

# Prabhat Dairy Limited

Fresh Dairy • Milk Ingredients • Co-manufacturing



February 15, 2017

BSE Ltd. Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001  Scrip Code: 539351	The Listing Department <b>National Stock Exchange of India Limited</b> Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 <b>Symbol: PRABHAT</b>
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**Sub : Investor presentation on Unaudited Financial Results for the quarter ended December 31,2016.**

**Ref.: Regulation 30(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Dear sir / madam,

Pursuant to the captioned regulation we are enclosing herewith Investor Presentation on Unaudited Financial Results for nine months & quarter ended December 31, 2016.

The presentation is also hosted on the website of the Company at <http://www.prabhatfresh.com/investor-relations/q2/>

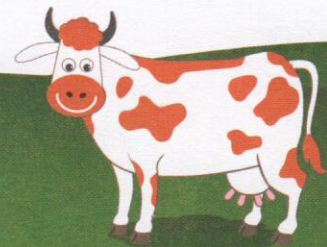
Kindly take the above information on record.

Thanking you,

For Prabhat Dairy Limited

Authorised signatory

Encl: Investor Presentation



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CIN: U15203PN1998PLC013068



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# The Taste That Stays.



**Prabhāt**  
Partners in Progress

Emerging brand in value added dairy products

Q3 & 9M FY17 RESULTS UPDATE  
FEBRUARY 2017

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## DISCLAIMER



This presentation and the following discussion may contain “forward looking statements” by Prabhat Dairy Limited (“Prabhat” or “Prabhat Dairy” or the “Company”) 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 Prabhat about the business, industry and markets in which Prabhat 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 Prabhat’s 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 of future performance or achievements of Prabhat. In particular, such statements should not be regarded as a projection of future performance of Prabhat. It should be noted that the actual performance or achievements of Prabhat may vary significantly from such statements.



Emerging brand in value added dairy products

## DISCUSSION SUMMARY

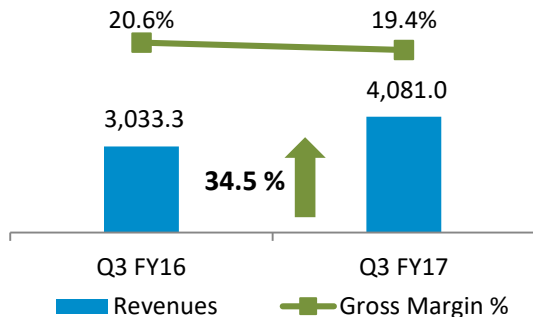
- ❑ Q3 & 9M FY17 RESULTS ANALYSIS
- ❑ COMPANY OVERVIEW
- ❑ BUSINESS MODEL
- ❑ COMPETITIVE ADVANTAGES
- ❑ STRATEGY & OUTLOOK
- ❑ ANNEXURE

# Q3 FY17 RESULT ANALYSIS

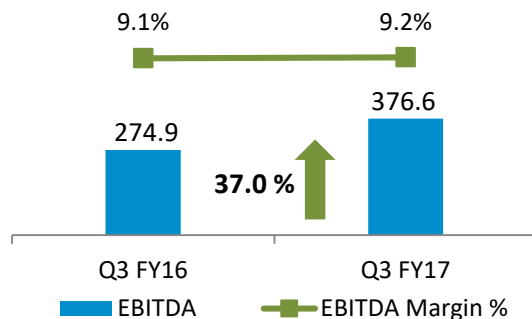
## KEY HIGHLIGHTS

In Rs Mn

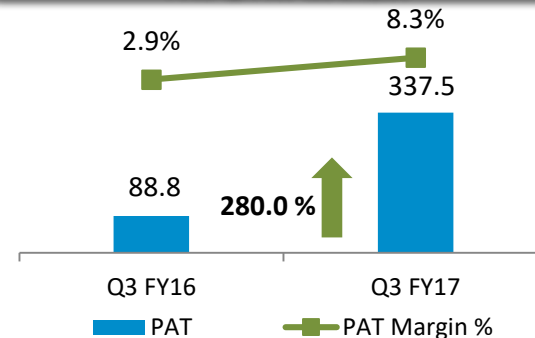
### REVENUES & GROSS MARGIN



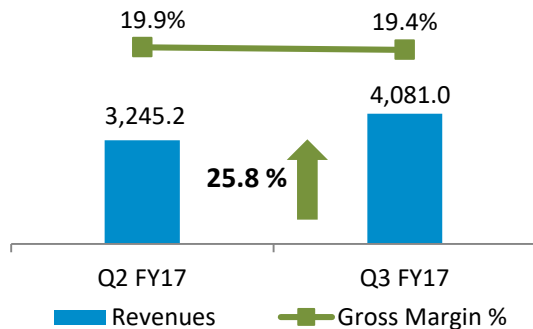
### EBITDA & EBITDA MARGIN



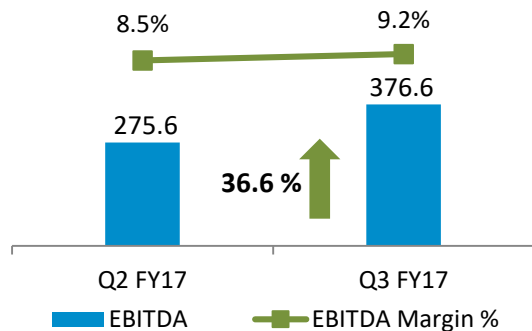
### PAT & PAT MARGIN



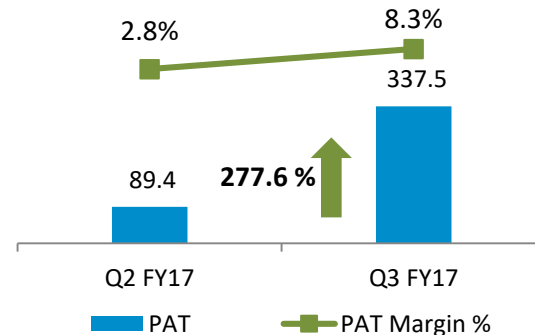
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN

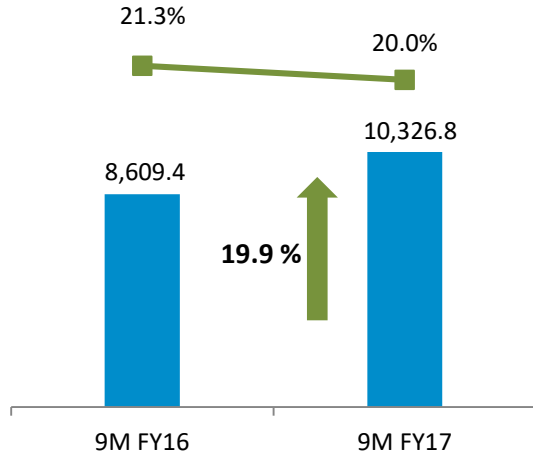


# 9M FY17 RESULT ANALYSIS

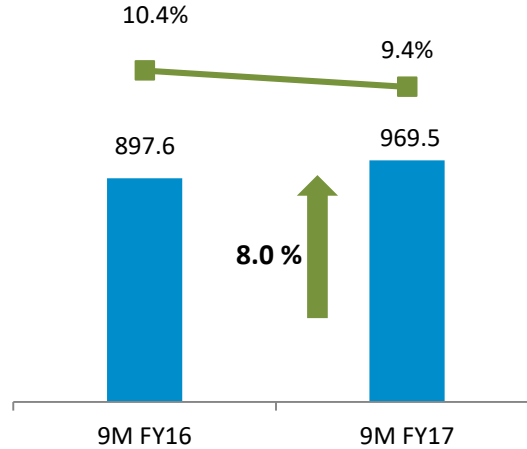
## KEY HIGHLIGHTS

In Rs Mn

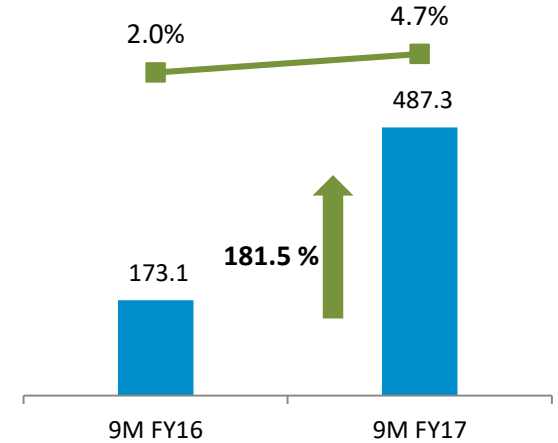
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN



Revenues Gross Margin %

EBITDA EBITDA Margin %

PAT PAT Margin %

## Q3 & 9M FY17 RESULT ANALYSIS

### CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q3 FY17	Q3 FY16	YoY%	Q2 FY17	QoQ%	9M FY17	9M FY16	YoY%
Revenue from Operations	4,045.6	3,032.50	33.4%	3,244.3	24.7%	10,216.0	8,607.2	18.7%
Other Operating Income*	35.4	0.8	4,438.5%	0.9	3,828.3%	110.9	2.2	4,961.7%
<b>Total Revenues</b>	<b>4,081.0</b>	<b>3,033.3</b>	<b>34.5%</b>	<b>3,245.2</b>	<b>25.8%</b>	<b>10,326.8</b>	<b>8,609.4</b>	<b>19.9%</b>
COGS	3,290.3	2,408.8	36.6%	2,598.8	26.6%	8,258.1	6,776.0	21.9%
<b>Gross Profit</b>	<b>790.7</b>	<b>624.5</b>	<b>26.6%</b>	<b>646.4</b>	<b>22.3%</b>	<b>2,068.7</b>	<b>1,833.4</b>	<b>12.8%</b>
<b>Gross Margin</b>	<b>19.4%</b>	<b>20.6%</b>	<b>-122 bps</b>	<b>19.9%</b>	<b>-54 bps</b>	<b>20.0%</b>	<b>21.3%</b>	<b>-126 bps</b>
Employee Expenses	87.2	73.5	18.6%	81.4	7.1%	250.7	204.9	22.4%
Other Expenses	326.9	276.1	18.4%	289.4	13.0%	848.5	731.0	16.1%
<b>EBITDA</b>	<b>376.6</b>	<b>274.9</b>	<b>37.0%</b>	<b>275.6</b>	<b>36.6%</b>	<b>969.5</b>	<b>897.6</b>	<b>8.0%</b>
<b>EBITDA Margin %</b>	<b>9.2%</b>	<b>9.1%</b>	<b>16 bps</b>	<b>8.49%</b>	<b>74 bps</b>	<b>9.4%</b>	<b>10.4%</b>	<b>-104 bps</b>
Depreciation	109.5	86.9	26.1%	109.4	0.2%	322.9	292.2	10.5%
Finance Cost	79.2	59.0	34.1%	68.4	15.8%	218.8	346.0	-36.8%
Other Income	2.2	1.9	16.5%	6.0	-63.4%	7.6	12.2	-37.3%
Exceptional Item	255.9	0.0	-	0.0	-	189.1	0.0	-
<b>PBT*</b>	<b>446.0</b>	<b>130.9</b>	<b>240.6%</b>	<b>103.9</b>	<b>329.1%</b>	<b>624.6</b>	<b>271.5</b>	<b>130.1%</b>
Tax Expense	108.5	42.1	157.6%	14.6	645.1%	137.3	98.4	39.6%
<b>PAT</b>	<b>337.5</b>	<b>88.8</b>	<b>280.0%</b>	<b>89.4</b>	<b>277.6%</b>	<b>487.3</b>	<b>173.1</b>	<b>181.5%</b>
Other Comprehensive Income	12.4	-18.3	-167.8%	12.5	-0.8%	0.4	0.4	-16.2%
<b>Total Comprehensive Income</b>	<b>349.9</b>	<b>70.5</b>	<b>396.2%</b>	<b>101.9</b>	<b>243.4%</b>	<b>487.6</b>	<b>173.6</b>	<b>180.9%</b>
<b>PAT Margin %</b>	<b>8.3%</b>	<b>2.9%</b>	<b>534 bps</b>	<b>2.8%</b>	<b>552 bps</b>	<b>4.7%</b>	<b>2.0%</b>	<b>271 bps</b>

\* This quarter, company recognized Rs. 31.7 million as Mega Project benefit in Net Revenue and Rs. 256 million in PBT refers to Mega Project Income from FY15, FY16 and H1FY17.

### FINANCIAL UPDATES:

- Q3 FY17 Total Revenues increased by 34.5% YoY to Rs 4,081.0 mn.
  - Despite adequate monsoons in 2016, raw milk availability continues to be impacted as the ecosystem hasn't improved significantly leading to higher milk prices. However, efforts to increase volume growth and higher realizations across value added products has helped offset the price rise.
  - Milk procurement rates have increased from Rs. 25.62 to Rs. 27.21 per litre.
  - The share of value added products increased from 76% to 86% on a YoY basis driven by speciality ingredients, ghee, cheese etc.
  - Recognized Mega Project benefit of Rs.31.7 million in Net Revenue this quarter.
- Q3 FY17 gross profit increased by 26.6% YoY to Rs 790.7 mn. Gross margin decreased by 122 bps from 20.6% to 19.4% YoY.
  - Although the milk procurement prices increased significantly, higher realizations from value added products helped offset the total impact of steep price increases and gross margins have remained healthy.
- Q3 FY17 EBITDA increased by 37.0% YoY and 36.6% QoQ to Rs. 376.6 mn. EBITDA margins increased by 16 bps YoY and 74 bps QoQ to 9.2%.
  - Although business promotion expenditure in absolute terms has grown, it was lower as a % of sales as compared with previous quarter due to higher proportion of B2B sales.
  - Transportation costs were lower as more milk was procured from near by locations as compared to previous quarters.
- Q3 FY17 PAT increased by 280% YoY. PAT margin increased by 534 bps YoY to 8.3% in Q3FY17. Received Rs. 256 million this quarter as a part of mega project income for FY15,FY16 and H1FY17 which boosted profitability significantly.



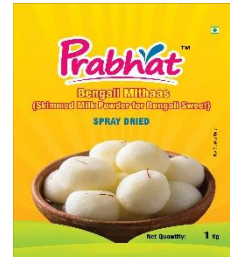
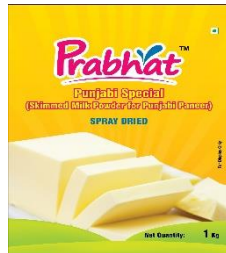
B2B BUSINESS

- **Ricotta Cheese** – Developed product and are sole suppliers to Dominos.
- **Mozzarella Cheese** – Amongst top suppliers to Dominos.
- **Paneer** – Started supplies to Dominos, signed agreement with Britannia.
- **Shrikhand** – Signed agreement with Vadilal for packaging it's branded products for exports to USA.
- **SMP** – Partnerships with Vadilal, Hangyo Ice Cream and Parle for SMP.



**B2C BUSINESS**

- **Ghee** is present in **25 states** and the penetration continues to increase with more than **500 distributors** and **1 lac+ retail touch points**.
- Products like **Paneer, Butter, Curd** etc. continue to gain prominence and acceptance amongst end consumers.
- The company has started supplying cheese to premium institutional clients like **TAJSATS**.



CONTINUE TO EXPAND RETAIL PRESENCE IN MODERN TRADE



- Our products like Paneer, Dahi, Lassi and Shrikhand are retailed in Modern Trade shelves like Big Bazaar, Star Bazaar, Hypercity, D Mart etc.
- Prabhat Dairy started its retail business more than 2 years back and already covers more than 15,000 general trade outlets in Mumbai.
- Presence in modern trade has been **expanded beyond Mumbai across Maharashtra and Gujarat.**
- Measures taken to expand retail presence in Northern and Southern Indian markets.





## COMPANY OVERVIEW



## COMPANY OVERVIEW

### PRABHAT DAIRY – BRIEF PROFILE



#### BUSINESS OVERVIEW

- Incorporated in 1998, Prabhat Dairy Limited has evolved from being an established specialty dairy ingredients company to an emerging brand in milk and dairy products.
- Prabhat sells wide range of value added dairy products under strong & appealing brands – ‘Prabhat’, ‘Prabhat Milk Magic’ and ‘Prabhat Flava’.
- In 2014, Prabhat was awarded as **“Asia’s fastest growing marketing brands – FMCG sector”** at the WCRC leaders summit.
- It has a strong management team led by Mr. Sarangdhar R Nirmal (18+ years of experience in dairy industry) & Mr. Vivek Nirmal (8+ years of experience in dairy industry).

#### KEY STRENGTHS

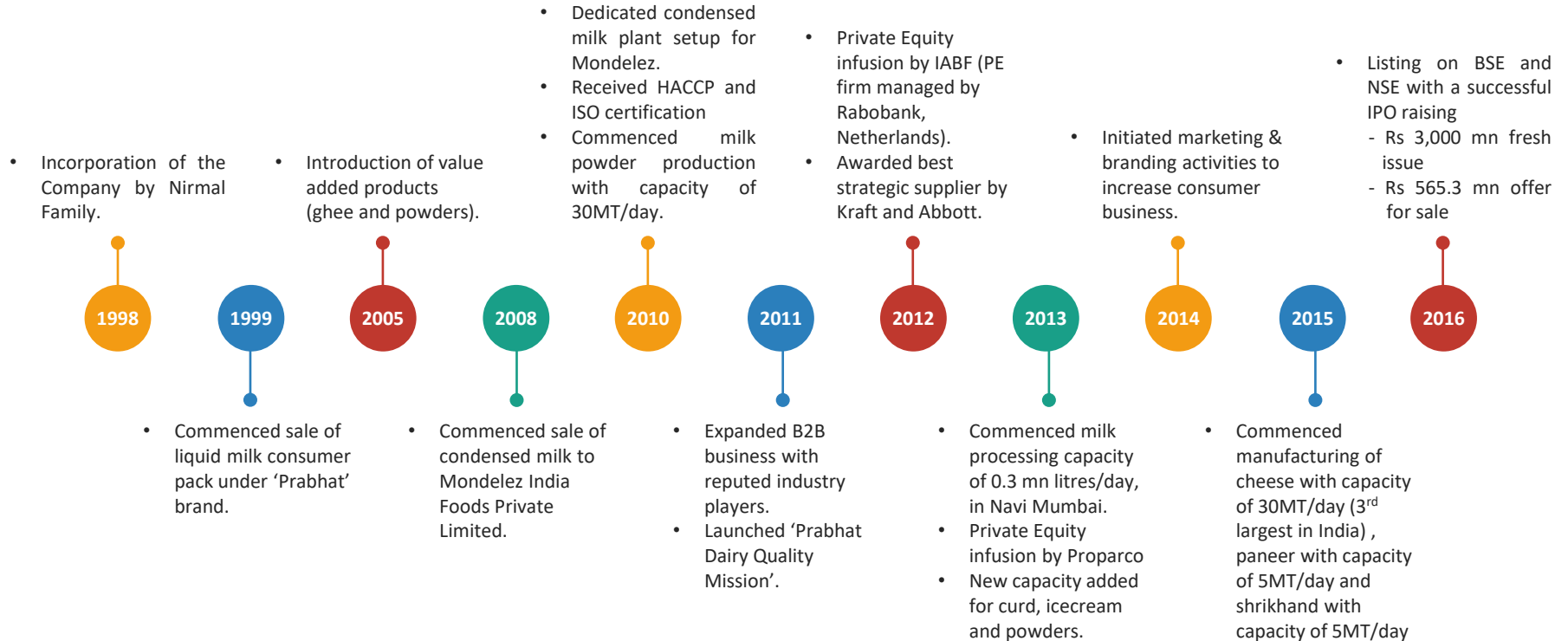
- Integrated business model – robust procurement, state-of-the-art manufacturing, fast-expanding distribution network and brand presence.
- Strong farmer relationships – 70% direct sourcing from more than 85,000 farmers.
- Strategically located manufacturing facilities in Shrirampur (Ahmednagar) and Navi Mumbai –
  - 1.5 Mn litres/day of milk processing capacity.
  - 180 MT/day of sweet condensed milk plant is largest in Asia and 30 MT/day of cheese plant is 3rd largest in India.
  - Close proximity to milk generating regions and target market for end products.
- Strong institutional clientele – Mondelez, Abbott, Nestle, ITC, Britannia, Future Group etc.

#### FINANCIAL OVERVIEW

- Consolidated Revenues, EBITDA and PAT were Rs 11,705 mn, Rs 1,193 mn and Rs 245 mn in FY16 having grown at CAGR of 25%, 25% and 41% respectively over FY12 to FY16.
- Strong balance sheet as on FY16 – Debt - Rs 1,586 mn and Equity - Rs 6,549 mn.
- D/E ratio has significantly improved from 2.3x in FY12 to 0.2x in FY16 with continued efforts on deleveraging.

# COMPANY OVERVIEW

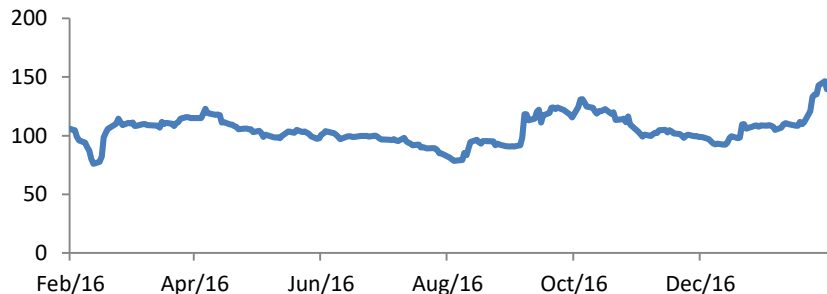
## OUR EVOLUTION



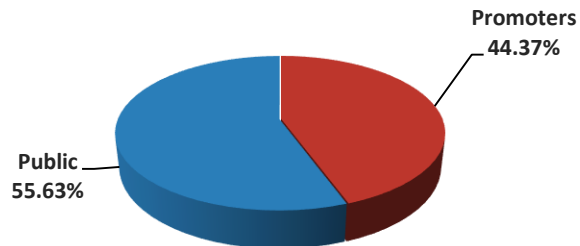
## COMPANY OVERVIEW

### SHAREHOLDING STRUCTURE

#### SHARE PRICE PERFORMANCE



#### SHAREHOLDING AS ON 30<sup>TH</sup> DECEMBER 2016



Source: BSE

#### MARKET DATA

AS ON 14.02.17 (BSE)

Market Capitalization (Rs mn.)	13,619.6
Price (Rs.)	139.5
No. of Shares Outstanding (mn.)	9.77
Face Value (Rs.)	10
52 Week High-Low (Rs.)	150.0 - 72.0

#### KEY INSTITUTIONAL INVESTORS AT 30<sup>TH</sup> DECEMBER 2016

% HOLDING

Rabo Equity Advisors	14.37%
PROPARCO	8.68%
IL&FS Trust Company Ltd.	7.57%
Reliance Capital Ltd.	2.81%
Styrax Commodities Limited	2.49%
Ecap Equities Limited	1.75%
Wasatch Advisors	1.54%
HDFC Capital Builder Fund	1.34%

Prabhat  
Dairy

Too Good  
To Resist!



#PrabhatDairy

Prabhat  
Dairy



BUSINESS  
MODEL

Now  
is your  
Time  
to shine

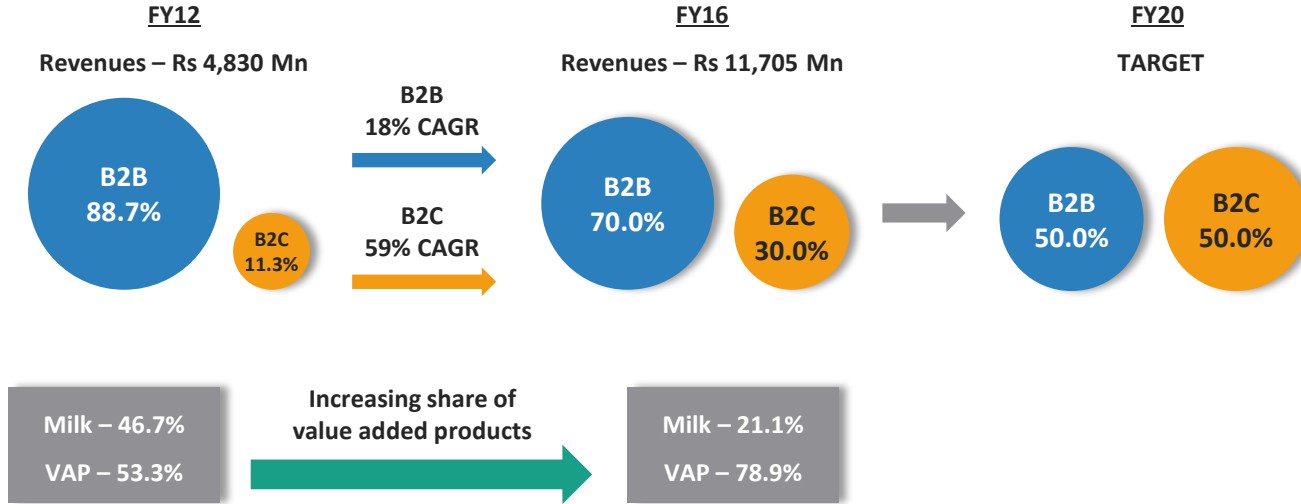




# BUSINESS MODEL

## PROGRESSING FROM B2B (INSTITUTIONAL) TO B2C (RETAIL)

PRABHAT'S BUSINESS MODEL HAS TRANSFORMED FROM SPECIALTY DAIRY INGREDIENTS SUPPLIER TO EMERGING CONSUMER BRAND IN MILK AND DAIRY PRODUCTS ACROSS INDIA



**STRONG GROWTH  
WITNESSED IN  
B2C BUSINESS**

**SOLID FOUNDATION  
OF ESTABLISHED  
B2B BUSINESS**

VAP – Value added products

## BUSINESS MODEL

### B2C – RETAIL BUSINESS

PRABHAT HAS DISPLAYED STRONG SCALABILITY IN CONSUMER BUSINESS SINCE INCEPTION

PRABHAT HAS BEEN AWARDED AS  
“ASIA’S FASTEST GROWING MARKETING BRANDS – FMCG SECTOR”  
AT THE WCRC LEADERS SUMMIT IN 2014

Started in FY12

As on December-2016

1 State  
5 Distributors



28 States  
800+ Distributors



### B2C: 3-POINT STRATEGY

1. Focus on research driven approach to reach end-consumer with wide range of value added products.
2. Focus on Tier II and Tier III towns with high disposable incomes.
3. Focus on extensive consumer engagement programs to connect with every strata of consumer ecosystem.

PRABHAT’S EFFORTS ON GROWING ITS CONSUMER BUSINESS WILL LEAD TO –

- Enhanced brand visibility
- Increased product acceptance
- Higher market share
- Higher gross margins

# BUSINESS MODEL

## B2C – RETAIL BUSINESS

AGGRESSIVE PRODUCT LAUNCHES OVER LAST 2 YEARS TO REACH END-CONSUMER WITH WIDE RANGE OF PRODUCT OFFERINGS



POUCH MILK – PREMIUM, FRESH,  
SLIM, RICH



CHEESE



PANEER



SWEETENED CONDENSED MILK



SKIMMED / WHOLE MILK POWDER



DAIRY WHITENER



COW GHEE



CURD (DAHI)



MISTI DOI



SHRIKHAND



UHT MILK



GULAB JAMUN MIX



FLAVOURED MILK



LASSI



CHAAS

# BUSINESS MODEL

## B2C – RETAIL BUSINESS

### EXTENSIVE PRODUCT CAMPAIGNS TO INCREASE CUSTOMER ENGAGEMENT AND BRAND VISIBILITY

#### Ganpati Festival Campaign



Festival Recipe Booklets distributed extensively across Maharashtra



Newspaper Inserts providing festival recipes and contests for children



#### Social Media Campaigns

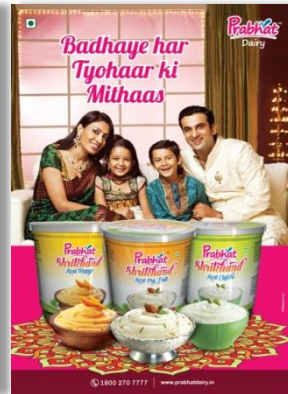


# BUSINESS MODEL

## B2C – RETAIL BUSINESS

### EXTENSIVE PRODUCT CAMPAIGNS TO INCREASE CUSTOMER ENGAGEMENT AND BRAND VISIBILITY

#### New Product Offers



Launched **Fresh Paneer** in an attractive thermoform packaging, extending the shelf life from 15 days to 21 days.

#### Ghar Jaisa Dahi Campaign



Launched **Dahi with no preservatives** in Mumbai. Adopted a unique model for distribution of fresh Dahi for the first time in India under the project called '**Raftaar**' which **delivers fresh Dahi in chilled vans / mopeds** with chilled box at the back to 10,000 grocery shops in Mumbai.

# BUSINESS MODEL

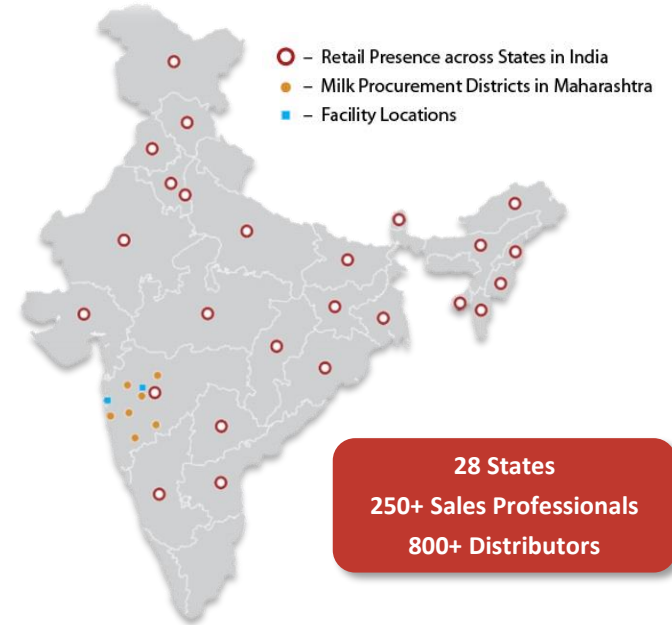
## B2C – RETAIL BUSINESS

### FOCUS ON EXPANDING DISTRIBUTION REACH AND PAN-INDIA PRESENCE



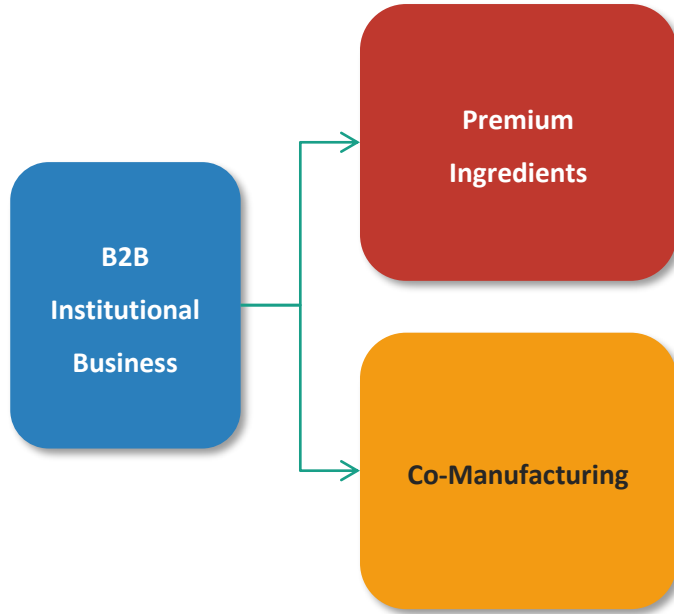
- Our products like Paneer, Dahi, Lassi, Chaas and Shrikhand are retailed in Modern Trade shelves like Big Bazaar, Star Bazaar, Hypercity, D Mart etc.
- Presence in modern trade has been expanded beyond Mumbai across Maharashtra and Gujarat.
- Measures taken to expand retail presence in Northern and Southern Indian markets especially for the products with longer shelf life.

### OUR PAN-INDIA PRESENCE



# BUSINESS MODEL

## B2B – INSTITUTIONAL BUSINESS



Products	Major Clients
Sweetened condensed milk, Skimmed / Whole milk powder	Mondelez India Foods Pvt Ltd
Skimmed / Whole milk powder	GSK Consumer Healthcare, Heinz
Nutrition supplements for baby food	Abbot Healthcare Pvt Ltd
Full cream milk	Mondelez India Foods Pvt Ltd
UHT milk, lassi, yogurt, dairy whitener, clarified butter (ghee), curd (dahi), flavoured milk	Britannia Industries Ltd
Ice-cream, candies	Mother Dairy Fruit & Vegetable Pvt Ltd

## BUSINESS MODEL

### B2B – INSTITUTIONAL BUSINESS

PRABHAT HAS DISPLAYED ITS SUPERIOR PRODUCT QUALITY AND CAPABILITIES THROUGH ITS LONG STANDING ASSOCIATION WITH LEADING GLOBAL & DOMESTIC FMCG COMPANIES



MAJOR CLIENTS





## COMPETITIVE ADVANTAGES

**Prabhat**  
Dairy  
Partners in Progress



# COMPETITIVE ADVANTAGE

## VERTICALLY INTEGRATED BUSINESS MODEL

### INTEGRATED OPERATIONS LEADING TO EFFICIENT COST STRUCTURE & HIGH QUALITY PRODUCTS



#### Cattle Feed & Welfare

- Assistance to farmers.
- Ensure cattle nutrition & medication support to improve milk yields.

#### Retail Marketing, Distribution

- Retail products - Prabhat, Flava, Milk Magic brands.
- 250 sales professionals, 700 distributors, 100 Prabhat mini stockists.

#### Efficient Milk Procurement

- Maximise direct milk sourcing from farmers.
- Ensure transparent pricing, farmer relationships, welfare activities.

#### Technology & IT Infrastructure

- Computerized milk testing, advanced ERP systems lead to strict quality control, lower production losses & ability to process large orders.

#### Low Logistics Costs

- Strategically located in cow milk belt in Maharashtra.
- Close proximity to principal institutional customers and retail consumer markets.

#### Multi-product Facilities

- Multi-product facilities in Shrirampur & Navi Mumbai, large scale operations result in sharing of manufacturing costs.

# COMPETITIVE ADVANTAGE ROBUST MILK PROCUREMENT SYSTEM

## STRONG DIRECT SOURCING ECOSYSTEM – ACCESS TO HIGH QUALITY MILK, INTENSIVE FARMER ENGAGEMENT, FARMER TRUST & LOYALTY

- More than 85,000 farmers.
- 70% direct sourcing from 1,200 villages twice a day.
- More than 700 procurement cycles a year.
- Procurement from Ahmednagar, Pune, Nashik and adjoining districts in Maharashtra (4<sup>th</sup> largest cow milk producing state in India).



- Transparent pricing – Farmers get the best price.
- Farmers receive detailed receipt mentioning quality (Fat & Non-Fat content), quantity, price.
- Non-cash direct transfer to farmer's bank A/c.
- Ensures access to high quality milk.



Automated milk testing  
for transparent pricing



Printed Transaction Receipt



### Prabhat Dairy Quality Mission –

- “Prabhat Mitras” – Coordinate milk procurement and help farmers on cattle health, cattle finance and insurance.
- “Pashu Mitras” – Company partnered veterinary doctors / para-veterinary workers helping on cattle medication, deworming, vaccination etc.



# COMPETITIVE ADVANTAGE ROBUST MILK PROCUREMENT SYSTEM

## RAW MILK PROCUREMENT INFRASTRUCTURE

The collected raw milk is tested through specialized automated machines post which it is transported to production facilities at Shirampur and Navi Mumbai

450 MILK COLLECTION CENTRES



100 BULK MILK COOLERS



SHRIRAMPUR PLANT



20 MILK CHILLING PLANTS



NAVI MUMBAI PLANT



# COMPETITIVE ADVANTAGE MULTI-PRODUCT PRODUCTION FACILITIES

## STATE OF THE ART MULTI-PRODUCT MANUFACTURING FACILITIES IN SHRIRAMPUR AND NAVI MUMBAI



Refer Annexure for Product wise Capacity Details

# COMPETITIVE ADVANTAGE

## STRINGENT QUALITY CONTROLS MEETING CUSTOMER REQUIREMENTS

STRICT QUALITY CONTROL AND FOOD SAFETY STANDARDS HAVE ENABLED US TO CONSISTENTLY DELIVER TO OUR INSTITUTIONAL CLIENTS

2014  
Received "The CII  
National Award for  
Food Safety" by the  
Confederation of  
Indian Industry



2012  
Awarded "The  
most trusted  
partner" by Abbott  
Healthcare Private  
Limited

2012  
Awarded for  
"Commitment to  
supplier quality  
expectations"  
by Mondelez  
International

### QUALITY CERTIFICATIONS





**STRATEGY &  
OUTLOOK**

### EXPAND RETAIL PRODUCTS BUSINESS

- Leverage our 'Prabhat' brand and continue to innovate and expand our product offerings.
- Focus on increasing the availability of our products in both existing markets and new markets across India.
- Focus on increasing the share of value added products like cheese, paneer, shrikhand, curd, ice-cream, flavoured & UHT milk.

### LEVERAGE INSTITUTIONAL RELATIONSHIPS TO OFFER MORE PRODUCTS

- Expand our product offerings to existing institutional customers.
- Leverage our relationships and demonstrated quality standards to add new customers in India and globally.

## KEY FOCUS AREAS

### HIGHER CAPACITY UTILISATION & OPERATING EFFICIENCY LEADING TO HIGHER RETURN RATIOS

- Introduce new product lines , effectively utilize dairy by-products and optimize product planning.
- We are in process of setting up captive co-generation power facility thus reducing power & fuel costs.
- Higher capacity utilisation leading to improving return ratios and profitability.

### EXPAND DIRECT MILK PROCUREMENT NETWORK

- Grow direct milk procurement network by increasing the number of Prabhat Mitras (milk procurement partners).
- Increase engagement with farmers by providing additional veterinary services and quality cattle feed.
- This will help us consistently procure high quality milk while lowering our milk procurement costs.



## STRATEGY & OUTLOOK

### SCALING UP OUR CHEESE BUSINESS

Commissioned new cheese manufacturing facility with a capacity of 30 MT/day in 2015. This is the 3<sup>rd</sup> largest cheese plant in India.

#### Strategy to grow cheese business over next 2-3 years –

- Initially focus on selling cheese to HORECA and B2B segments and exports to Gulf countries.
- We have already procured orders from major pizza and burger chains like Dominos, Pizza Hut, Mc Donald's and other QSRs.
- Currently manufactures following types of Cheese –
  - Processed Cheese (Hard, Soft & Pizza)
  - Mozzarella Cheese (Diced & Shredded)
  - Cheddar Cheese
- Cheese sales in HORECA segment have already started in Maharashtra and Gujarat and are planned in South India and North India.

Cheese segment offers higher gross margin compared to other dairy products. As the capacity utilization of cheese plant gradually increases, it will have a positive impact on our overall gross margin.



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FOR FURTHER QUERIES



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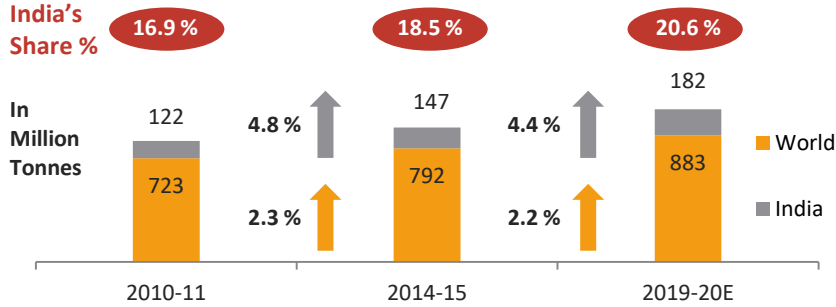
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Contact No:+91 9167300142

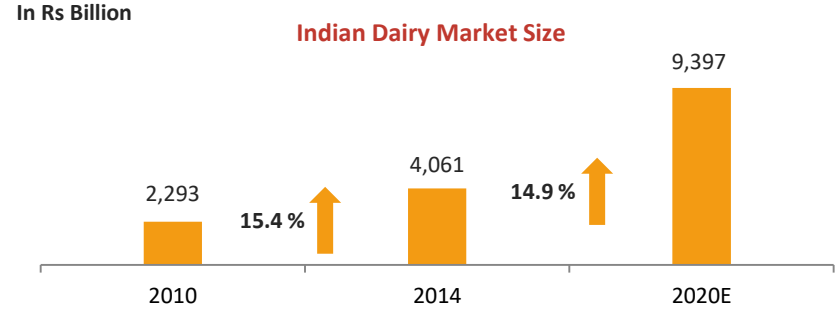
# ANNEURE - INDIAN DAIRY INDUSTRY

## LARGEST MARKET, FASTER GROWTH, INCREASING ORGANISED SHARE

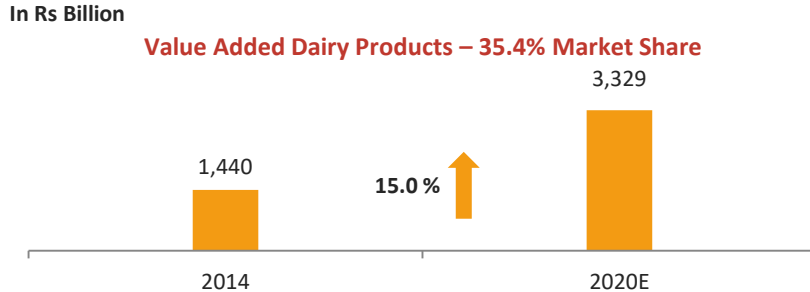
### INDIA HAS HIGHEST SHARE IN GLOBAL MILK PRODUCTION



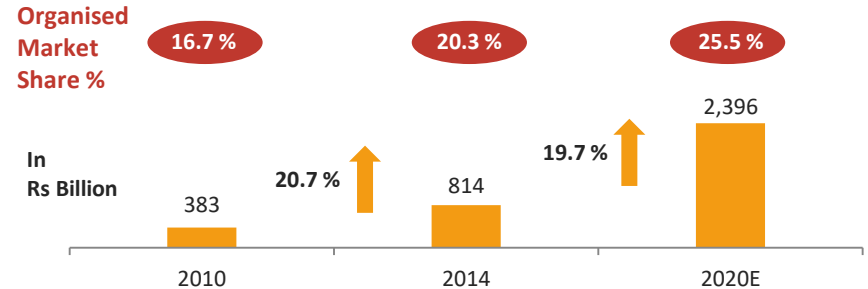
### POSITIVE CONSUMPTION TRENDS ARE DRIVING VALUE GROWTH



### RISING ACCEPTANCE OF VALUE ADDED DAIRY PRODUCTS



### ORGANISED MARKET IS WITNESSING HIGHER PENETRATION

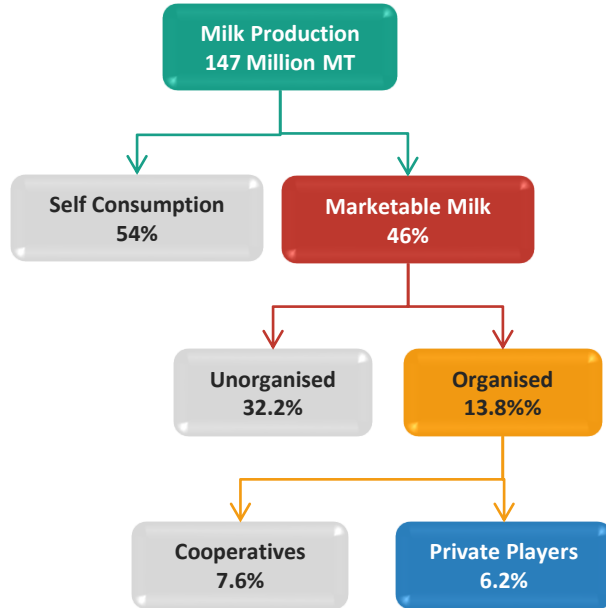


Source: IMARC report

# ANNEXURE - INDIAN DAIRY INDUSTRY

## ORGANISED PLAYERS TO DRIVE GROWTH IN VALUE-ADDED DAIRY PRODUCTS

### INDIAN DAIRY MARKET (IN VOLUME TERMS)



**2.9X GROWTH  
EXPECTED OVER  
2014-2020**

### ORGANISED MARKET – RS 813.5 BN (2014)

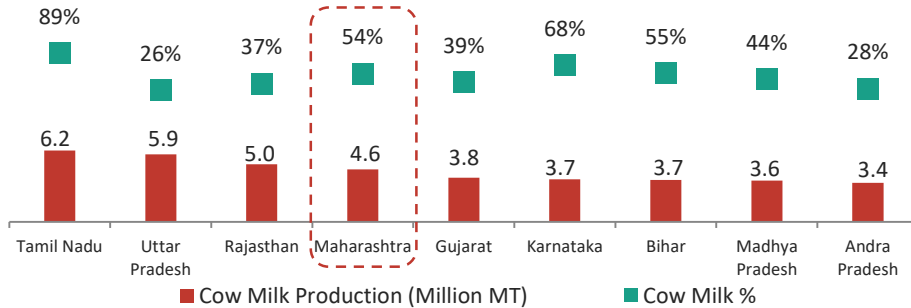
Products	Market Size (% Share)	Organised Market %	2014-2020 CAGR %
Processed / Pouch Milk	519.4 (63.8%)	20%	21%
Ghee	110.3 (13.6%)	18%	17%
Skimmed Milk Powder	49.6 (6.1%)	100%	15%
UHT Milk	26.0 (3.2%)	100%	26%
Butter	21.3 (2.6%)	13%	19%
Buttermilk	13.8 (1.7%)	-	21%
Cream	12.7 (1.6%)	-	15%
Flavoured Milk	12.6 (1.6%)	100%	25%
Lassi	12.5 (1.5%)	-	21%
Curd	12.1 (1.5%)	6%	20%
Cheese	11.7 (1.4%)	100%	31%
Paneer	6.1 (0.8%)	2%	24%
Whey	3.0 (0.4%)	100%	22%
Flavoured Yogurt	2.3 (0.3%)	100%	32%

Source: IMARC report

# ANNEXURE - INDIAN DAIRY INDUSTRY

## VALUE ADDED DAIRY SEGMENT HAS GROWING PREFERENCE FOR COW MILK

### LEADING COW MILK PRODUCING STATES IN INDIA



### COMPARISON OF COW AND BUFFALO MILK

Parameter	Buffalo	Cow
Domestic milk consumption	High	Moderate
Global milk consumption	Low	High
Fat content in milk	7-7.5%	3.5-4%
Water content in milk	80-85%	85-90%
Retail Price of milk	Rs 52-54/litre	Rs 36-40/litre
Cost per animal	Rs 80,000-100,000	Rs 60,000-70,000
Yield per animal	1.7 tonnes	1.2 tonnes

MAJORITY OF VALUE ADDED DAIRY PRODUCTS ARE MANUFACTURED FROM COW MILK

COW MILK HAS LOWER FAT CONTENT AND HENCE APPEALS MORE TO HEALTH CONSCIOUS YOUTH POPULATION

PRABHAT'S MILK PROCUREMENT AND MANUFACTURING BASE IS LOCATED IN SHRIRAMPUR IN AHMEDNAGAR (LARGEST COW MILK PRODUCER IN INDIA)

Source: IMARC report

# ANNEXURE - INDIAN DAIRY INDUSTRY

## KEY LONG TERM GROWTH DRIVERS

### FAVOURABLE DEMOGRAPHIC TRENDS

- Rising number of middle class households – set to double from 255mn in 2015 to 586mn in 2025.
- Increasing working population and disposable incomes.
- Increasing organised retail penetration across Tier 1, Tier 2 and Tier 3 towns.

### RISING CONSCIOUSNESS ON HEALTH & NUTRITION

- Evolving food consumption patterns with focus on health and nutrition.
- Milk is rich source of proteins, fats, vitamins and carbohydrates.
- The share of milk and dairy products in daily food diet is continually increasing.

### GOVERNMENT INCENTIVES & SCHEMES

- National Dairy Plan: Objective is to improve milk productivity and entire value chain infrastructure. The 1<sup>st</sup> phase (FY12-FY17) has budgeted investment of Rs 22.4 bn.
- Priority lending status for banks: The sector has this status since 1999.
- Technology upgradation: General areas - 40% subsidy, difficult areas - 50% subsidy (up to Rs 10 mn).
- Foreign Direct Investment (FDI): 100% FDI permitted in dairy products.
- Import of equipments: 5% customs duty on imports of capital goods/machinery, including second-hand.
- MRTP (Monopolies & Restrictive Trade Practices Act) rules and FEMA (Foreign Exchange Management Act): Relaxed to encourage investment and expansion by large corporates.

### RISING SHARE OF HIGH MARGIN PRODUCTS

- High-margin milk products account for 15-20% of the total milk produced in India.
- Rise in urbanisation and changing consumer lifestyle are driving demand for value-added dairy products.

### IMPROVEMENT IN SUPPLY CHAIN INFRASTRUCTURE

- Improving supply chain infrastructure backed by investments in better cold storage facilities, logistics, efficient procurement and distribution.
- This will lead to higher penetration of processed milk products in towns and villages, thus driving dairy and milk products industry growth, over the next 3-4 years.

Source: Company RHP