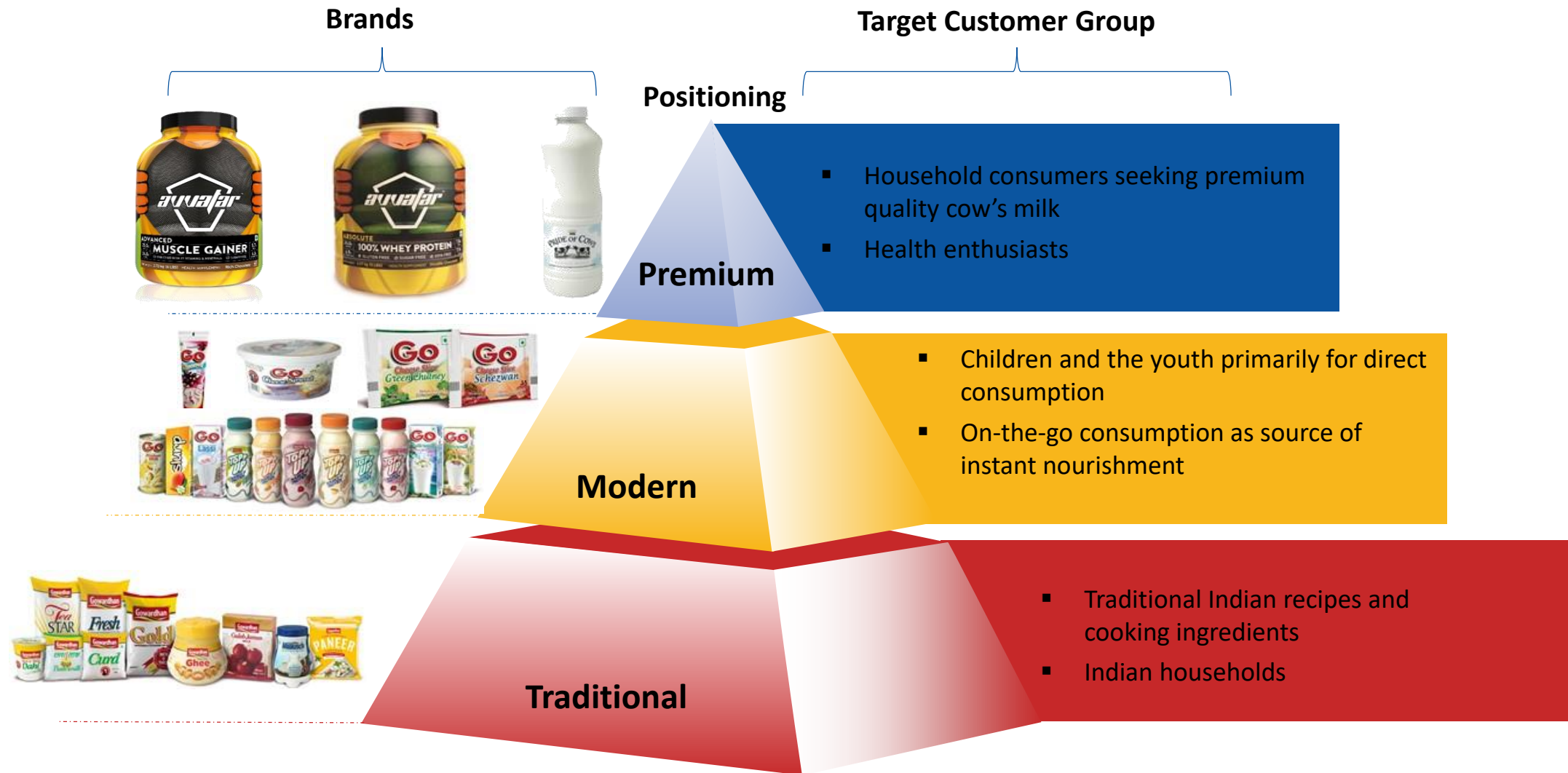
Beverages

Whey

Others



...catering to each Segment of Customers



... working closely with Institutional Clients



Interact with Customers at the **Inception Phase** of the Product and even help them to **curate a menu**

Customization of the product **according to the Need**

Maintaining the **Exclusivity of the Product**

Strong/ Long term Relations with Customers

Supplies To:

Prominent Burger Chains

Major FMCG companies



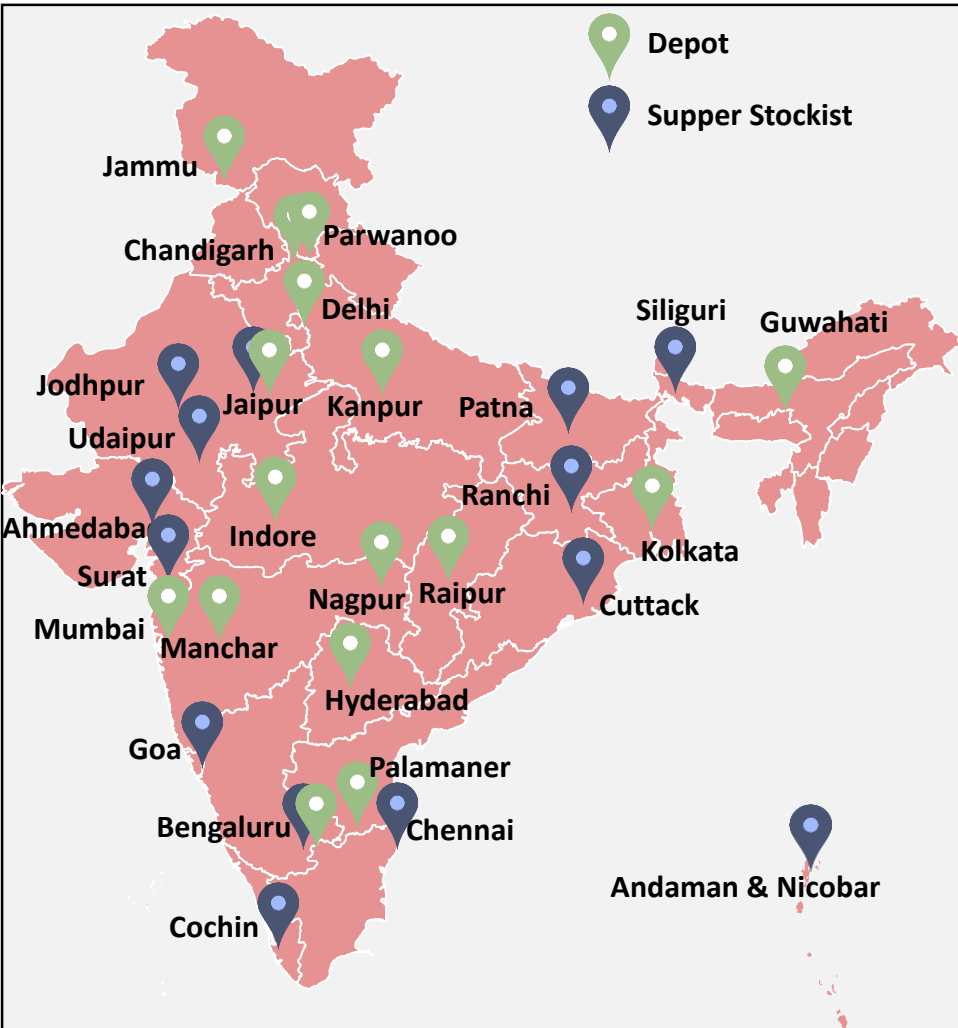
Leading Pizza Chains

Hotels, Restaurants and Food Chains

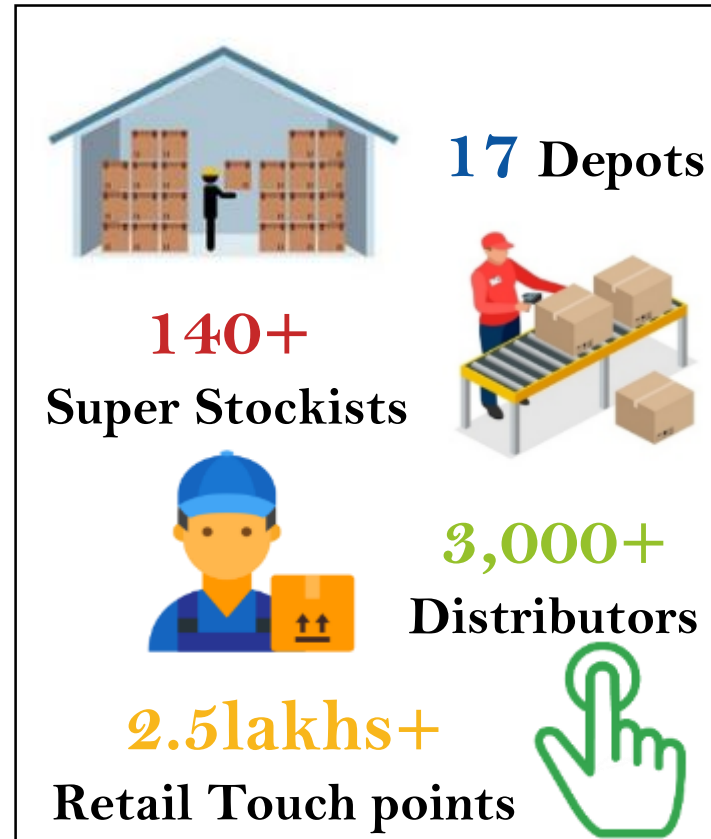


...and last mile availability from 'Farm to Fork'

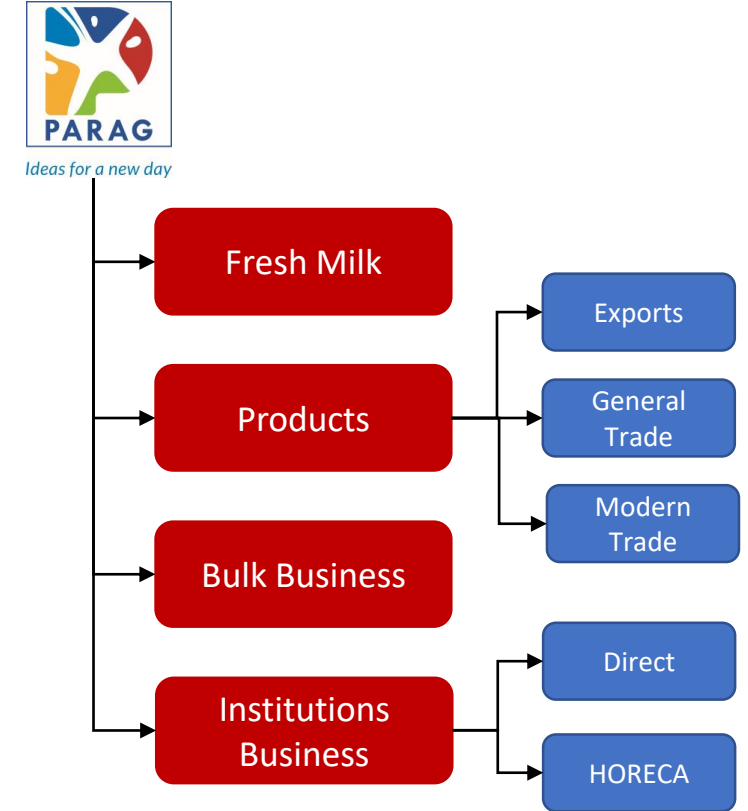
Pan-India Reach



Distribution Network



Route-to-market Strategy



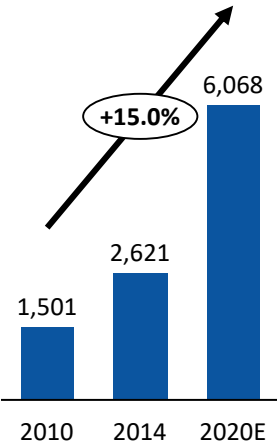
- Dedicated Sales and Marketing team comprising of over 800 personnel
- Sales force Automation –Better visibility of Supply Chain Management

Our Growth Strategy

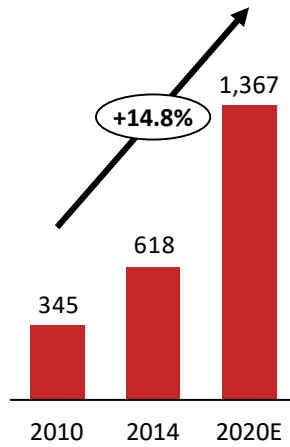


Industry has tremendous Growth Potential

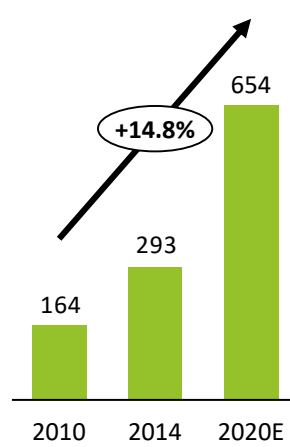
Liquid Milk



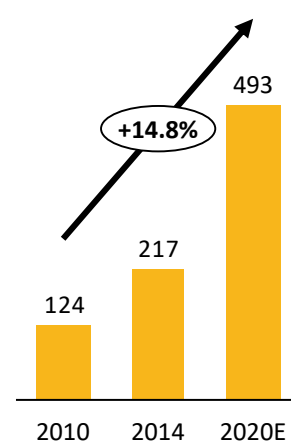
Ghee



Paneer



Curd



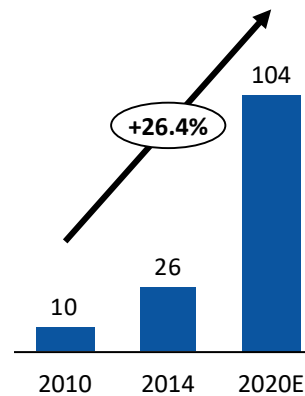
Traditional Products Growth

CAGR of
15%

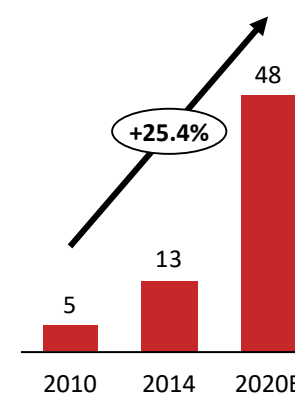
Modern Products Growth

CAGR of
26%

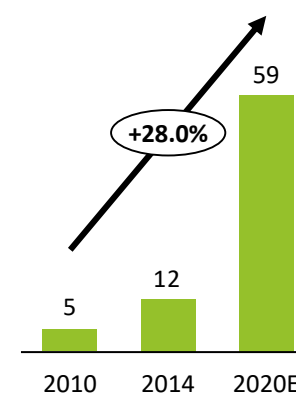
UHT Milk



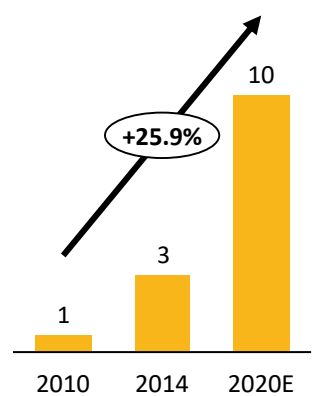
Flavoured Milk



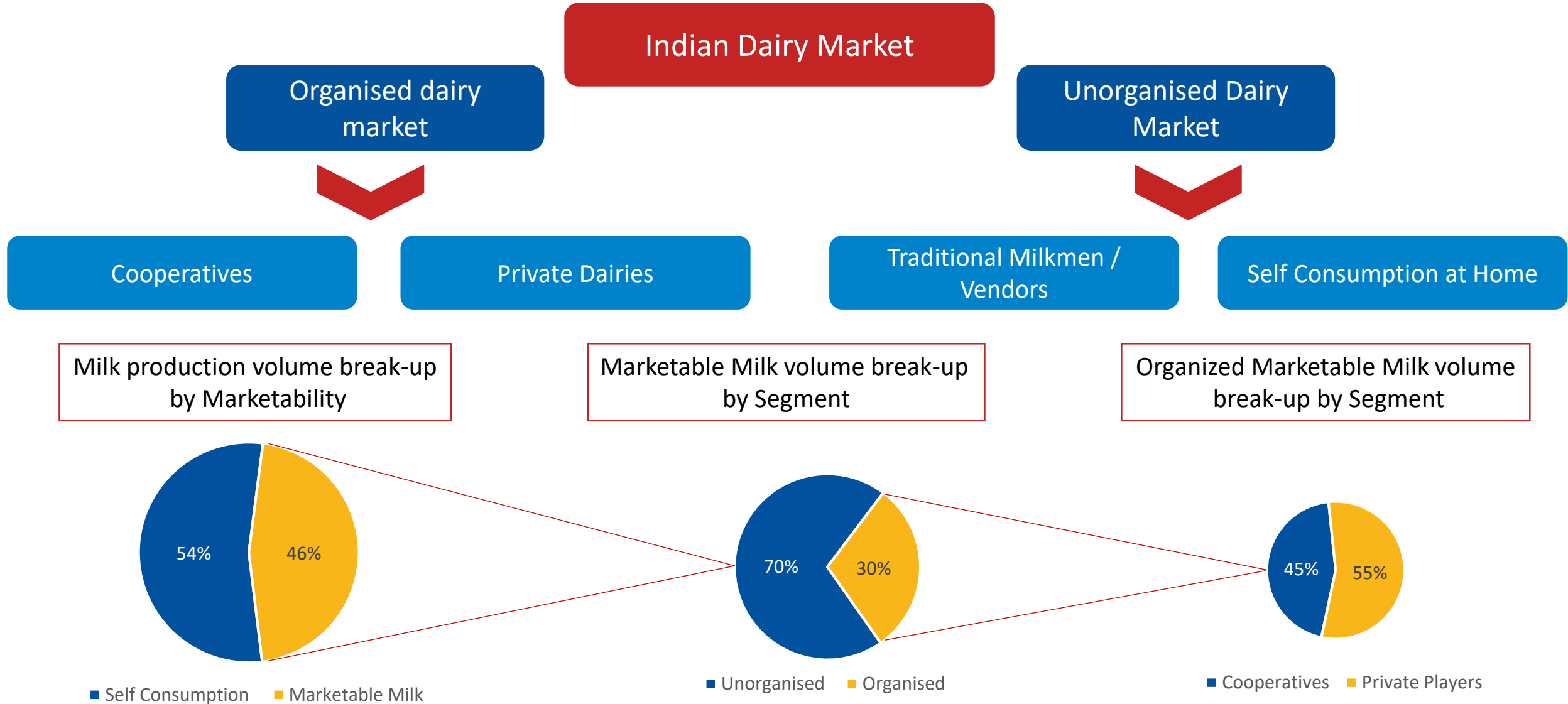
Cheese



Whey (Powder)



The Pie of Organised Dairy Market is Increasing



Our strategy for Value Creation

Increase Operational Efficiencies

Leverage in-house technological, R&D capabilities

to:

- Maintain strict operational controls
- Enhance customer services levels
- Develop customised systems & processes

Operational Efficiencies

Focus on Health & Nutrition

Introduce healthy & nutritious product variants like

- Whey protein powder for mass consumption and in different formats
- Colostrum products – as daily supplements
- High protein, low fat cheese products

Health & Nutrition

Strengthen Our Brands

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

Brands

Increase 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 protein directly to consumers in the form of a branded product

Value-added Product

Increase 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

Milk Procurement

Enhance Product Reach

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

Product Reach



Product USP

- Avvatar is a 100% vegetarian whey protein powder for sports nutrition
- Contains 24g of protein per scoop and is sugar free, soy free and gluten free
- Received certification from Informed Sports that the product is free from banned substances and hence useful for national and state level sportsmen and athletes
- Available in nutrition supplement stores, pharmacies, modern retail stores, and e-commerce portals

Trends

- Sports nutrition segment, which is Rs 1,500 Cr+ in size is expected to grow significantly
 - India's changing outlook towards fitness, exercise and appropriate nutrition intake
 - Increase in memberships of gyms, fitness centres and health clubs
 - Expert advice from gym instructors is a major factor in the decision to purchase

Competitive Landscape

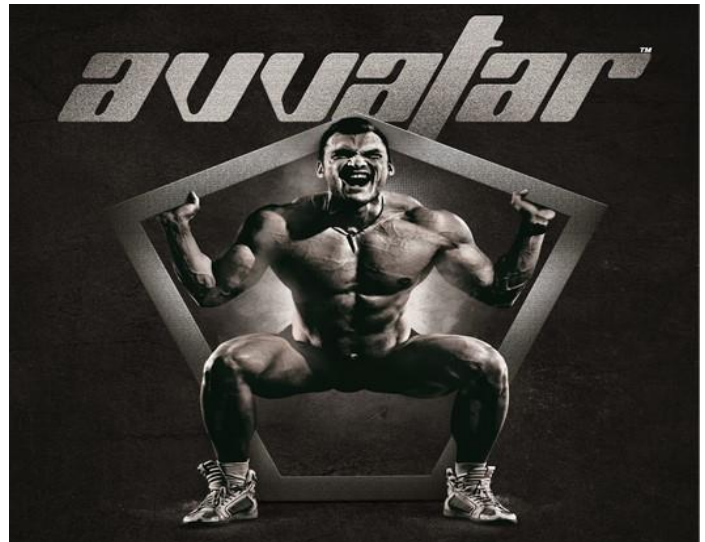
- Category is currently dominated by imported brands
- Category is highly fragmented with a flurry of brands with multiple product offerings



Available in
Double Chocolate,
Vanilla Snow
Crème and Café
Mocha

In two sizes 2 lbs
and 5 lbs


First brand to produce Whey Protein powder in India



RECONSTRUCT YOURSELF WITH ABSOLUTE 100% WHEY PROTEIN

24g PROTEIN	7.8g BCAA	7.9g EAA	4.9g GLUTAMINE ACID
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PURE VEG • SUGAR FREE • SOYA FREE • GLUTEN FREE



FROM OUR DAIRY FARM TO YOUR SHAKER CUP,
FRESH AND PURE.

India's Largest Modern Dairy Farm



- India's most advanced dairy farm, equipped with the finest international technology
- The cows at the farm are a handpicked herd of 2,000+ crossbred Holstein Friesians
- The brand "Pride of Cows", the first-of-its-kind, Farm-to-Home milk derives its milk from this farm
- Direct supply of Milk to a customer base of ~20,000 households in Mumbai, Pune and Surat



- At Bhagyalaxmi, we are now working on backward integration through:
 - Introduction of value added products like organic fertilizers from cow manure and cow urine through bio-sciences division
 - Establishing farmers training centre in collaboration with TAFE SA, Australia
 - Feed supply to farmers to improve cow productivity
 - Bio-gas plant to generate electricity for captive consumption
 - Provide high quality genetic semen to farmers



Driving Higher Profitability for the Business



Future Ready Technology Platform



Procurement

- LP Connect (Milk)
- E - Auction

Operations

- Vector Flow
- Network Optimizer

Distribution

- Distributor Management Systems
- Sales Force Automation

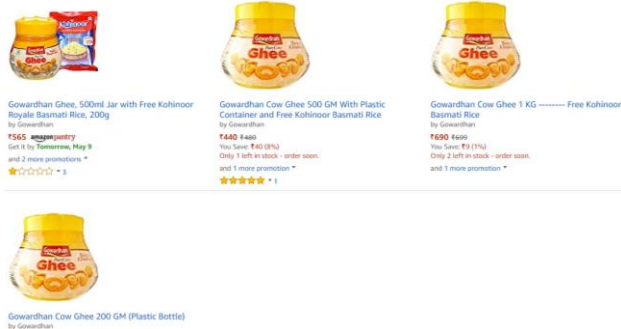
Fully Integrated SAP, ERP and Data Analytics

150 – 190 mn FMCG Consumers would be Digitally influenced by 2020

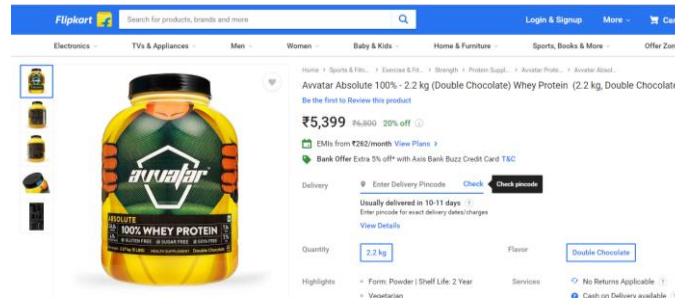


Ideas for a new day

Amazon



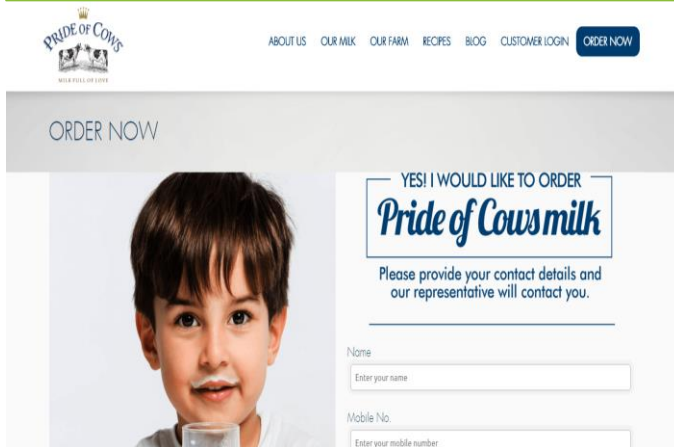
Flipkart



Avvatar Website



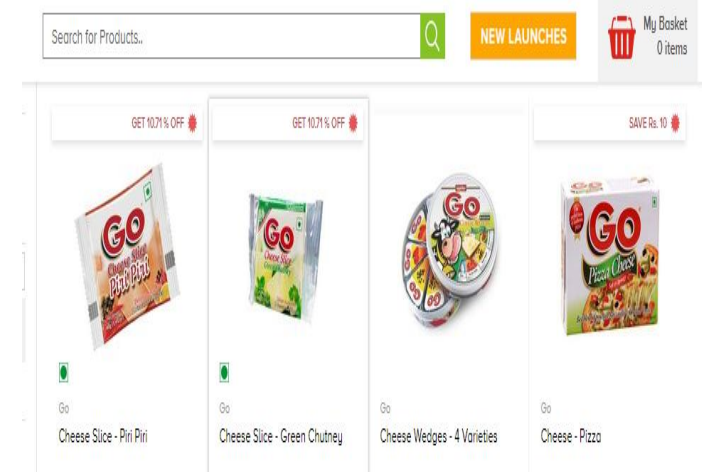
Pride of Cows - Website



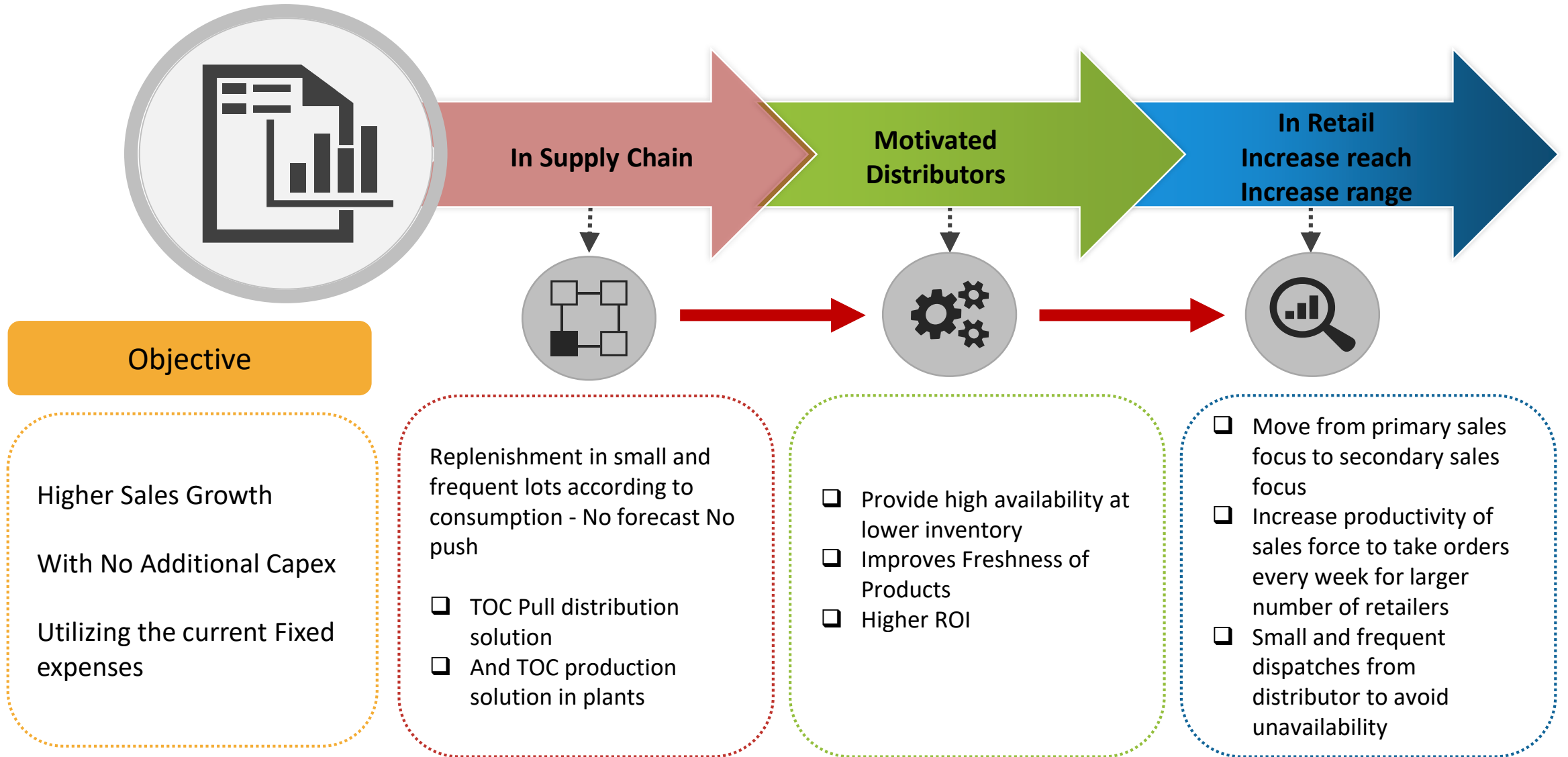
Pride of Cows - Mobile App



Big Basket & Grofers



Addressing the potential in Sales and Supply Chain



Our Management Team & Our Board of Directors



Board of Directors



Ideas for a new day

Mr. Devendra Shah
Chairman

Mr. B. M. Vyas
Director

Mr. Narendra Ambwani
Independent Director

Mrs. Radhika Pereira
Independent Director



Mr. Pritam Shah
Managing Director

Mr. Sunil Goyal
Independent Director

Mr. Nitin Dhavalikar
Independent Director

Mr. Ramesh Chandak
Director

The Board consists of well qualified personnel with a strong understanding on the Procurement & Production Processes with a wide gamut of Industry experience in the Dairy and Consumer Space backed by innovative abilities to make the company a successful Dairy FMCG company.

Management Team



Ideas for a new day

Mr. Devendra Shah Chairman

Parag Milk Foods is the brainchild of Mr. Shah. He also holds reputed positions in various ventures like Director, National Dairy Research Institute & Secretary of National centre for Rural Development. He is also actively involved in elevation of farming community. Maharashtra Govt had honored him with Maharashtra Udyog Bhushan award.

Mr. Pritam Shah Managing Director

Responsible for the overall Executional Strategy of the Company. He is responsible for bringing in the best manufacturing Technology and his strong understanding of procurement and production process has enhanced Company's overall performance.

Mr. Vimal Agarwal Chief Financial Officer

He is a Chartered Accountant and an MBA by qualification. He has a rich and diversified experience of 18 years in leading FMCGs in India. He has accelerated in Financial Planning, Reporting, Capex & Opex Budgeting, Commercial and Supply Chain Management, Working Capital Management & Cost efficiency strategies. He has demonstrated his leadership skills by driving profitable growth while enhancing Governance Standards in consumer product companies.

Ms. Akshali Shah VP – Strategy (Sales & Marketing)

An MBA in Family Managed Business from S.P. Jain Institute of Management & Research, she is actively involved in branding, marketing & advertising strategy, category intelligence & competitive analysis. She has also played a key role in the revamping the corporate identity of company.

Mr. H.S. Oberoi President - Cheese Manufacturing

A Mozzarella Cheese manufacturing expert, he has a B. Tech degree and over 52 years of extensive experience in the dairy industry.

Mr. Harshad Joshi Chief Operating Officer

He is a graduate in Dairy Technology from S.M.C. College of Dairy Science, Energy Conservation in Dairy Industries from NDDDB and Strategic Retail Management from ISB
He has 26+ years of experience. Prior to joining us, he was associated as CEO in Vizebh Agri Sciences Pvt Ltd, CEO in Maahi Milk Producer and as GM – Merchandising & Operations in Bharti - Walmart and as GM Sales & Marketing in VRSs Foods Ltd. He had leadership positions at Amul-Fed Dairy, Gayatri Dairy Ltd. and in Sardar Dairy Pvt. Ltd.

Management Team



Ideas for a new day

Mr. Amarendra Vishnu Sathe
Chief Commercial Officer (CCO)

He has 24+ years of experience in new product launches, brand management, sales promotion & distribution management. He is PGDMM (Marketing) from INDSEARCH Institute of Management and B.Sc from A.G.College. Prior to joining us, he was associated with Kimberly-Clark Lever Pvt. Ltd as Director Sales India & SAARC and served as Director Sales with Inbisco India Pvt. Ltd and Uni-charm India Pvt. Ltd. He also had various roles with PepsiCo India Holdings Pvt. Ltd.

Mr. Sachin Shah
VP – Southern Operations

A science graduate, with over two decades of professional experience, he oversees the Company's operations at Palamaner. He heads Supply Chain function of the Company.

Mr. Sanjay Mishra
General Manager, Manchar Plant

He has over two decades of experience and is a Specialist in Process Cheese Recipes. He also heads the Liquid Milk Procurement in the Company.

Mr. Sanjay Nakra
General Manager, Palamaner Plant

He is a Dairy Technologist with experience of over 25 years in Dairy Plant level manufacturing. He travels across the world, to track global practices and advancements in the dairy sector.

Mrs. Rachana Sanganeria
Company Secretary & Compliance Officer

Qualified Company Secretary and an Associate Member of the Institute of Company Secretaries of India. She also holds a Bachelor's degree in Commerce and LL.B. degree from the University of Mumbai. She has over 18 years of experience as a Company Secretary.

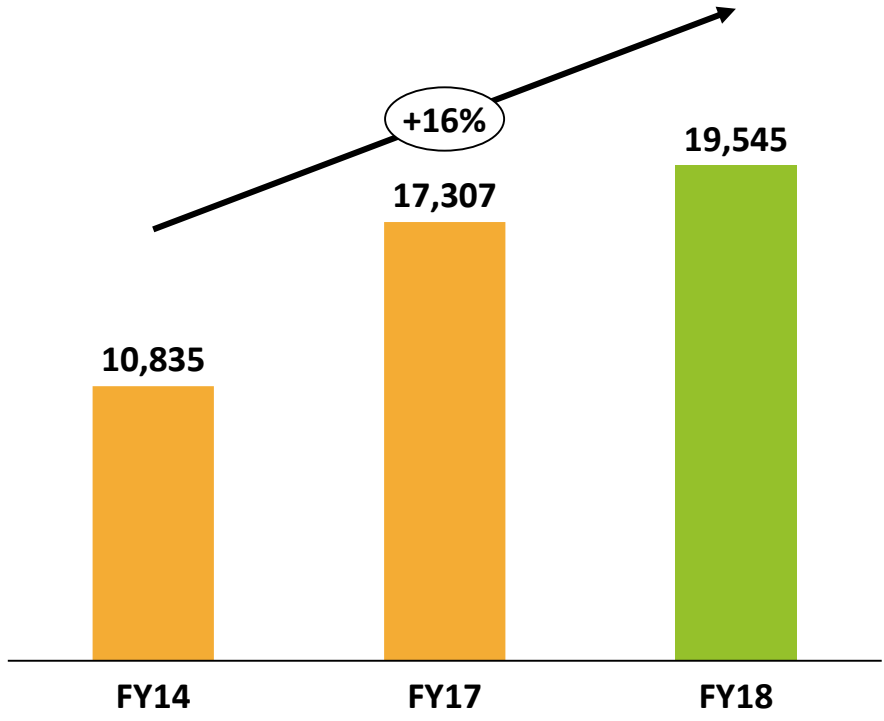
Financial Highlights



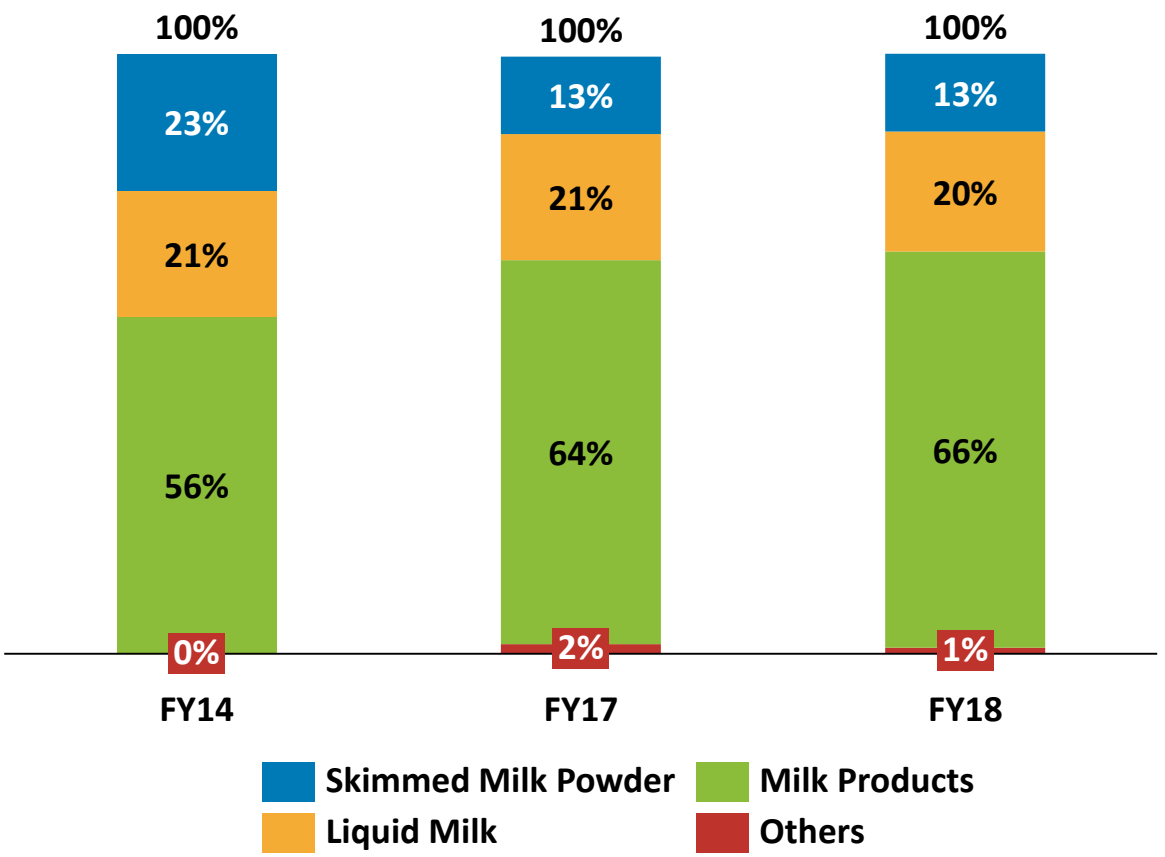
Consolidated Revenue Highlights – FY18



Revenue (Rs. Mn)

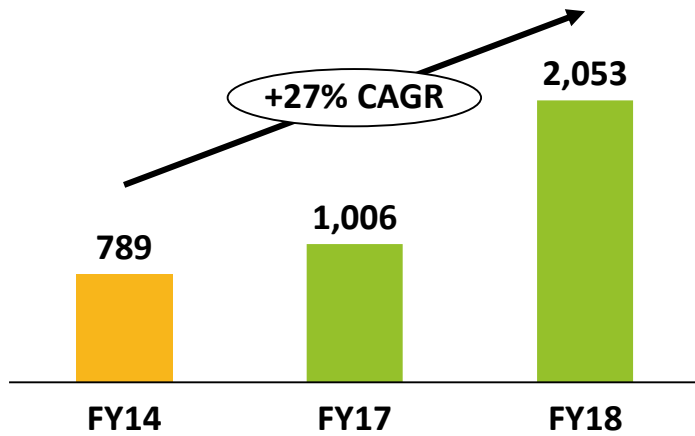


Category wise Share

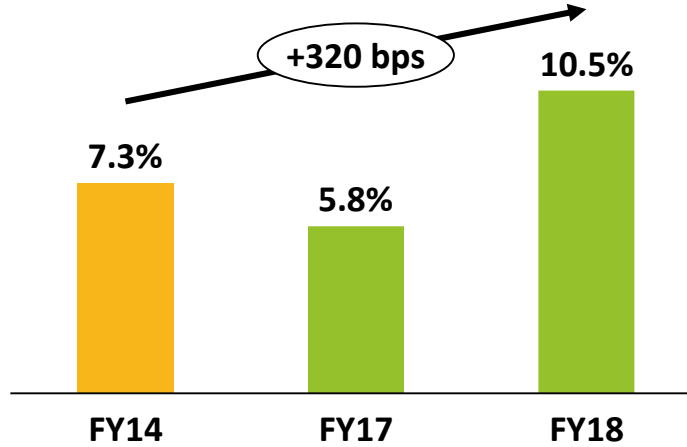


Consolidated Profitability & Returns

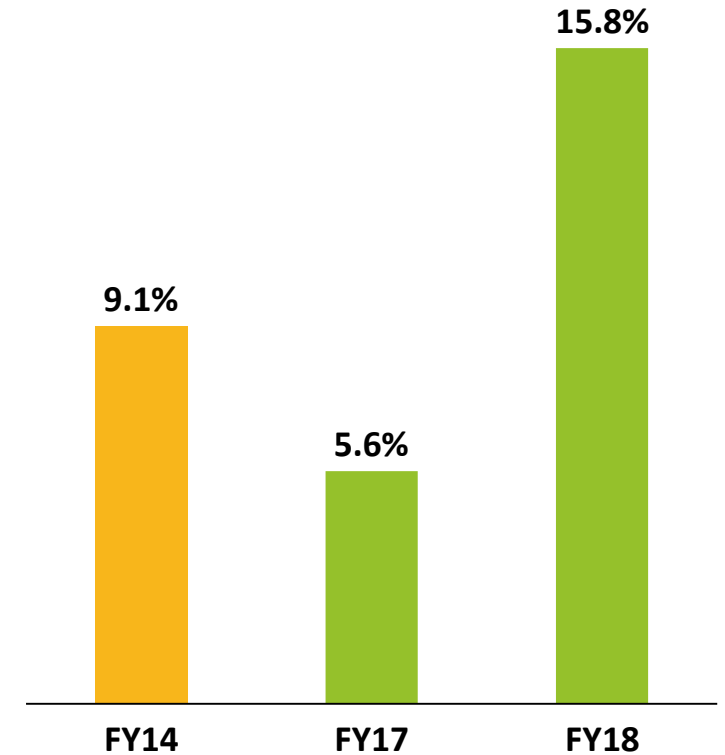
EBITDA (Rs. Mn)*



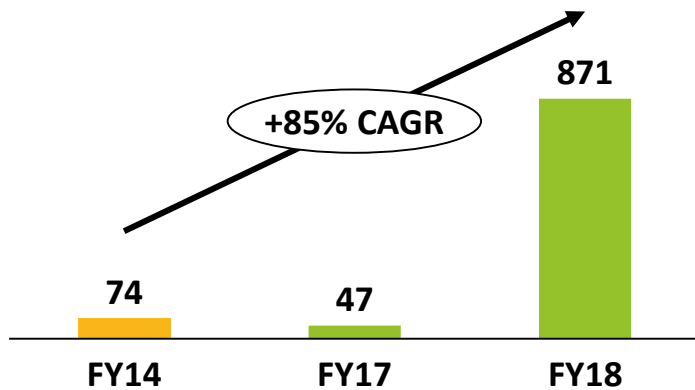
EBITDA Margin (%)*



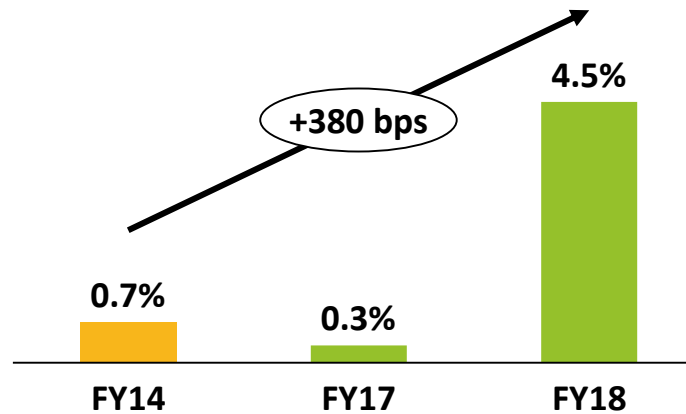
ROCE (%)



PAT (Rs. Mn)



PAT Margin (%)



* Includes Other Income

	FY18	FY20
Revenue	Rs. 1,955 Crs	Rs. 2,700 – 3,000 Crs
EBITDA Margin	10.5%	11- 12%
ROCE	15.8%	18-20%





Ideas for a new day

SGA Strategic Growth Advisors

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CIN: L15204PN1992PLC070209

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Investor Relations Advisors:

Strategic Growth Advisors Pvt. Ltd.

CIN: U74140MH2010PTC204285

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