



PARAG MILK FOODS LIMITED

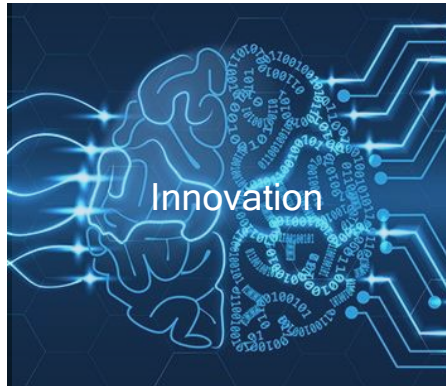
Investor Presentation
August 2018



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Introduction

Our Journey so far...



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**

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**'

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

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. 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.

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. 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.

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.



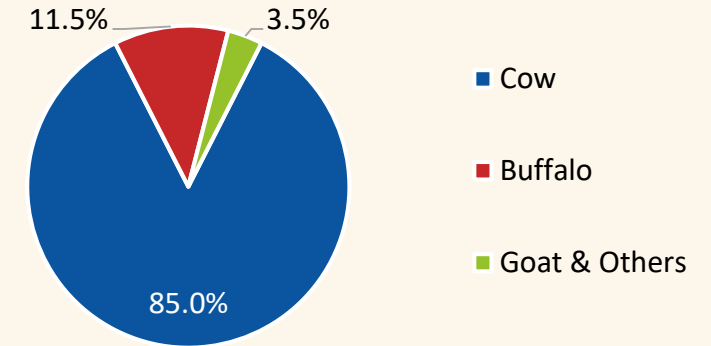
Industry Dynamics

India Contributes > 20% of Global Milk Production

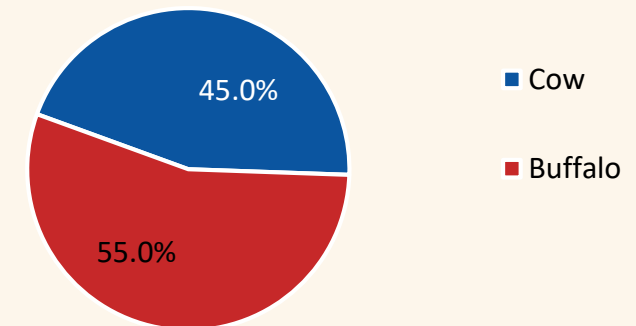
Top Milk Producing Countries (Million MT)

Countries	2017	2018E	2019E	2020E	2027E	CAGR
India	169	174	181	188	244	3.7%
EU – 28	164	167	167	169	177	0.8%
USA	98	98	99	100	105	0.7%
Pakistan	54	56	58	59	70	2.8%
China	40	43	44	45	50	2.3%
Russia	31	31	31	31	31	0.0%
Brazil	29	30	30	31	36	2.1%
New Zealand	21	22	22	23	25	1.5%
World	823	844	859	875	994	1.9%

Global - Animal Wise Milk Production - 2017

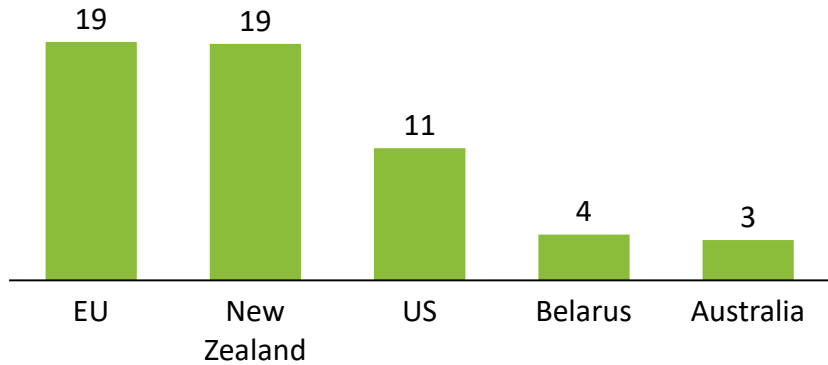


India - Animal Wise Milk Production - 2017

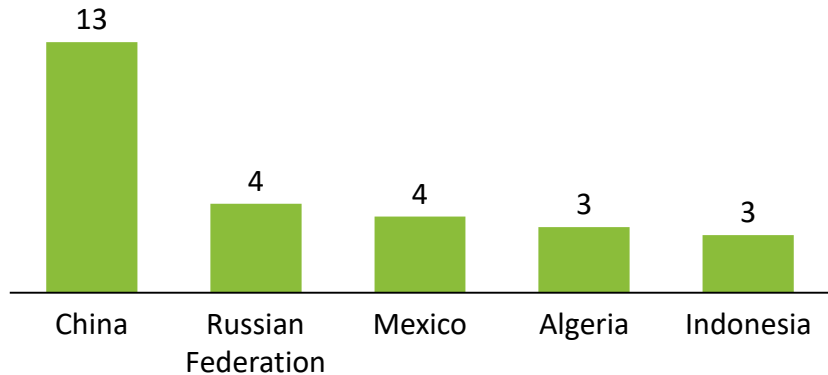


Indian Dairy Sector is self-sufficient

Top Exporting Countries (Million MT) - 2017

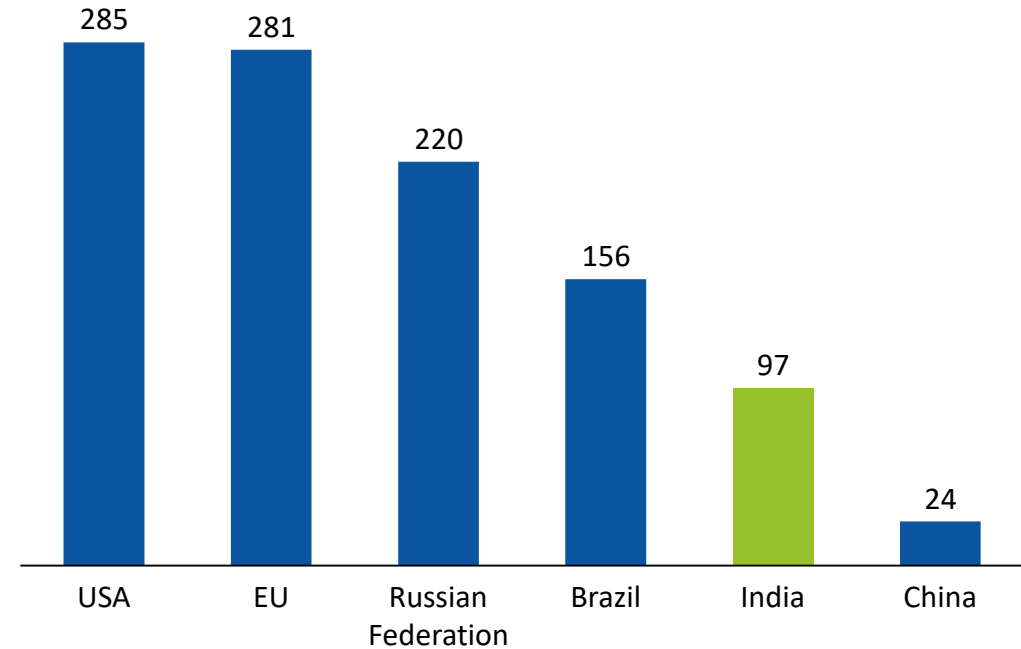


Top Importing Countries (Million MT) - 2017



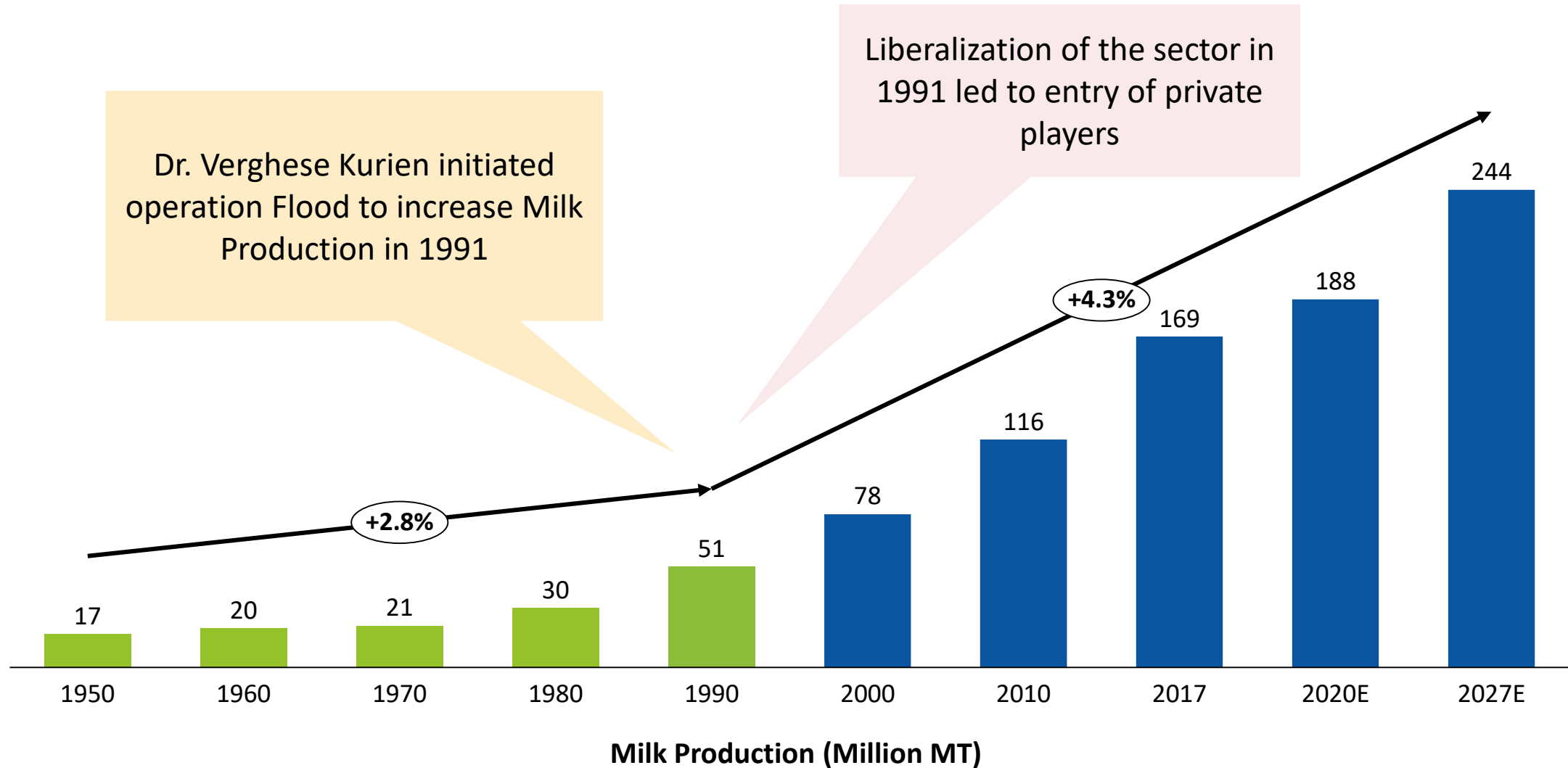
India's share in World trade of Milk & Milk Products is negligible

Country Wise Per Capita Milk Consumption (Litres / Year)

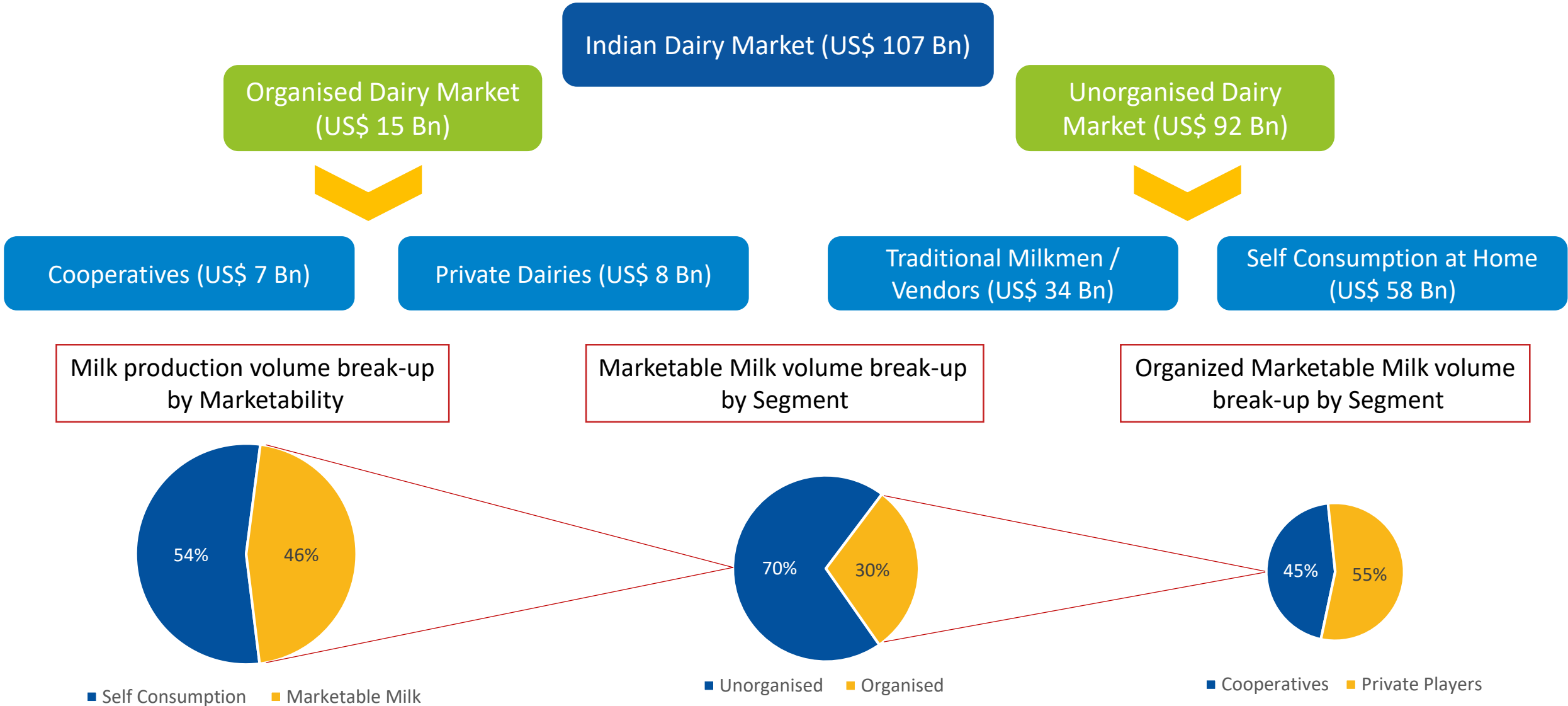


Although, India is the largest milk Producer in the world, its per capita consumption is one of the lowest

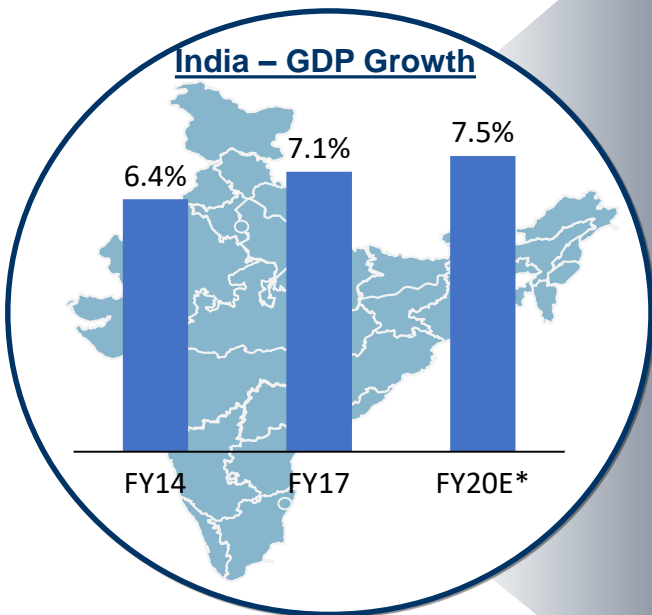
Milk Production in India



Indian Dairy Market Structure



India's Favourable Dynamics offer Huge Opportunities



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

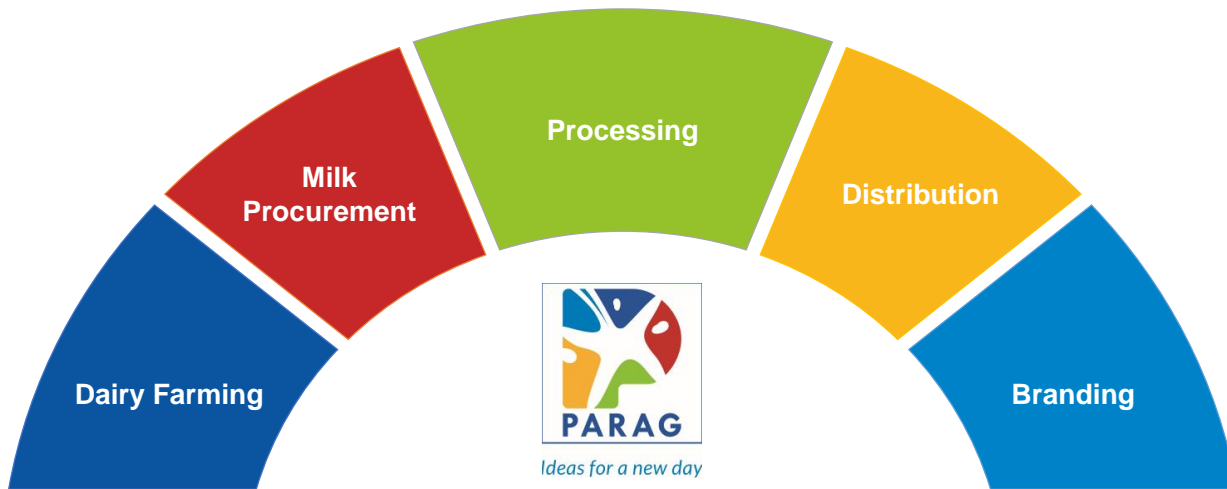
Shift to Packaged Food to drive Organised Market

- Increasing quality & safety concerns increasing demand for packaged food, in particular pasteurised packaged milk
- Organised market share to also increase to 26%, in value terms, by 2020



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

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

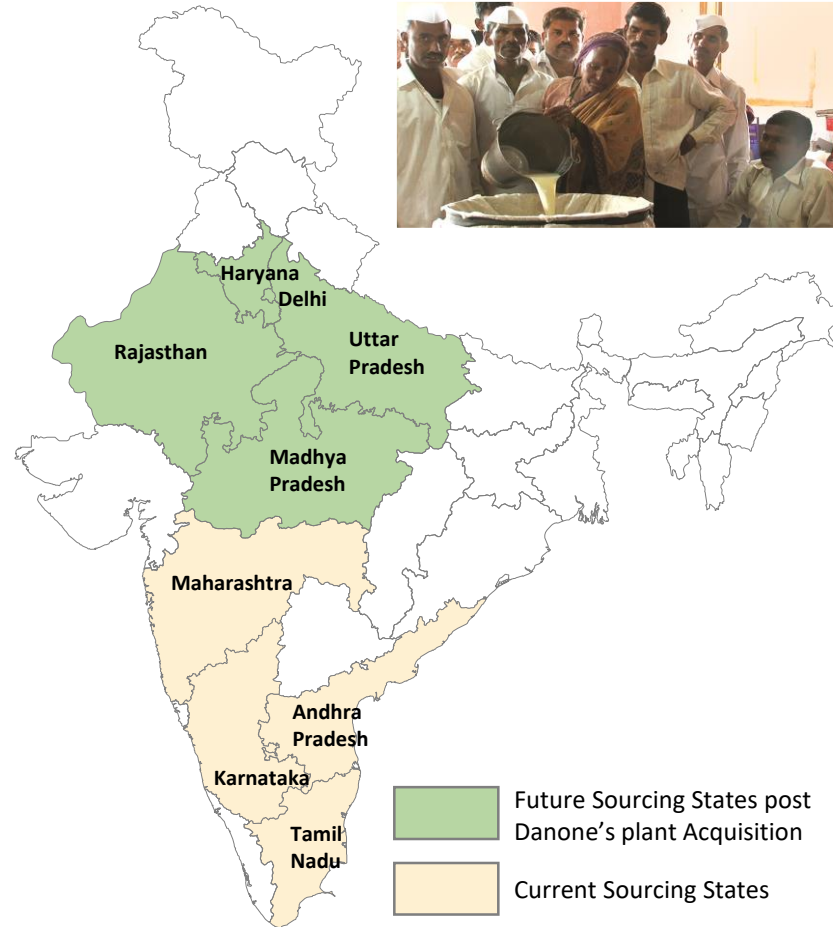
Tier 2

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

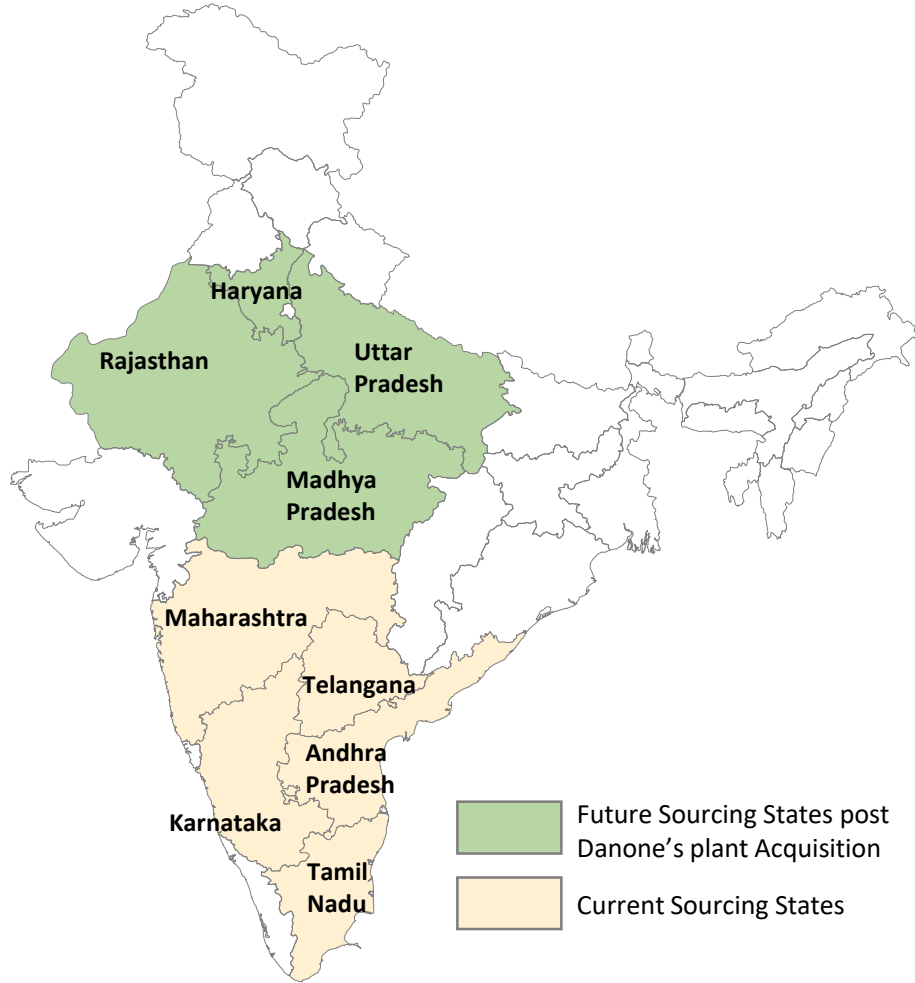
Building Relationship with Farmers

Improving the Productivity of Cows

Free Health Camps for Cattles

Free Vaccinations for Cattles

We are present in all Key Cow milk procuring States



In Million MT

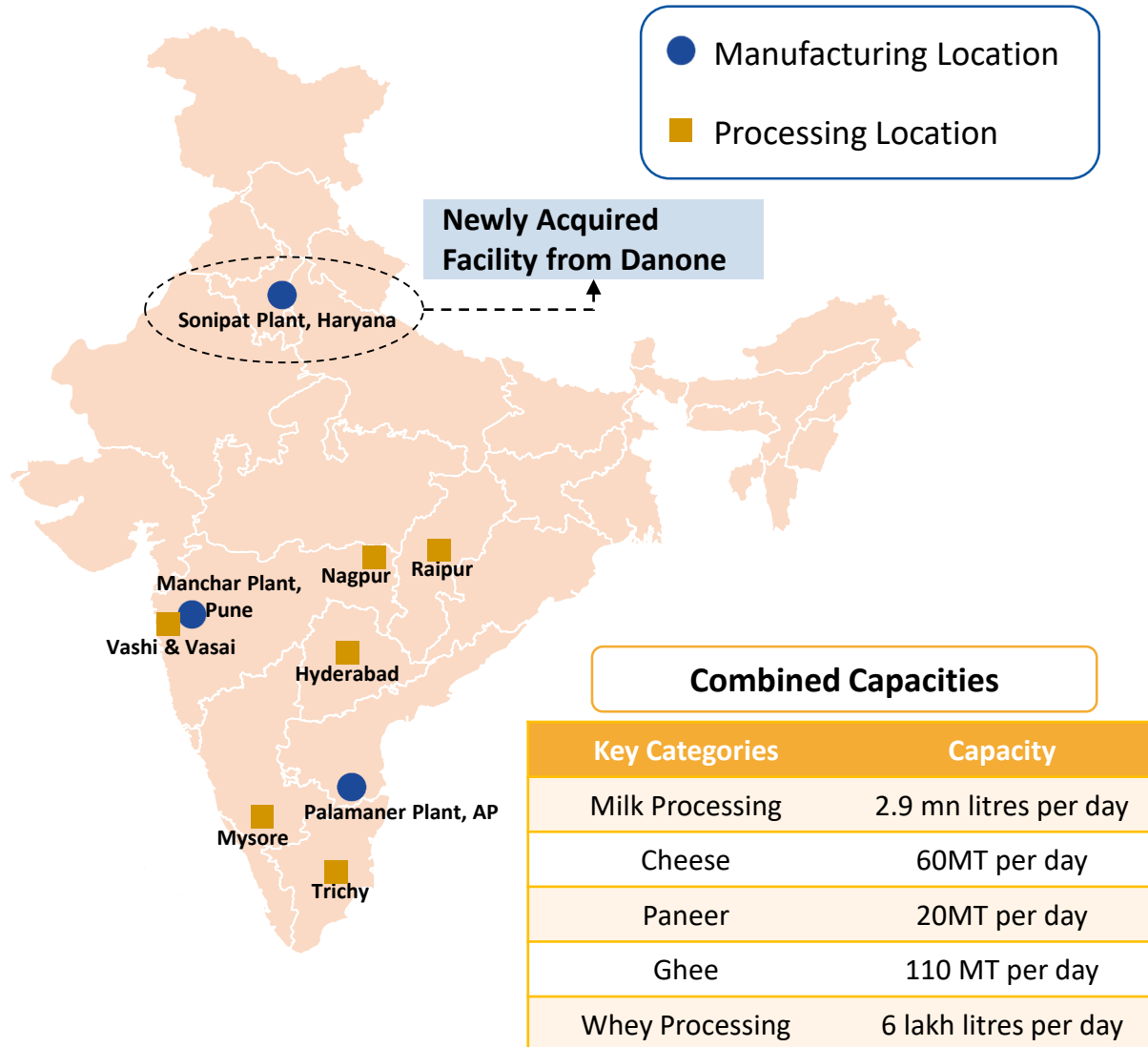
Sr. No	States	Milk Production (2016-17)	% Share of Total Milk Produced	CAGR for last 2 years	Cow Milk Production (2016-17)	% Share of Cow Milk	CAGR for last 2 years
1	Tamil Nadu	7.6	4.6%	2.9%	7.1	93%	3.1%
2	Karnataka	6.6	4.0%	3.5%	4.6	70%	2.6%
3	Maharashtra	10.4	6.4%	4.4%	6.2	60%	8.2%
4	Bihar	8.7	5.3%	5.8%	5.2	60%	9.2%
5	Madhya Pradesh	13.4	8.2%	11.7%	6.6	49%	14.7%
6	Gujarat	12.8	7.8%	4.6%	5.8	45%	7.7%
7	Rajasthan	19.4	11.9%	6.9%	7.1	37%	7.9%
8	Andhra Pradesh*	16.9	10.3%	12.3%	5.3	31%	12.1%
9	Uttar Pradesh	27.6	16.9%	4.6%	8.6	31%	16.2%
10	Punjab	11.3	6.9%	4.4%	3.2	28%	3.1%
11	Haryana	9.0	5.5%	6.6%	1.7	19%	17.8%
India Total		163.7	100.0%	5.8%	70.2	43%	8.2%

*Including Telangana

Disclaimer: Maps not to scale. All data, information, and maps are provided "as is" without warranty or any representation of accuracy, timeliness or completeness

Source: Ministry of Animal Husbandry, Dairy and Fisheries

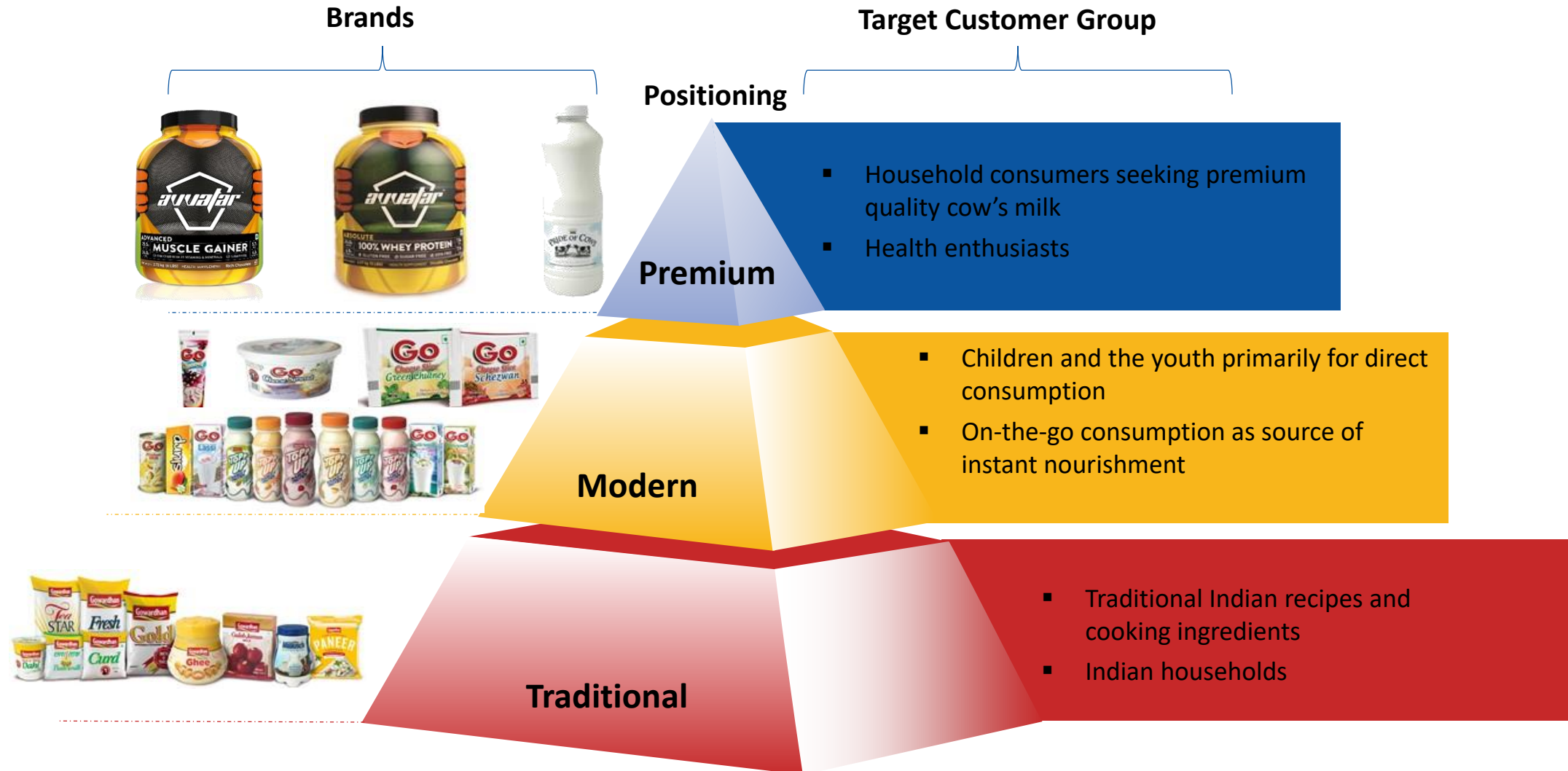
Added a new Manufacturing Facility



Key Features of our Manufacturing Facilities

- 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

Diverse Portfolio catering to all segments 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**

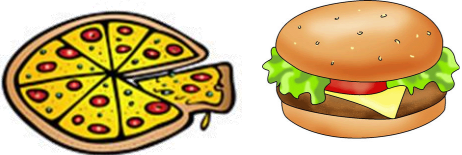
Maintaining the **Exclusivity of the Product**

Strong/ Long term Relations with Customers

Supplies To:

Prominent Burger Chains

Major FMCG companies

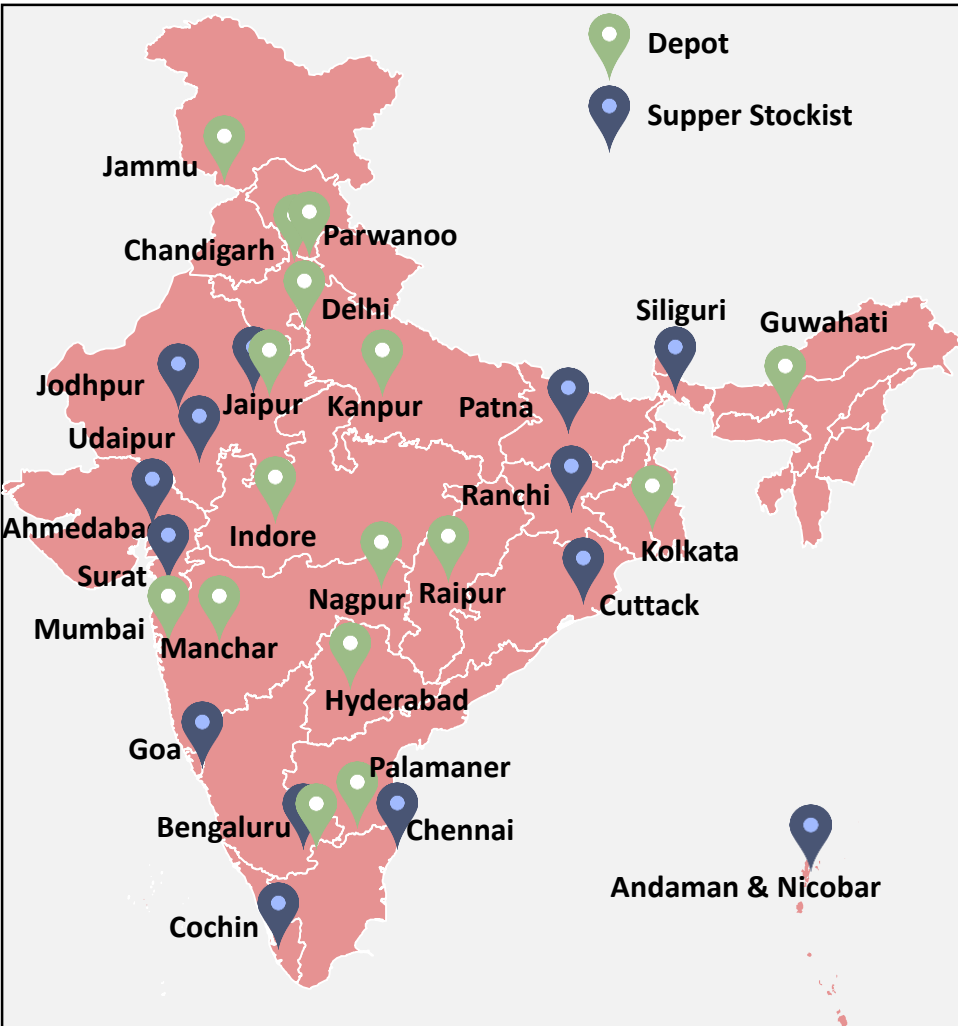


Leading Pizza Chains

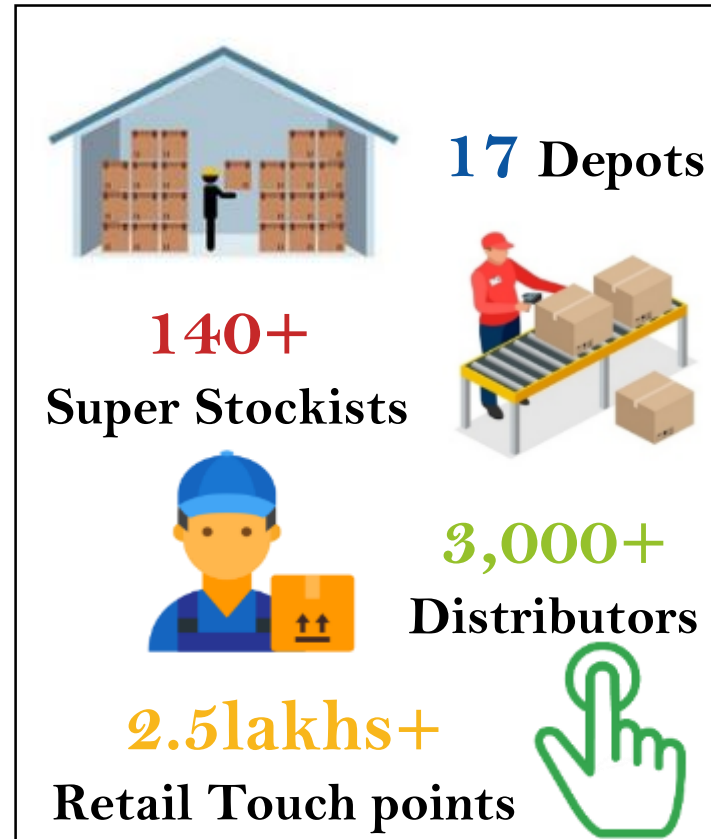
Hotels, Restaurants and Food Chains

Last mile availability from 'Farm to Fork'

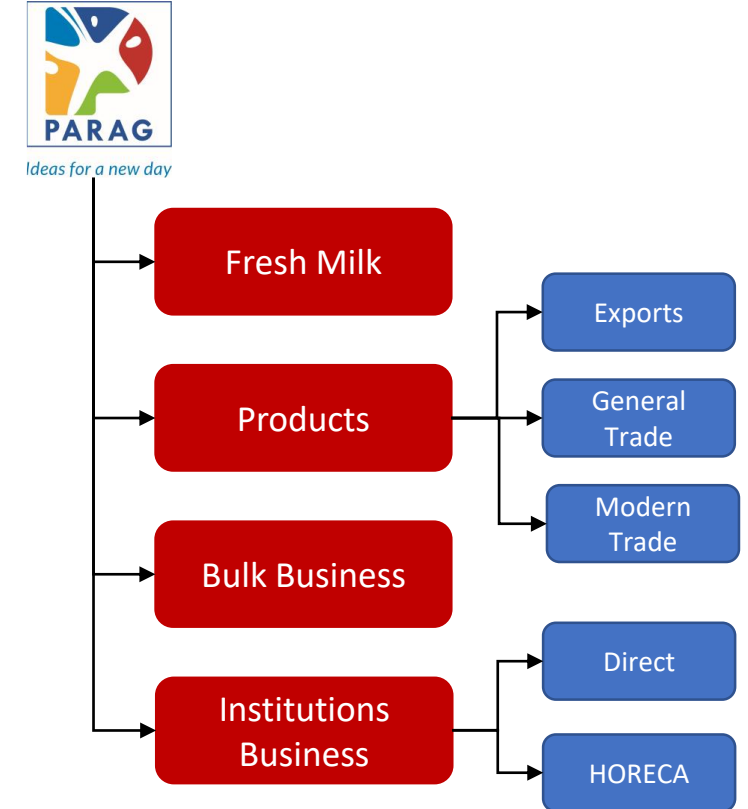
Pan-India Reach



Distribution Network



Route-to-market Strategy



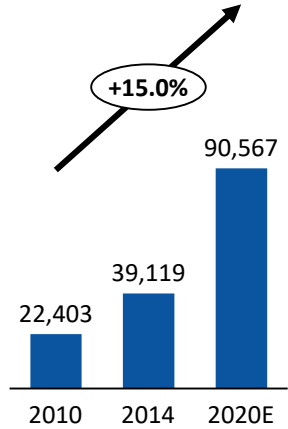
- Dedicated Sales and Marketing team comprising of over 800 personnel
- Distribution Management System and Sales force Automation – Better visibility of Supply Chain Management

Our Growth Strategy

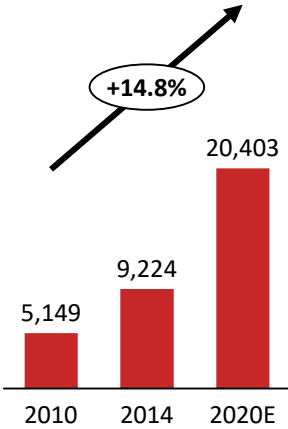


Industry has tremendous Growth Potential

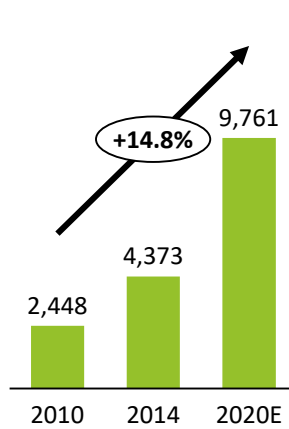
Liquid Milk



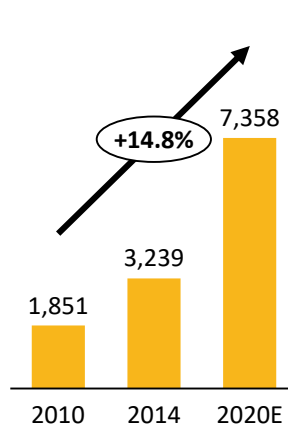
Ghee



Paneer



Curd



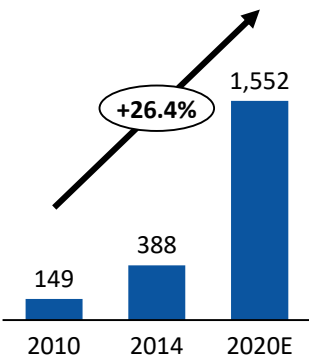
Traditional Products Growth

CAGR of 15%

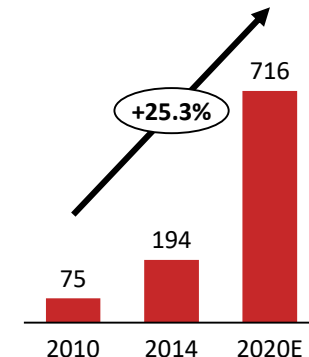
Modern Products Growth

CAGR of 26%

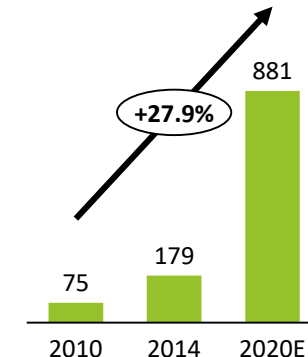
UHT Milk



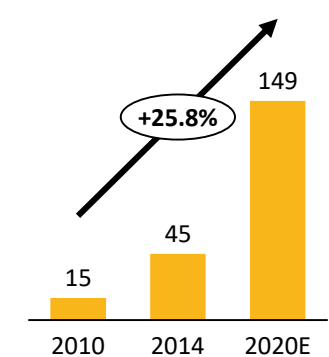
Flavoured Milk



Cheese



Whey (Powder)



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 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

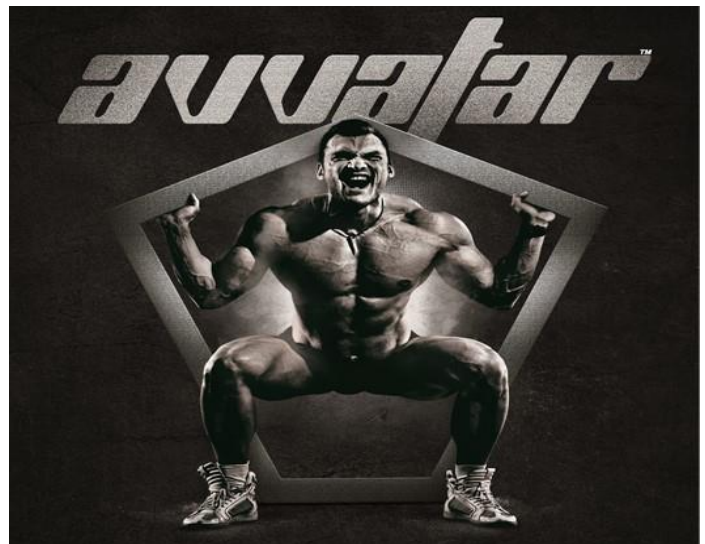
- Category is currently dominated by imported brands
- Category is highly fragmented with a flurry of brands with multiple product offerings



Available in
Double Chocolate,
Vanilla Snow
Crème and Café
Mocha

In two sizes 2 lbs
and 5 lbs


First brand to produce Whey Protein in India



RECONSTRUCT YOURSELF WITH ABSOLUTE 100% WHEY PROTEIN

24g PROTEIN	7.8g BCAA	7.9g EAA	4.9g GLUTAMINE
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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

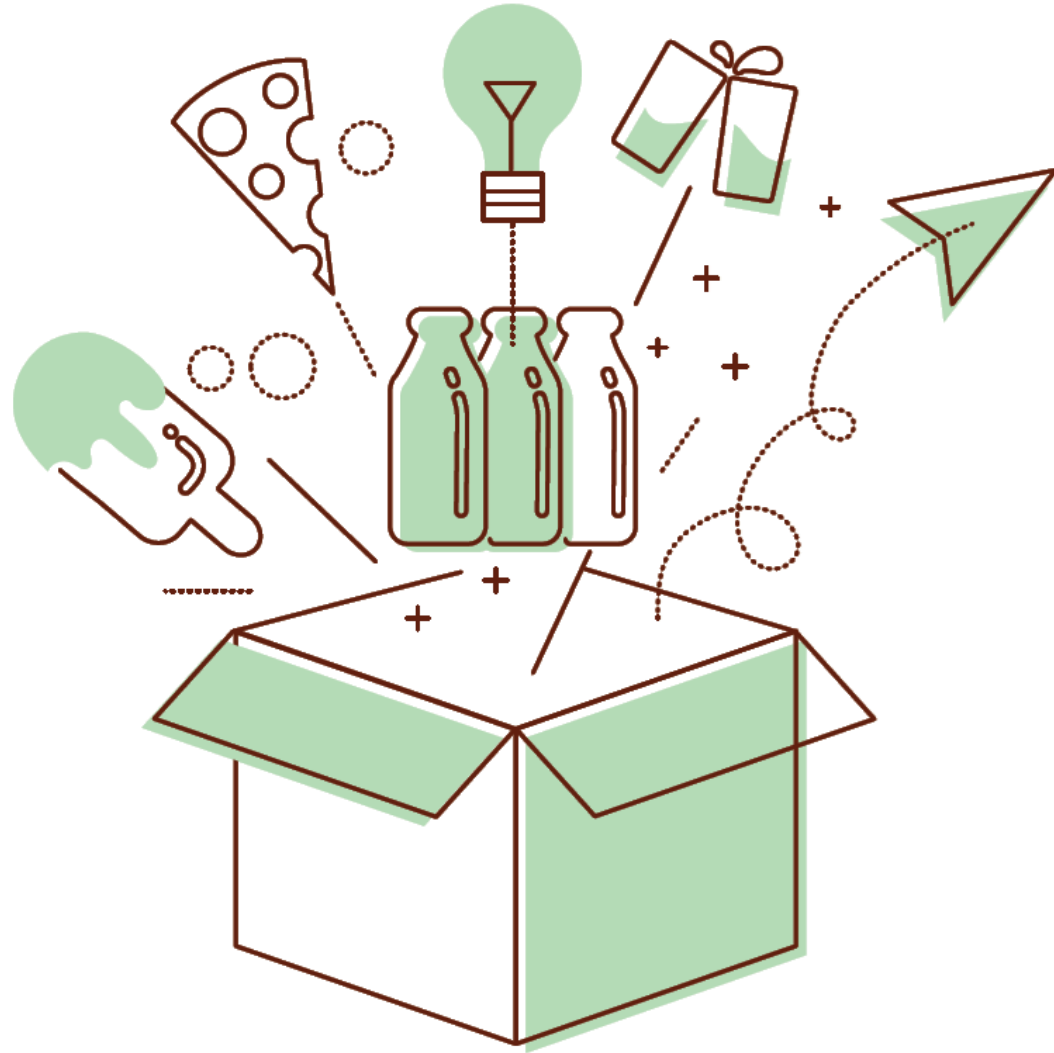
Operations

- Vector Flow
- Network Optimizer

Distribution

- Distributor Management Systems
- Sales Force Automation

Fully Integrated SAP, ERP and Data Analytics



Vision 2020

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

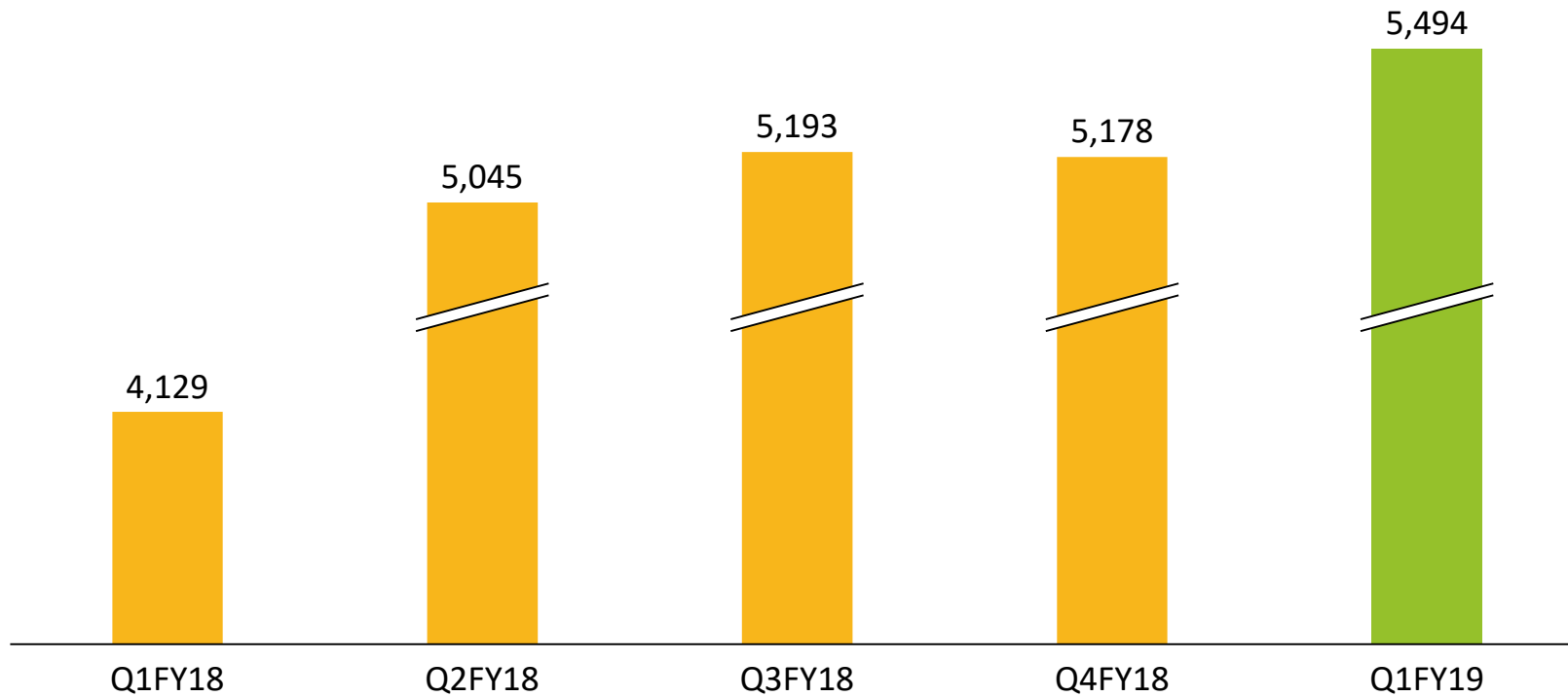


Financial Highlights



Q1FY19 Performance is on track with Vision FY20

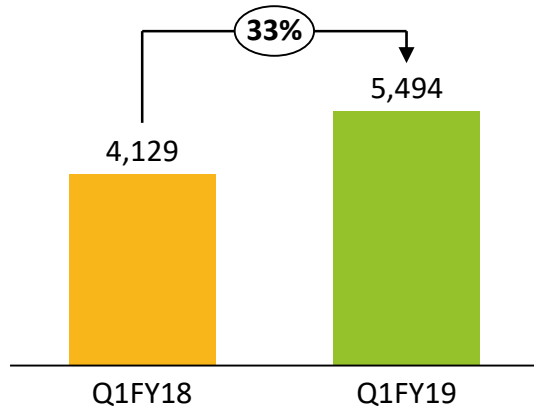
Revenue Trend



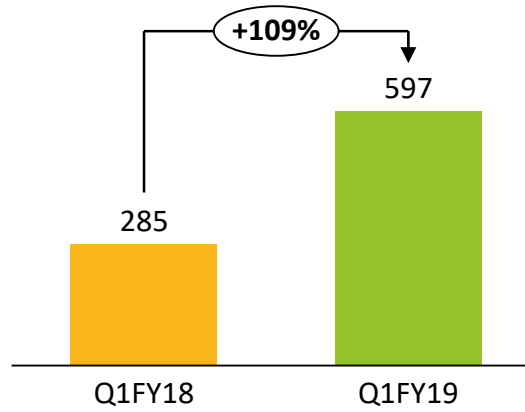
Our Strategy on Value-added Products is yielding Results

Consolidated Financial Analysis – Q1 FY19

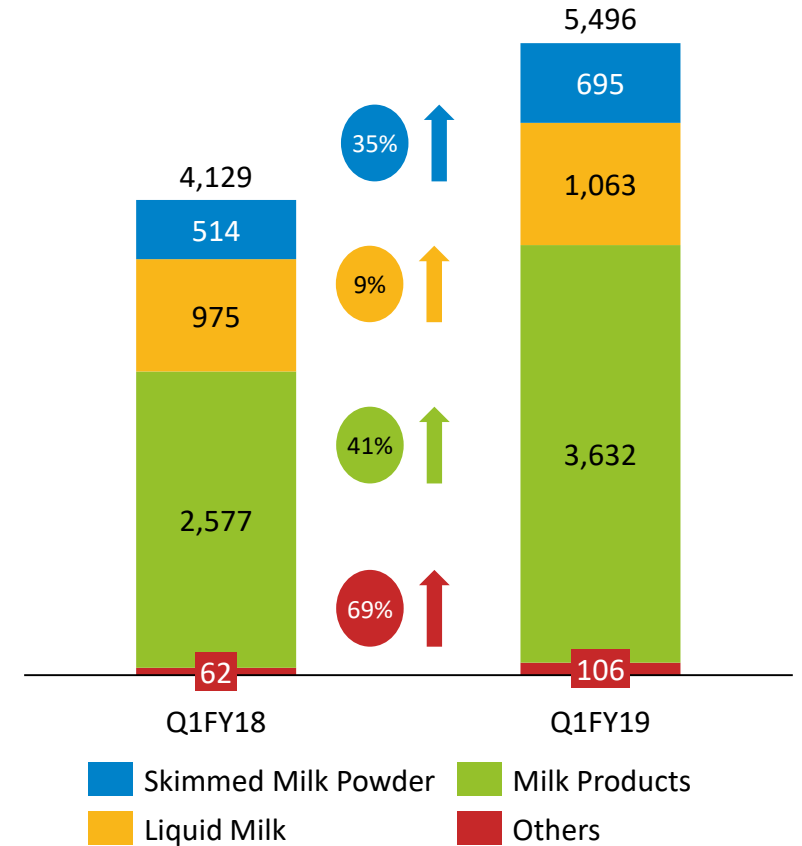
Revenue (Rs. Mn)



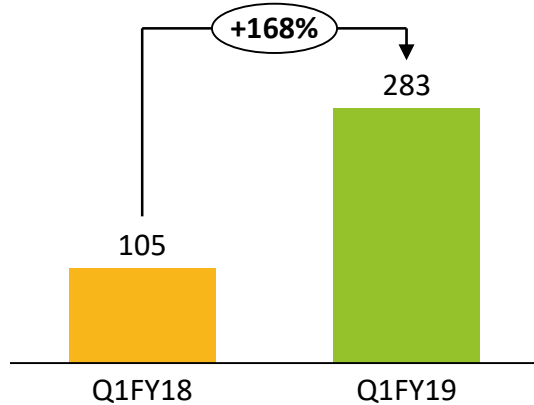
EBITDA (Rs. Mn)



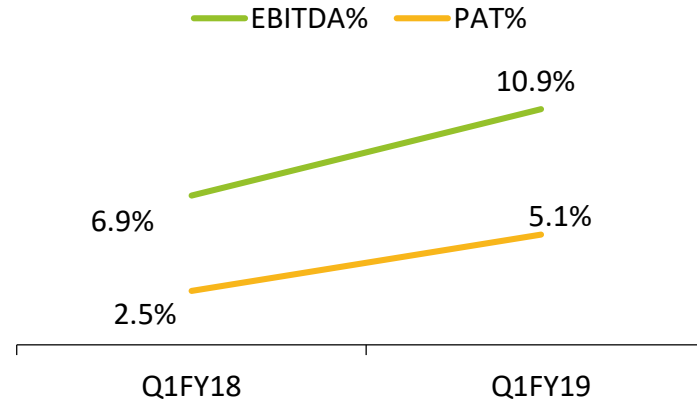
Product wise Revenue Break-up (Rs. Mn)



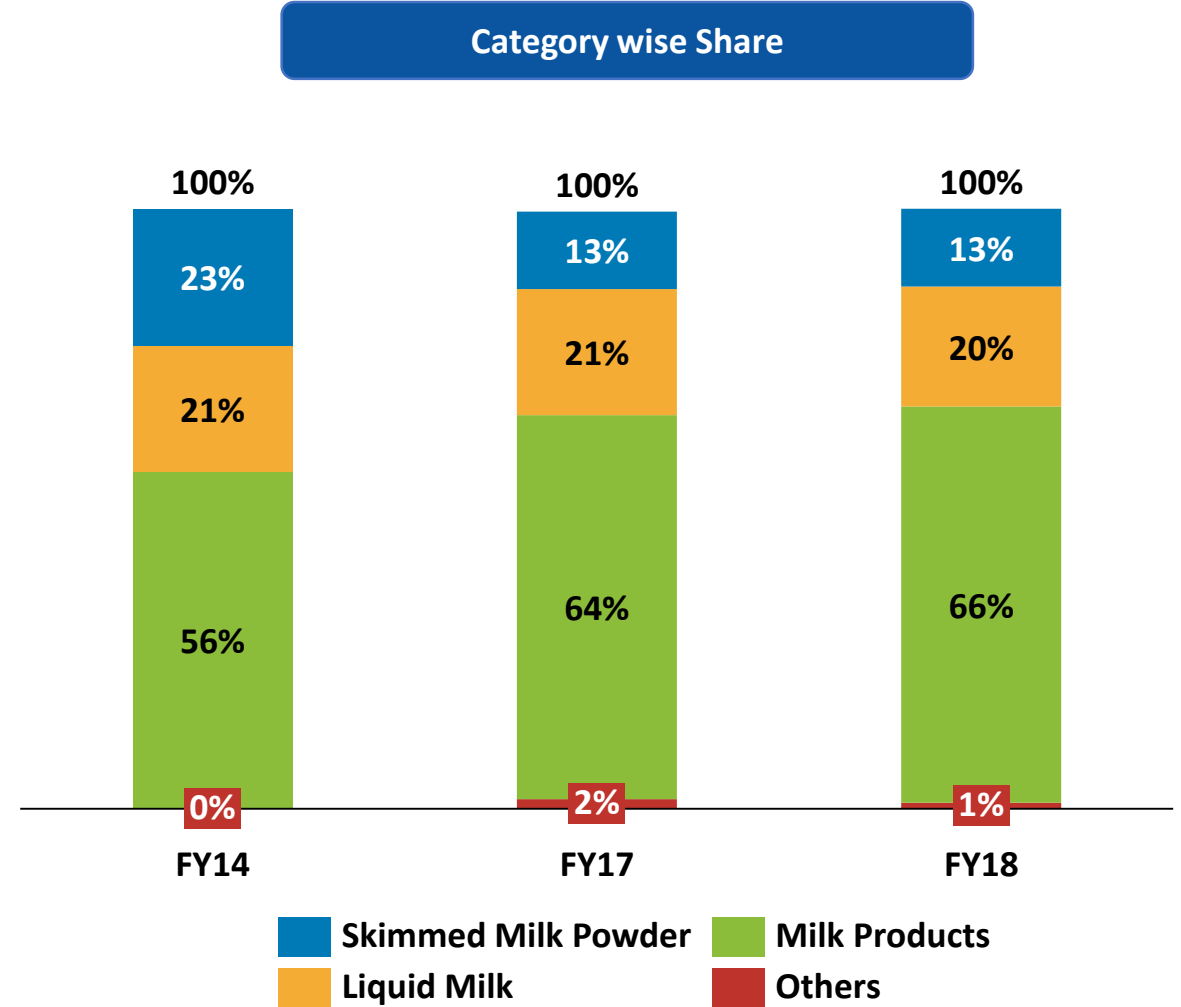
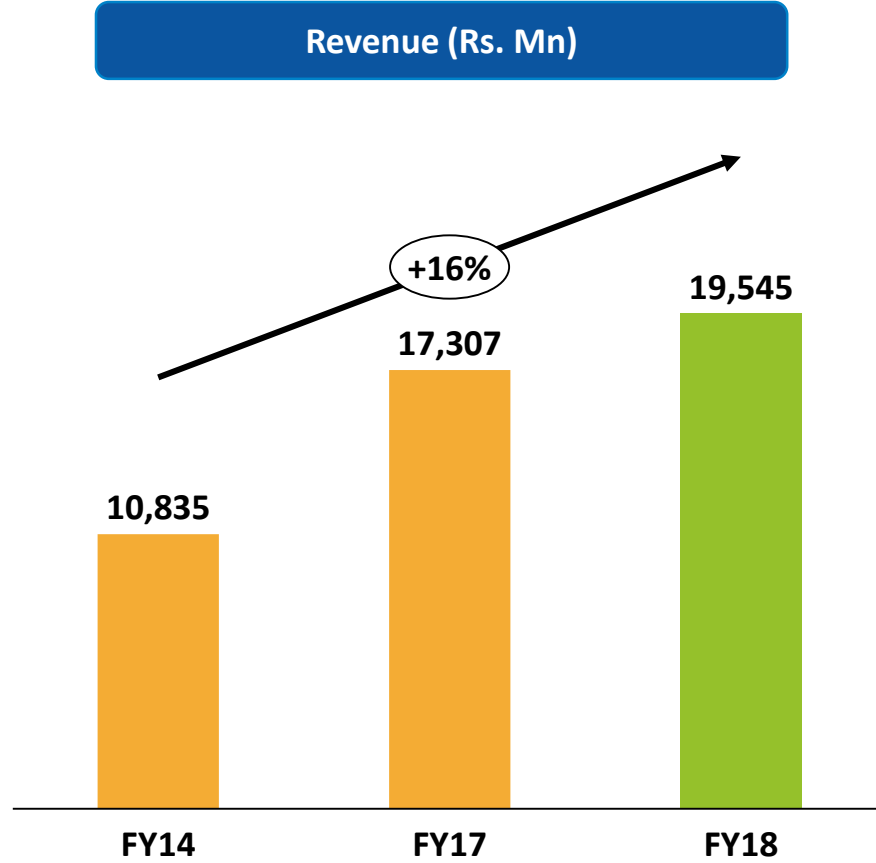
PAT (Rs. Mn)



Margins (%)

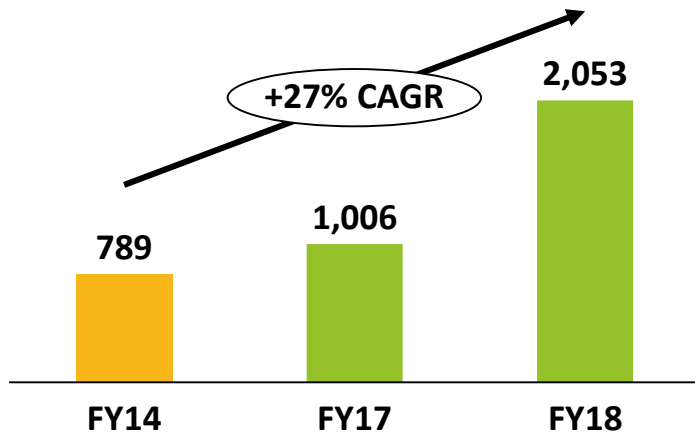


Consolidated Revenue Highlights – FY18

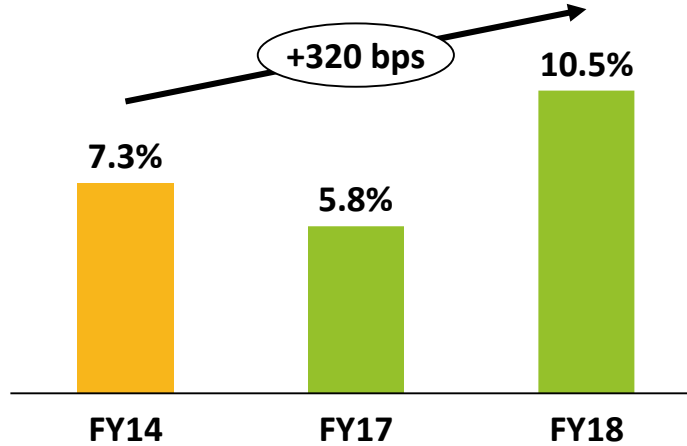


Consolidated Profitability & Returns

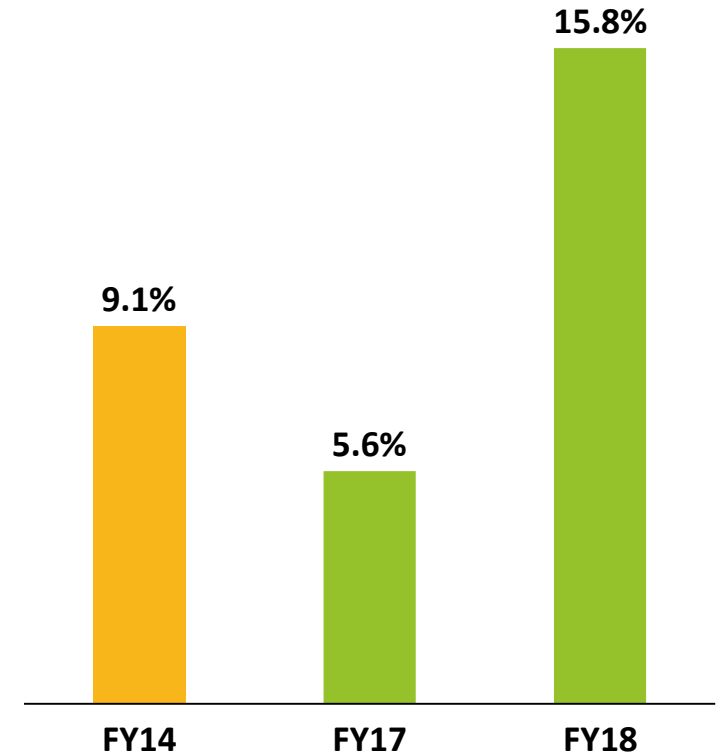
EBITDA (Rs. Mn)*



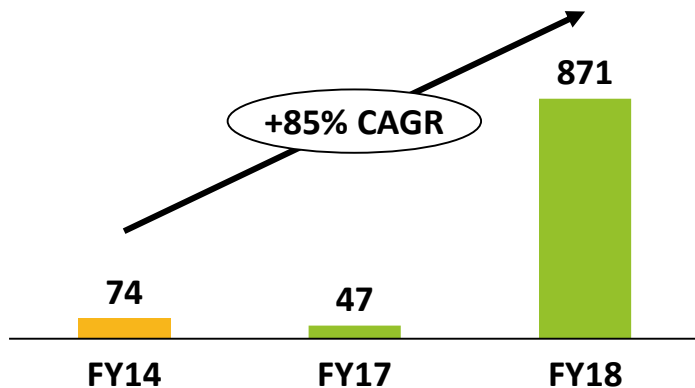
EBITDA Margin (%)*



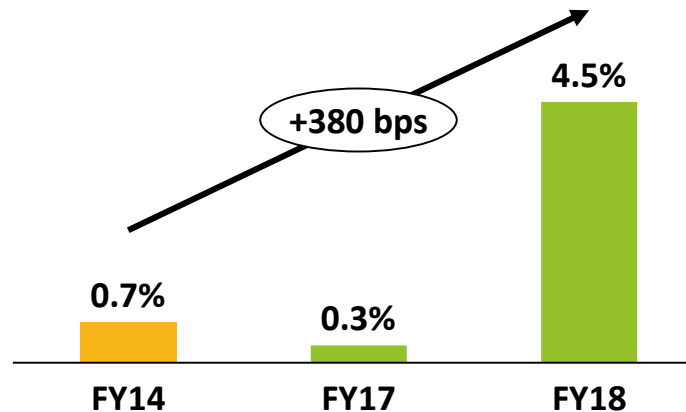
ROCE (%)



PAT (Rs. Mn)



PAT Margin (%)



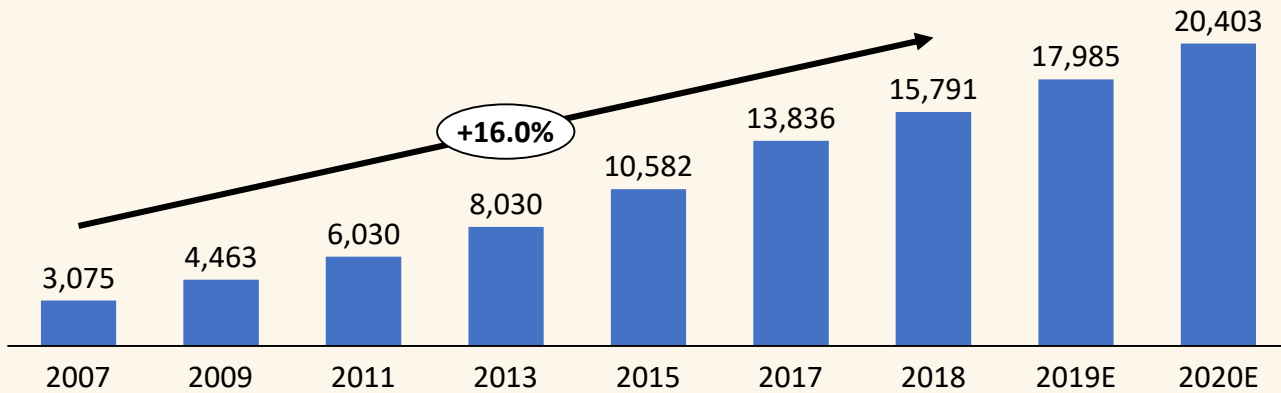
* Includes Other Income



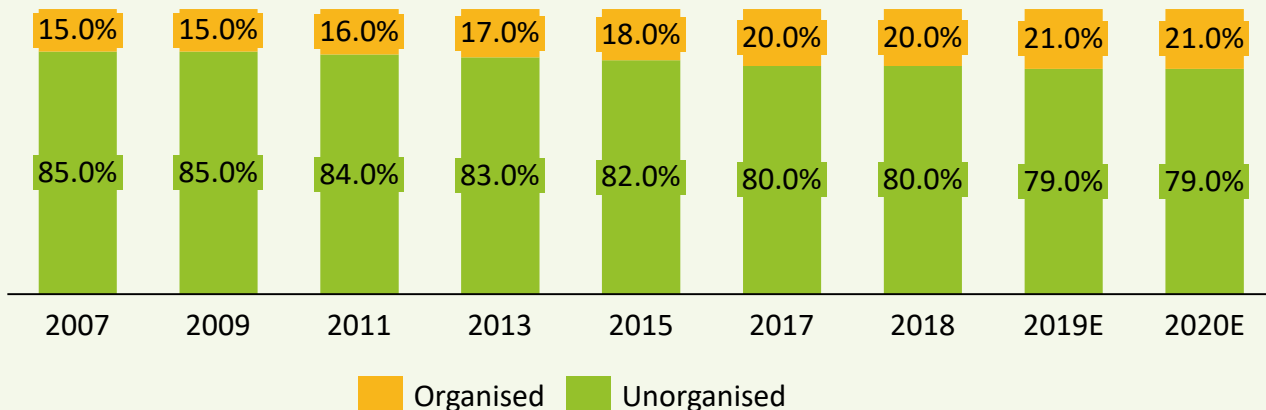
Annexures

Ghee Market (Butter Oil/Cooking Oil/Clarified Butter)

India's Ghee Market Size (in US\$ Million)



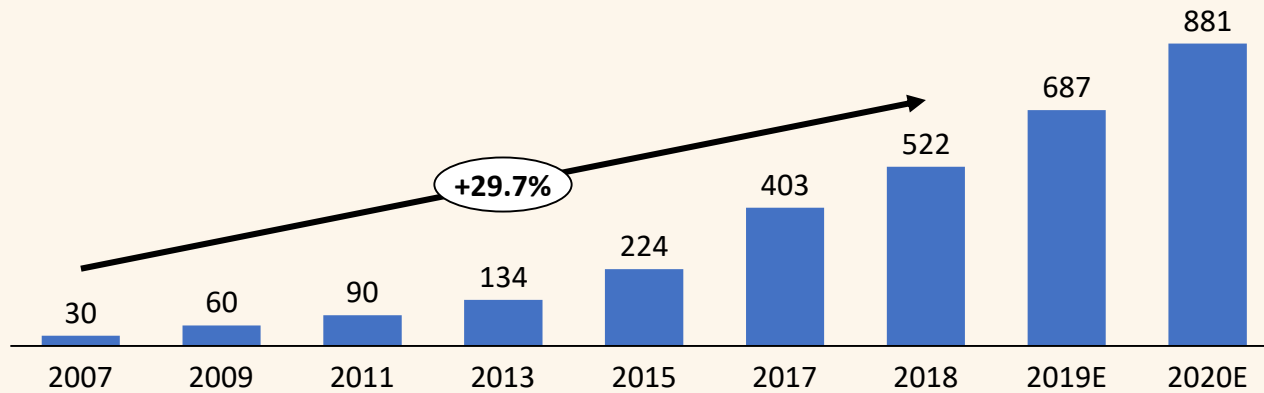
Organized vs Unorganized Sales



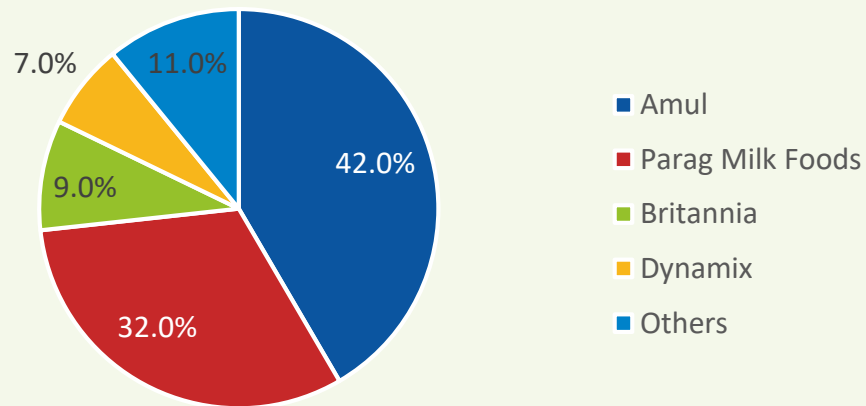
Key Highlights

- Ghee is traditionally used as cooking oil in Indian households
- It is the 2nd largest category in the Indian dairy industry after Liquid Milk
- The organized market is currently 20% of total, and is growing rapidly at a CAGR of 17%
- Parag is present in the “Cow Ghee” category and are not only pioneers of the category but also the most sought after brand in the segment
- The Cow Ghee segment is growing faster than the overall Ghee market and has higher margins

India's Cheese Market Size (in US\$ Million)



Cheese - Value Market Share

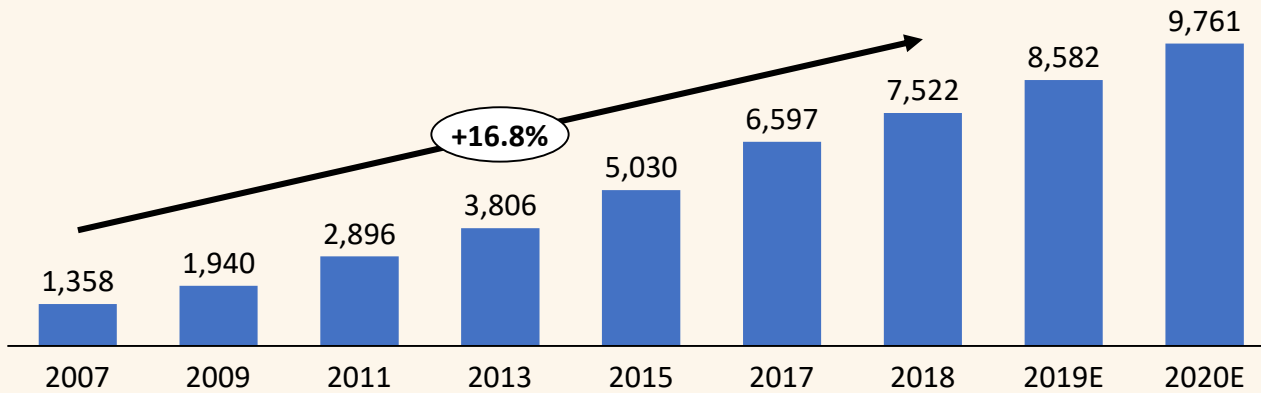


Key Highlights

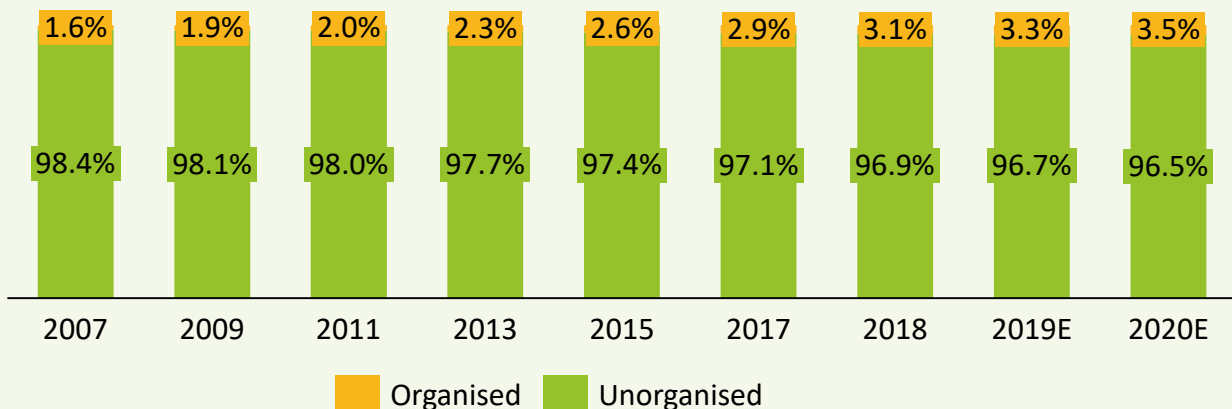
- Cheese is one of the fastest growing segments among dairy products in India
- Rise in food service outlets and changing food habits are major drivers
- Earlier, the cheese market in India was dominated by block cheese, slices and cubes
- Through innovation Parag has achieved a leadership position with a 1/3rd market share
- Parag dominates the Institutional & HoReCa segment
- Maharashtra is the biggest market for cheese consumption, followed by Gujarat, Delhi, Tamil Nadu and Uttar Pradesh

Paneer (Cottage cheese)

India's Paneer Market Size (in US\$ Million)



Organized vs Unorganized Sales

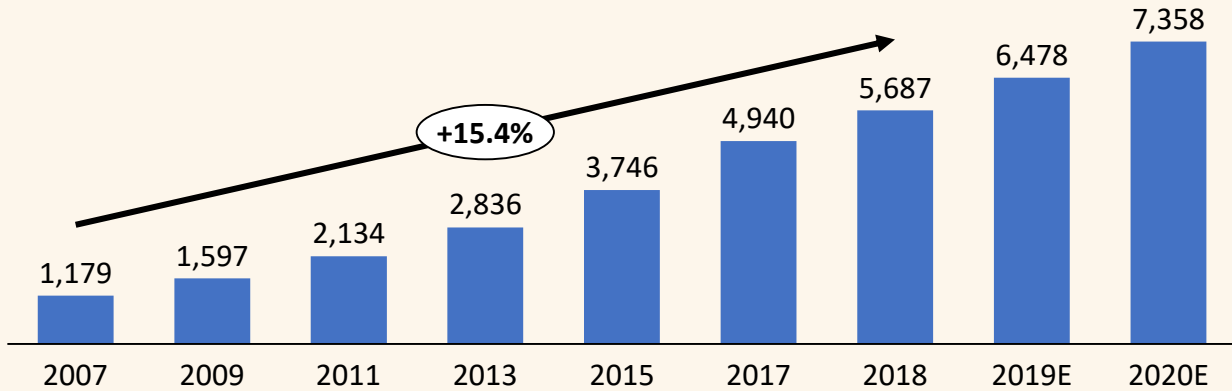


Key Highlights

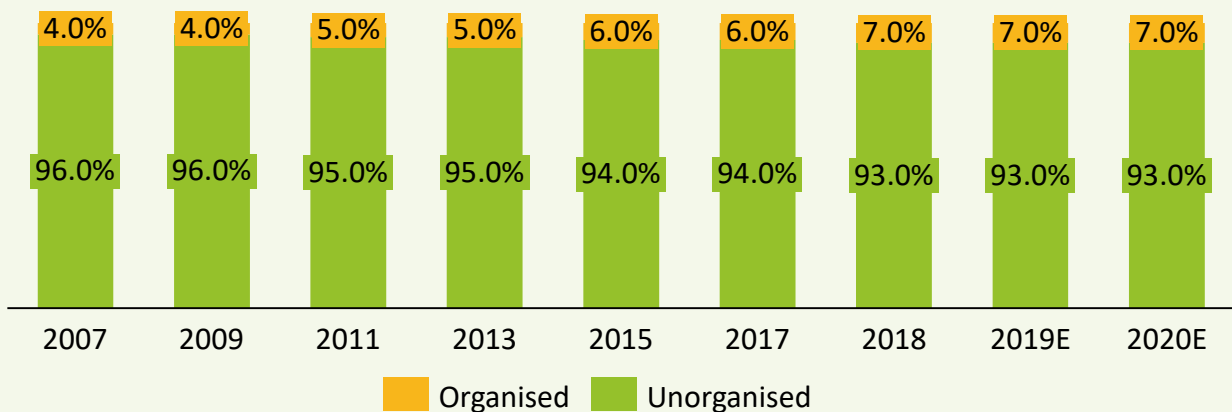
- Paneer is to India what cheese is to the Western world and is an integral part of many Indian recipes
- Paneer is the third largest segment in the milk products category
- Paneer is consumed like vegetables in Indian households and therefore purchased fresh on a daily basis
- With innovation in manufacturing & packaging, Parag has created a long-shelf life Fresh Paneer made from 100% cow milk
- Due to hygiene and consistency in taste, the trend towards branded packaged paneer is gaining momentum

Curd (Dahi)

India's Curd Market Size (in US\$ Million)



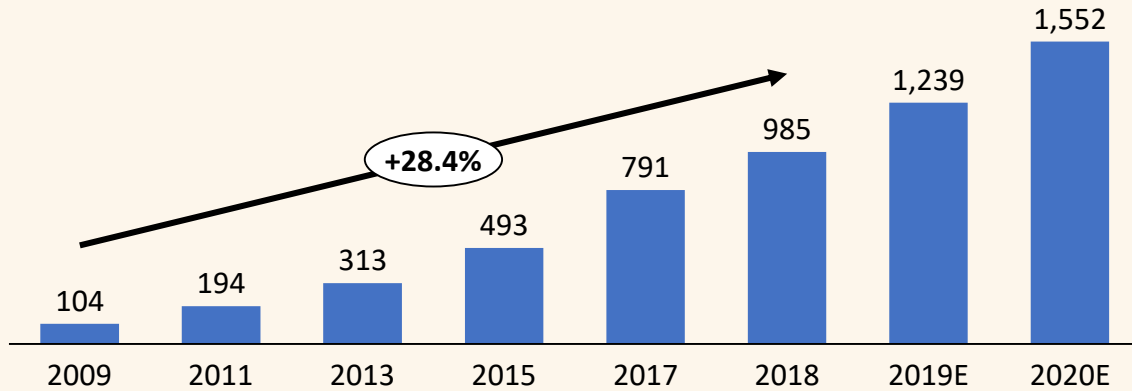
Organized vs Unorganized Sales



Key Highlights

- Curd industry has transformed from being a product that was traditionally made at home to a branded & packaged product
- The organized curd market is growing rapidly at a CAGR of 20%+ with even higher growth in metros
- With a distinctive home-made recipe and made of pure Cow milk, our curd is well-positioned to dominate this category in major markets
- Parag has significant presence in major metros like Mumbai, Pune, Nagpur, Hyderabad, Bangalore & Chennai and is now expanding into Delhi NCR and nearby markets of North & East

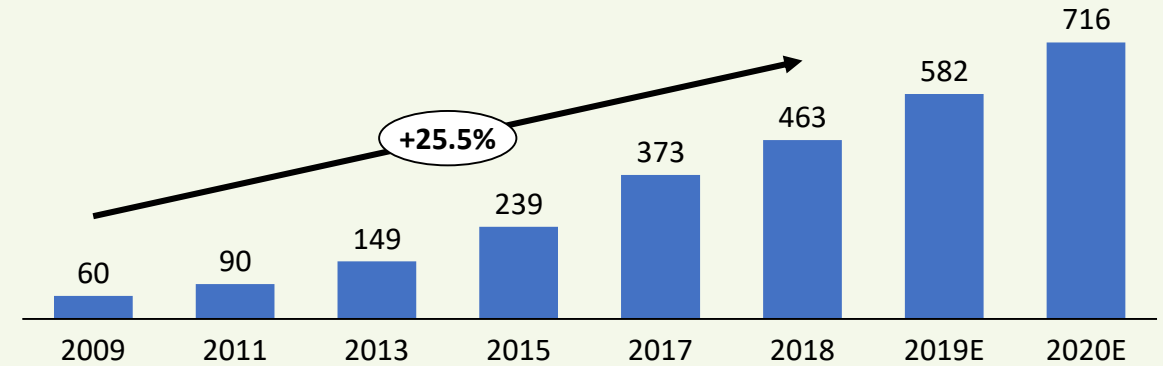
India's UHT Market Size (in US\$ Million)



Key Highlights

- In 2014, the UHT milk market accounted for less than 1% of the total milk market and ~5% of the organized milk market
- However, with benefits like safety, convenience and longer shelf life, usage of UHT milk is increasing at a fast pace in major metros
- Milk deficit areas are switching from milk powders to UHT milk
- Parag has established itself as a the largest private player in this segment

India's Flavoured Milk Beverages Market Size (US\$ Million)



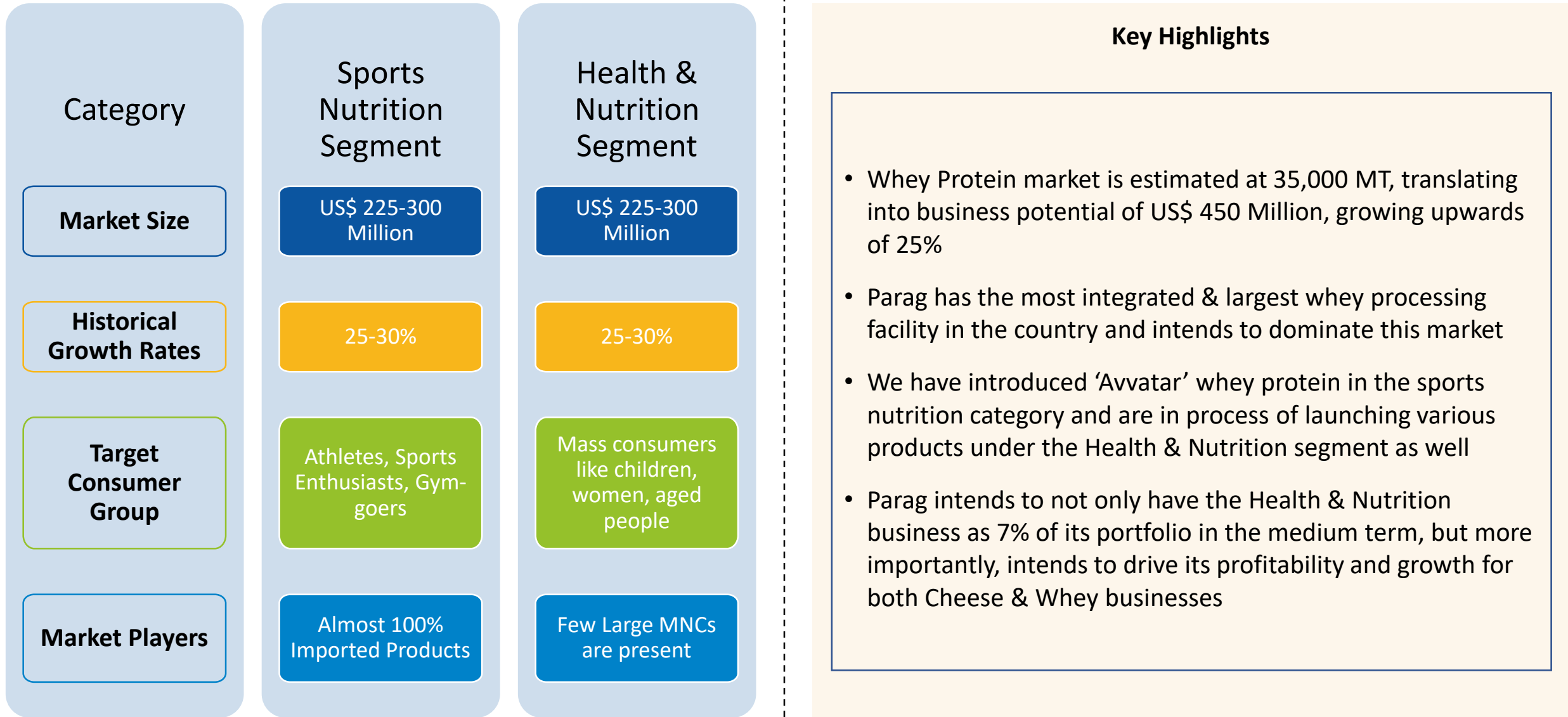
Key Highlights

- Flavoured milk represents one of the fastest growing segments in the Indian dairy market due to:
 - Indian consumers slowly substituting carbonated soft drinks with healthier options
 - Advent of single serve, re-sealable bottles and tetra packs which has made milk convenient for use and easier to distribute

Whey Protein



Ideas for a new day

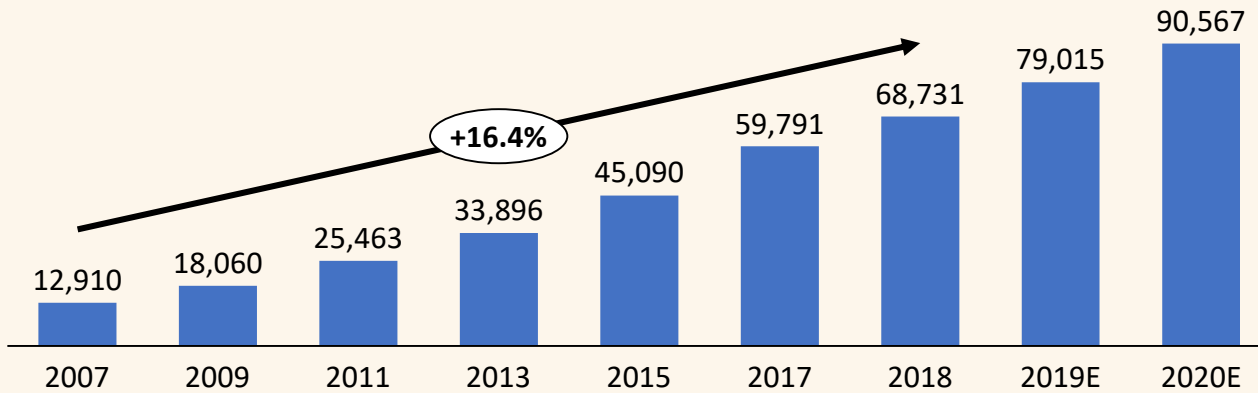


Liquid Milk Market

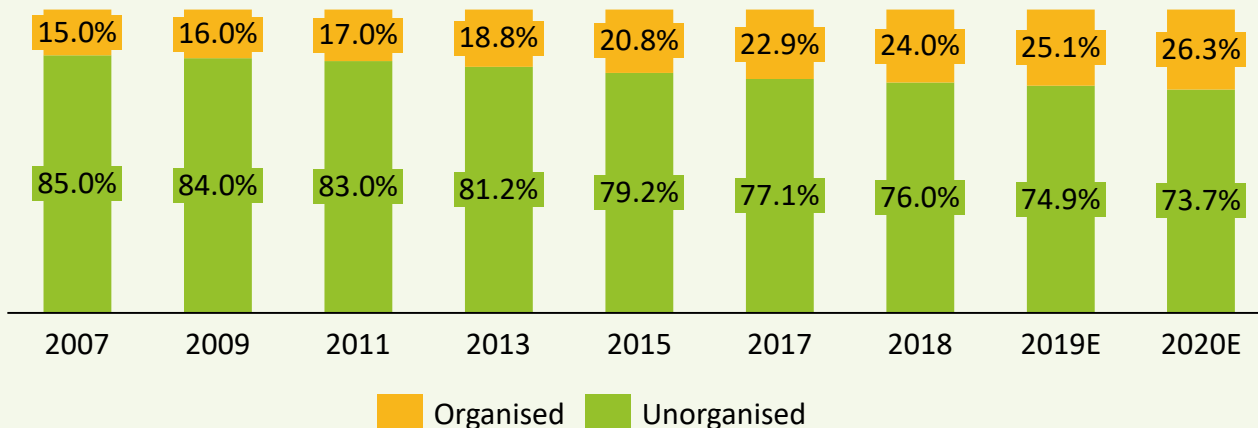


Ideas for a new day

India's Liquid Milk Market Size (in US\$ Million)



Organized vs Unorganized Sales



Key Highlights

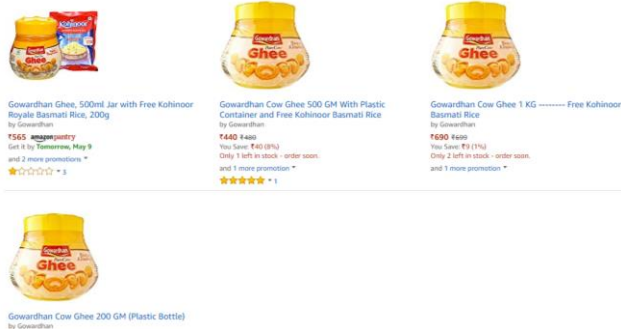
- A majority (77%) of the milk sold in India is unorganized and in the form of loose milk sold by milkmen
- The organized sector in liquid milk is highly fragmented with several regional players and co-operatives
- Consumers are shifting from loose liquid milk to branded packaged milk due to safety and quality concerns
- The organized liquid milk market is growing faster than the unorganized market
- Parag has a strong presence in urban parts of West and South India and is currently the largest private player in Mumbai

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

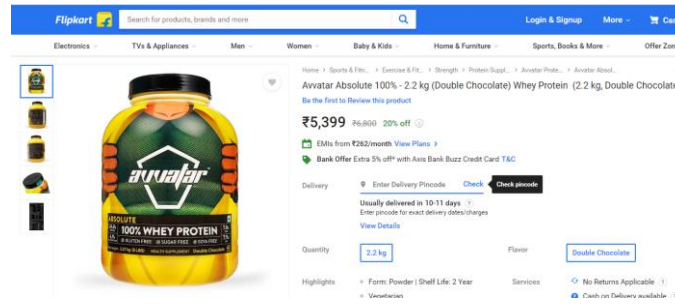


Ideas for a new day

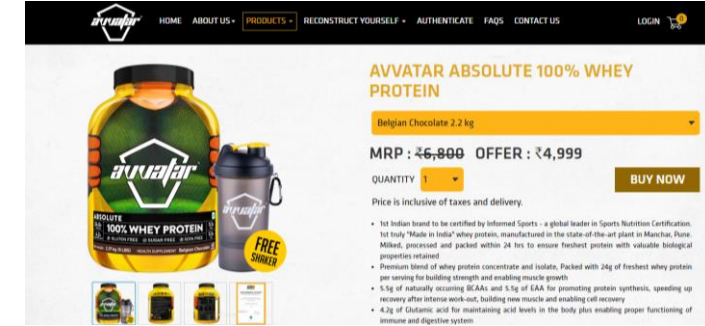
Amazon



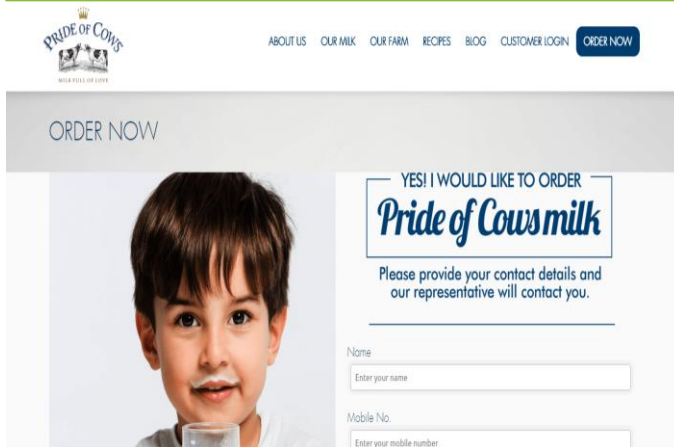
Flipkart



Avvatar Website



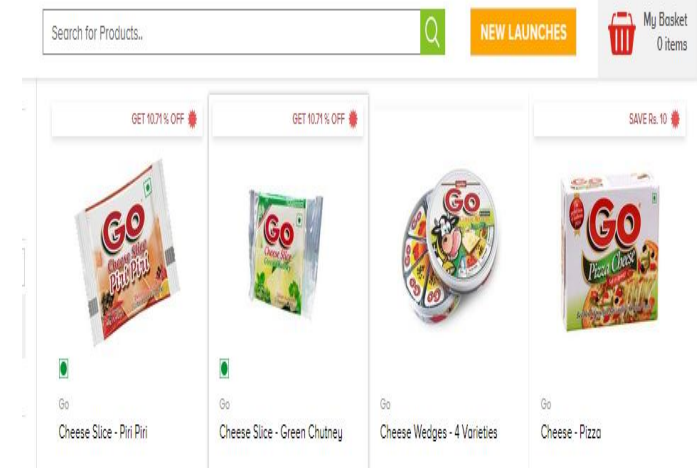
Pride of Cows - Website



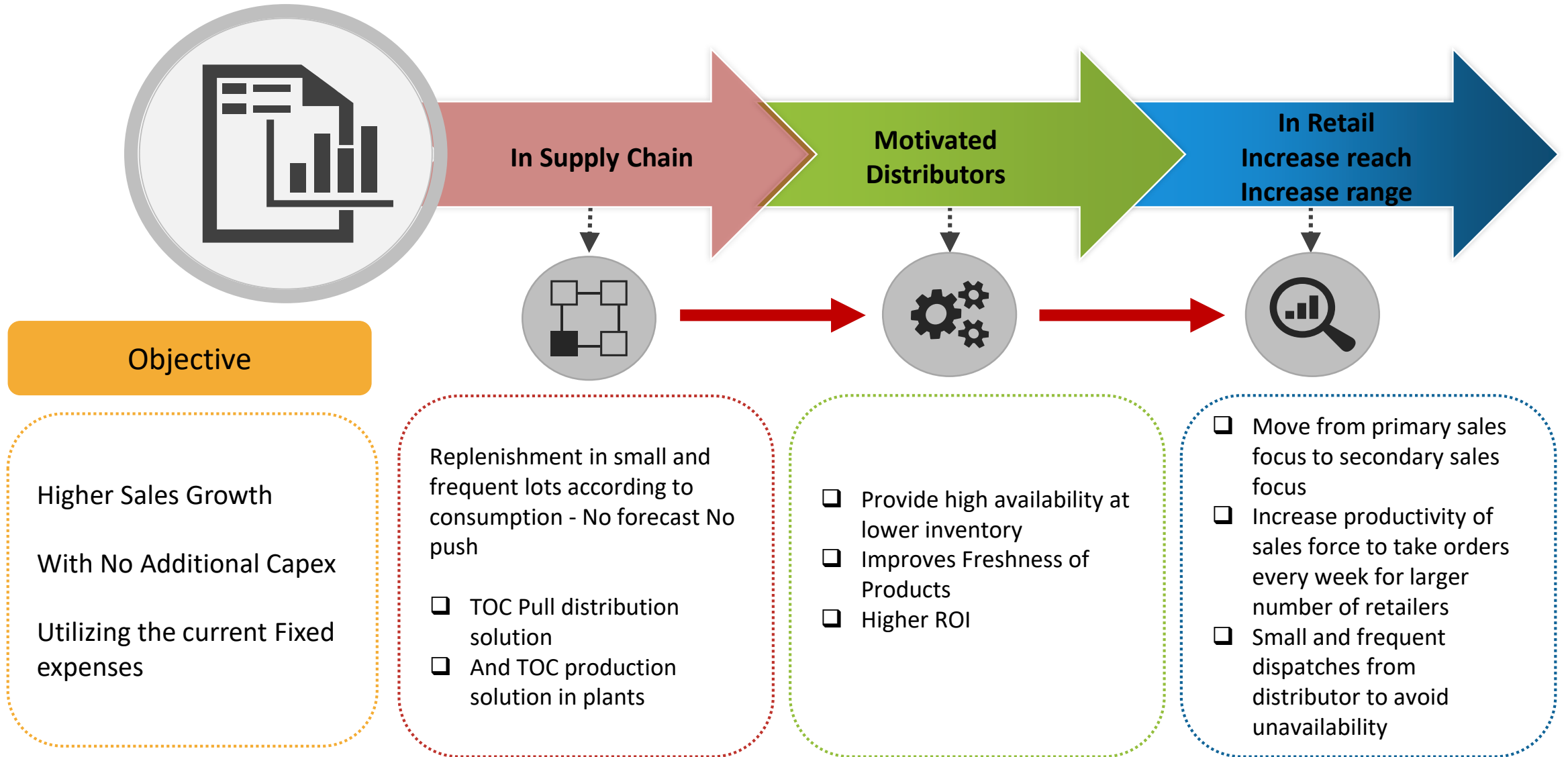
Pride of Cows - Mobile App



Big Basket & Grofers



Addressing the potential in Sales and Supply Chain





Ideas for a new day

SGA Strategic Growth Advisors

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