

# Prabhat Dairy Ltd.

Fresh Dairy • Milk Ingredients • Co-manufacturing



November 14, 2017

BSE Limited PhirozeJeejeebhoy Towers Dalal Street Mumbai  Ref. Scrip Code : 539351	National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, BandraKurla Complex, Bandra (E) Mumbai – 400 051  Ref: Symbol - PRABHAT
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**Sub: Investor presentation on Unaudited Financial Results for the quarter and half year ended September 30, 2017.**

**Ref.: Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Dear sir / madam,

Pursuant to captioned Regulation, we are enclosing herewith the Investor Presentation on Unaudited Financial Results for the quarter and half year ended September 30, 2017.

The presentation is also hosted on the website of the Company at:

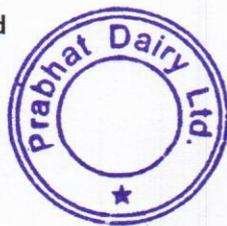
<http://www.prabhatdairy.in/investor-desk/analyst-corner.html>

Kindly take the above information on record.

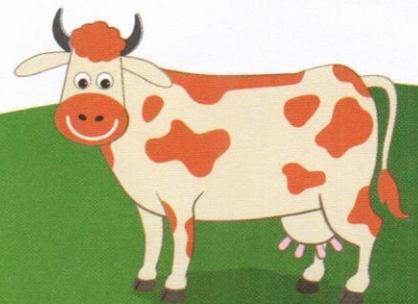
Thanking you

For Prabhat Dairy Limited

Vivek S. Nirmal  
Joint Managing Director  
DIN: 00820923



Encl.:A/a



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CIN: L15203PN1998PLC01306



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Emerging brand in value added dairy products

PRABHAT DAIRY LIMITED  
 Q2 & H1 FY18 Results Presentation  
 November 2017



**Where Goodness Begins**

Emerging brand in value added dairy products

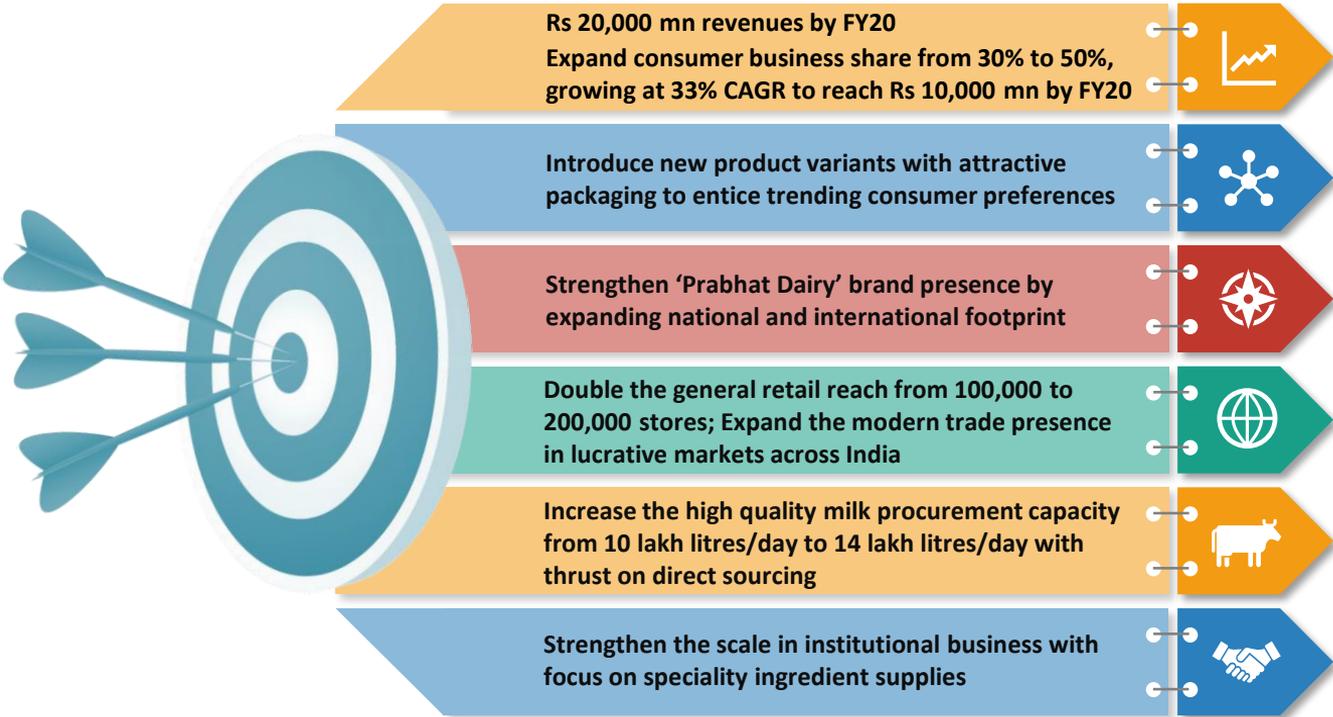
## DISCUSSION SUMMARY

- ❖ **VISION 2020**
- ❖ **Q2 & H1 FY18 RESULT HIGHLIGHTS**
- ❖ **COMPANY OVERVIEW**
- ❖ **COMPETITIVE ADVANTAGES**
- ❖ **STRATEGY & OUTLOOK**

# PRABHAT DAIRY AMBITIOUS EXPANSION – VISION 2020



Where Goodness Begins



## VISION 2020 – ROADMAP



Where Goodness Begins

To build a strong & vibrant consumer brand and stand out as a milk expert company leveraging our wholesome milk-based value added products portfolio

**“You will not miss us anymore”**

# PRABHAT DAIRY AMBITIOUS EXPANSION – VISION 2020



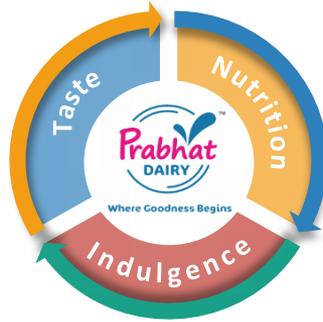
Where Goodness Begins



The new logo of 'Prabhat Dairy' indicates a more customer centric brand 'where goodness begins' and aspires to keep pace with evolving lifestyle trends of discerning consumers



## Wholesome product range with Attractive New Packaging



## Premium Experience with Focused Product Categorisation

Category	Products
Health	Milk, Dahi
Health Plus	UHT and Fortified products
Taste	Lassi, Chaas, Paneer, Ghee, Shrikhand
Taste Plus	Ice creams and Milk Shakes

## New Tetra Pack Variants

Target incremental revenue of Rs 1,000 mn



Milk Shake in UHT form to be launched soon

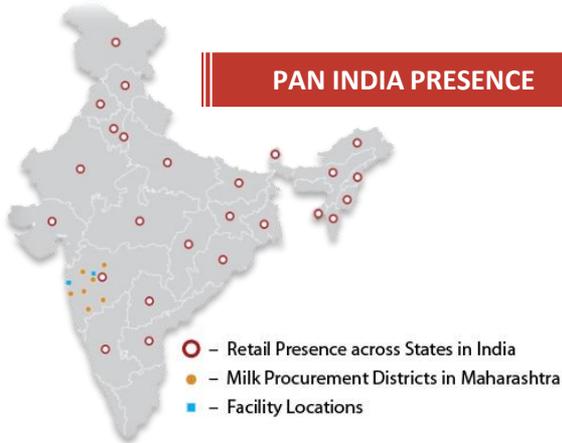
# PRABHAT DAIRY AMBITIOUS EXPANSION – VISION 2020



Where Goodness Begins

## Strengthen 'Prabhat' brand presence by expanding national and international footprint

### PAN INDIA PRESENCE



- ✓ 26 States & 2 Union Territories
- ✓ 270+ Sales Professionals
- ✓ 6 Depots, 1,375 Distributors
- ✓ 289 Modern Trade outlets
- ✓ 100,000 general stores

- By FY18, firm up presence in various Northern, Eastern, Western and Central Indian markets, focussing on Tier II and Tier III towns with higher disposable incomes.
- Launch a range of value added products in Delhi, Punjab, Himachal Pradesh, Assam and further strengthen its presence in Madhya Pradesh and Maharashtra.
- Prabhat's fresh dairy products like Curd, Shrikhand, Meethi Lassi, Butter Milk, Masala Chaas, Paneer etc. are now creating space in the shelves of India's biggest modern retail chains.
- Double the general retail reach from 100,000 to 200,000 stores
- Internationally, it exports to Bhutan and the plans to commence exports to the SAARC countries.

### EXPAND MODERN TRADE PRESENCE

STAR  
Bazaar

BIG BAZAAR  
Making India Beautiful

booker

Walmart  
Save money. Live better.

D Mart

bigbasket  
India's largest online supermarket

G  
GROFERS

Reliance  
RETAIL

easyday

SAHAKARI  
BHANDAR

HyperCITY  
Big store. Big savings.



## Focussed marketing campaigns for improved customer connect and brand recall



## Focus to increase high quality milk procurement with thrust on direct milk sourcing

### ‘Sanjeevan Yojana’ – An Innovative Model

- Work with farmers on animal management practices, objective is to improve the profitability of dairy farmers.
- Tie-up with well qualified animal nutritionists, veterinary surgeons and agriculturists to solve the farmers’ problems.
- Prabhat Dairy plans to setup own feed plant to ensure better quality of cattle feed and mineral mixture to the participating dairy farms.
- Prabhat Dairy plans to equip these farms with an individual Bulk Milk Cooler of 500 litres capacity, and also plans to setup four Bulk Milk Coolers of 2,000 litres capacity at four different dairy farms.
- The Company’s target is to have a total 400 to 500 litres of milk production per day by the end of third year at these selected dairy farms.

### ‘Project Mahavistaar’

- Commissioned 29 Bulk Milk Chillers in Ahmednagar District and 19 Bulk Milk Chillers in Solapur District
- Total target to commission 50 BMC in Ahmednagar District and 50 in Solapur District.





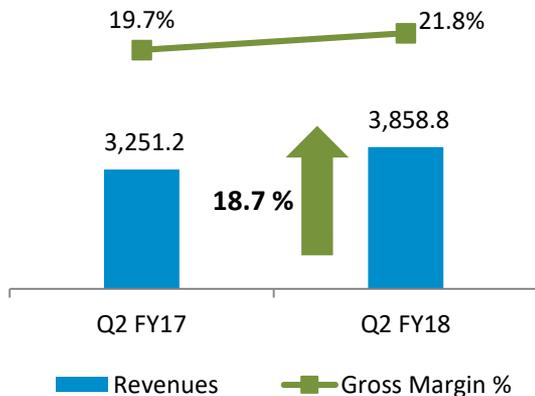
RESULTS  
UPDATE



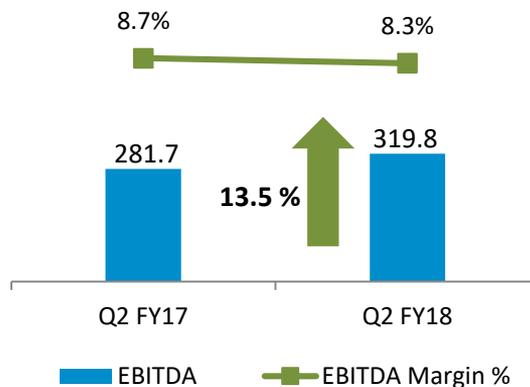
# Q2 & H1 FY18 RESULTS

## KEY HIGHLIGHTS

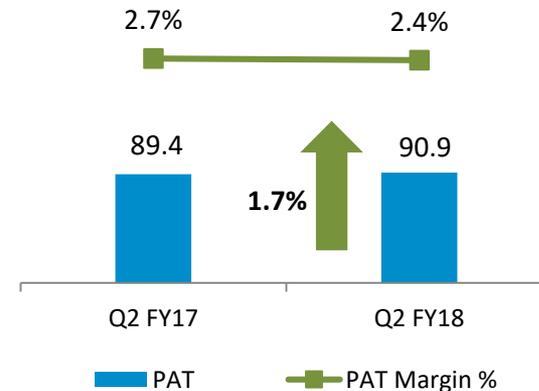
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN



## Q2 & H1 FY18 RESULTS

### CONSOLIDATED PROFIT AND LOSS STATEMENT



Where Goodness Begins

Particulars (In Rs Mn)	Q2 FY18	Q2 FY17	YoY%	Q1 FY18	QoQ%	H1 FY18	H1 FY17	YoY%
Revenue from Operations	3,855.6	3,245.22	18.8%	3,596.0	7.2%	7,451.6	6,176.4	20.6%
Other Income	3.3	6.0	-46.0%	6.3	-48.1%	9.5	8.2	16.5%
<b>Total Income</b>	<b>3,858.8</b>	<b>3,251.2</b>	<b>18.7%</b>	<b>3,602.3</b>	<b>7.1%</b>	<b>7,461.1</b>	<b>6,184.6</b>	<b>20.6%</b>
COGS	3,019.0	2,610.8	15.6%	2,844.7	6.1%	5,863.6	4,992.1	17.5%
<b>Gross Profit</b>	<b>839.9</b>	<b>640.5</b>	<b>31.1%</b>	<b>757.6</b>	<b>10.9%</b>	<b>1,597.5</b>	<b>1,192.5</b>	<b>34.0%</b>
<b>Gross Margin</b>	<b>21.8%</b>	<b>19.7%</b>	<b>207 bps</b>	<b>21.0%</b>	<b>73 bps</b>	<b>21.4%</b>	<b>19.3%</b>	<b>213 bps</b>
Employee Expenses	111.5	81.4	37.1%	103.1	8.1%	214.7	163.5	31.3%
Other Expenses	408.5	277.5	47.2%	365.4	11.8%	773.9	497.3	55.6%
<b>EBITDA</b>	<b>319.8</b>	<b>281.7</b>	<b>13.5%</b>	<b>289.1</b>	<b>10.6%</b>	<b>608.9</b>	<b>531.6</b>	<b>14.5%</b>
<b>EBITDA Margin %</b>	<b>8.3%</b>	<b>8.7%</b>	<b>-38 bps</b>	<b>8.0%</b>	<b>26 bps</b>	<b>8.2%</b>	<b>8.6%</b>	<b>-44 bps</b>
Depreciation	122.8	109.4	12.3%	117.0	5.0%	239.8	213.4	12.4%
Finance Cost	86.0	68.4	25.8%	89.2	-3.6%	175.2	139.7	25.5%
Exceptional Item	0.0	0.0	-	0.0	-	0.0	0.0	-
<b>PBT</b>	<b>111.0</b>	<b>103.9</b>	<b>6.8%</b>	<b>82.9</b>	<b>33.9%</b>	<b>193.8</b>	<b>178.6</b>	<b>8.5%</b>
Tax Expense	20.1	14.6	38.1%	24.6	-18.1%	44.7	28.8	55.1%
Current Tax	25.6	22.2	15.1%	21.8	17.4%	47.4	39.0	21.3%
Deferred Tax	-5.5	-7.7	28.6%	2.8	-297.1%	-2.7	-10.2	73.7%
<b>PAT</b>	<b>90.9</b>	<b>89.4</b>	<b>1.7%</b>	<b>58.3</b>	<b>55.8%</b>	<b>149.2</b>	<b>149.8</b>	<b>-0.4%</b>
<b>PAT Margin %</b>	<b>2.4%</b>	<b>2.7%</b>	<b>-39 bps</b>	<b>1.6%</b>	<b>74 bps</b>	<b>2.0%</b>	<b>2.4%</b>	<b>-42 bps</b>

## Q2 & H1 FY18 RESULTS

### CONSOLIDATED BALANCE SHEET



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Particulars (In Rs Mn)	H1 FY18	FY17
<b>Equities &amp; Liabilities</b>		
<b>Equity</b>		
Equity share capital	976.8	976.8
Other Equity	6,004.2	5,905.4
	<b>6,980.9</b>	<b>6,882.2</b>
<b>Non-Current Liabilities</b>		
Financial Liabilities		
Borrowings	426.4	386.0
Provisions	12.6	14.3
Deferred tax liabilities (net)	161.8	158.8
	<b>600.9</b>	<b>559.0</b>
<b>Current Liabilities</b>		
Financial Liabilities		
Borrowings	2,283.5	3,192.6
Trade Payables	837.6	537.8
Other financial liabilities	128.3	135.0
Other current liabilities	48.7	60.8
Provisions	4.7	4.7
Current tax liabilities (net)	56.8	114.0
	<b>3,359.6</b>	<b>4,044.9</b>
<b>Total Equity &amp; Liabilities</b>	<b>10,941.4</b>	<b>11,486.1</b>

Particulars (In Rs Mn)	H1 FY18	FY17
<b>Assets</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	4,431.8	4,142.9
Capital work in progress	207.3	265.4
Intangible Assets	4.6	7.1
Financial Assets		
Investments	0.0	0.0
Other financial assets	73.9	60.3
Income Tax assets (net)	31.5	28.0
VAT refund receivable	238.0	237.4
Other non-current assets	7.0	38.6
	<b>4,994.1</b>	<b>4,779.6</b>
<b>Current Assets</b>		
Inventories	1,278.1	1,332.5
Financial Assets		
Trade receivables	2,884.4	2,711.1
Cash & cash equivalents	187.5	1,091.4
Bank Bal. exc. Cash/cash equivalents	508.6	564.4
Loans	6.1	4.3
Other financial assets	212.5	189.4
Advance to suppliers	850.3	803.9
Other current assets	19.7	9.4
	<b>5,947.3</b>	<b>6,706.4</b>
<b>Total Assets</b>	<b>10,941.4</b>	<b>11,486.1</b>

## Q2 & H1 FY18 RESULTS

### KEY HIGHLIGHTS



- Q2 FY18 Total Revenues increased by 18.7% YoY to Rs. 3,858.8 mn.
  - Distribution between value added products and milk was 79% and 21% respectively.
  - Pouch milk, cheese and paneer were key drivers of sales growth. Discounts and other promotional schemes resulted in higher B2C sales.
  - Recognized Mega Project Benefit of Rs. 1.9 cr in Net Revenues in Q2FY18.
- Q2 FY18 Gross Profit increased by 31.1% YoY to Rs 839.9 mn. Gross margin increased by 207 bps YoY from 19.7% to 21.8%.
  - Milk procurement prices decreased by ~0.1% YoY from Rs. 25.62 to Rs. 25.60 per litre this quarter.
  - Gross margins were higher on a year on year basis mainly due to higher realizations in consumer business.
- Q2 FY18 EBITDA increased by 13.5% YoY to Rs. 319.8 mn. EBITDA margin decreased by 38 bps YoY from 8.7% to 8.3%.
  - Manufacturing overheads were higher due to increased capacity utilization of cheese and ghee facilities.
- Q2 FY18 PAT marginally increased by 1.7% YoY from Rs. 89.4 mn to Rs 90.9 mn.

- Working with **large institutional MNC** and **Domestic clients** for **whey permeate powder, cheese (domestic sales and exports) and dairy whiteners.**
- **Cheese** distribution growing across **North East, Central and Western India** in the **food services division.** Established relationships with **leading F&B chains** and **5 star hotels.**
- **Cheese capacity utilization has exceeded 25%.**
- **Strengthening HR practices** by initiating key changes in **performance linked remuneration for top executives and overall workforce management.**
- Capacity strengthened to produce competitive products - **Anhydrous milk fat (AMF), Whey Permeate Powder (WPP) and improvised Whey Powder.**



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 100,000 farmers.
- Strategically located manufacturing facilities in Shrirampur (Ahmednagar) and Navi Mumbai .
- Close proximity to milk generating regions and target market for end products.
- Prominent presence across key consumer product categories such as Ghee, Cheese, Pouch Milk and UHT Milk.
- Strong institutional clientele – Mondelez, Abbott, ITC, Britannia, Future Group etc.

#### FINANCIAL OVERVIEW

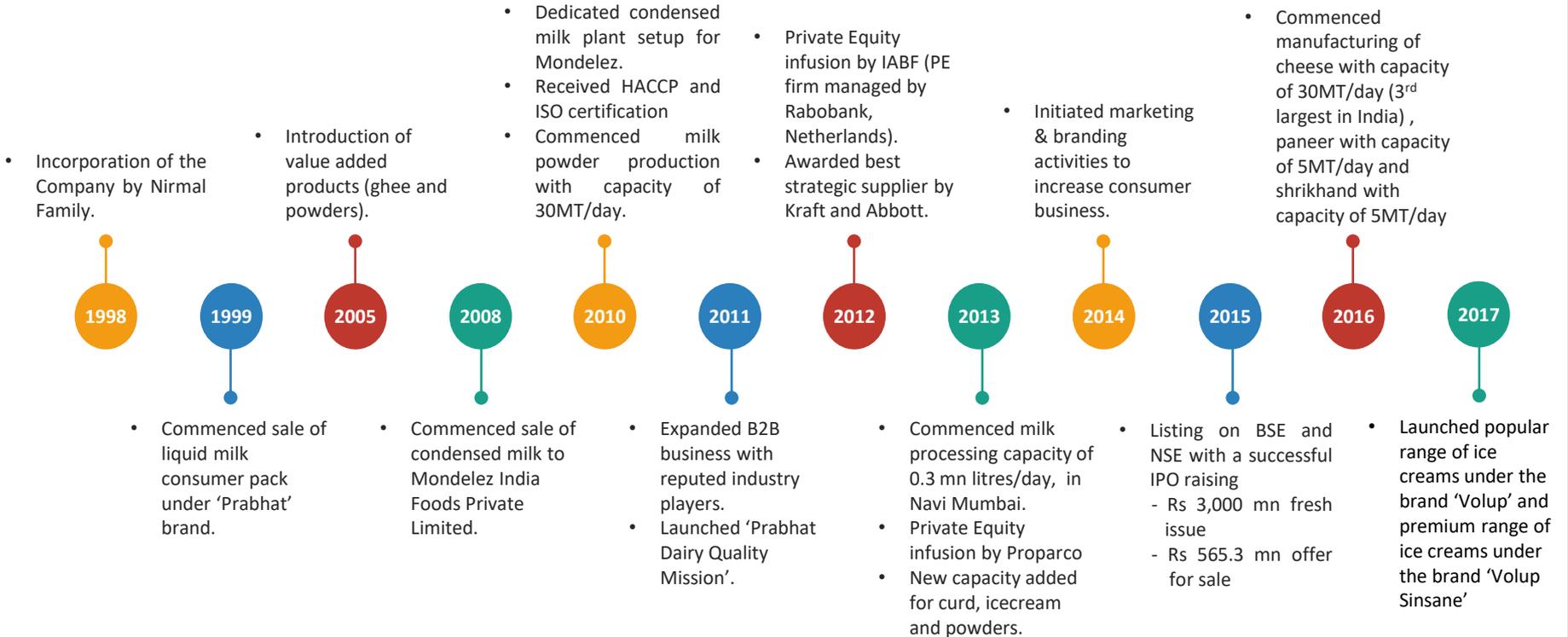
- Consolidated Revenues, EBITDA and PAT were Rs 14,111.3 mn, Rs 1,280.5 mn and Rs 469.4 mn in FY17.
- D/E ratio has significantly improved from 2.3x in FY12 to 0.3x in FY17 with continued efforts on de-leveraging.

# COMPANY OVERVIEW

## OUR EVOLUTION



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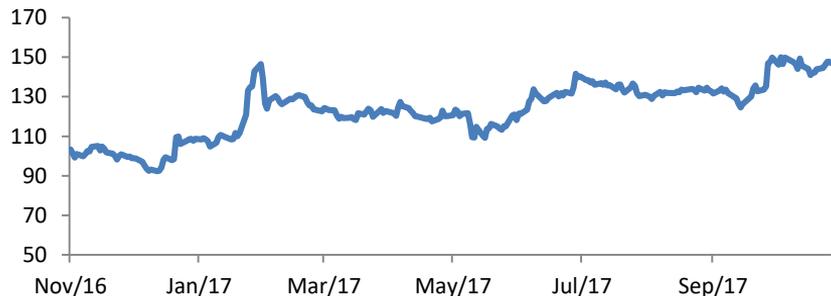
# COMPANY OVERVIEW

## SHAREHOLDING STRUCTURE

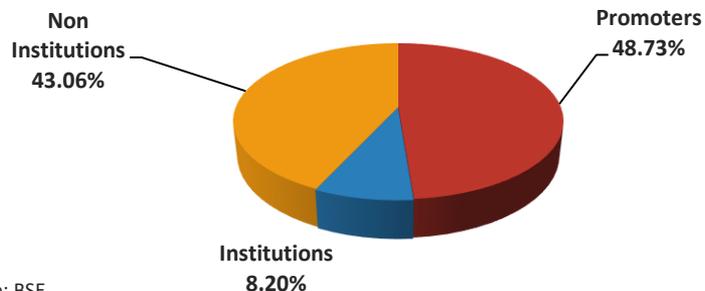


Where Goodness Begins

### SHARE PRICE PERFORMANCE



### SHAREHOLDING AS ON 30<sup>th</sup> SEPTEMBER 2017



Source: BSE

### MARKET DATA

AS ON 13.11.17 (BSE)

Market Capitalization (Rs mn.)	14,250.9
Price (Rs.)	145.9
No. of Shares Outstanding (mn.)	9.8
Face Value (Rs.)	10.0
52 Week Low-High (Rs.)	91.2 - 160.0

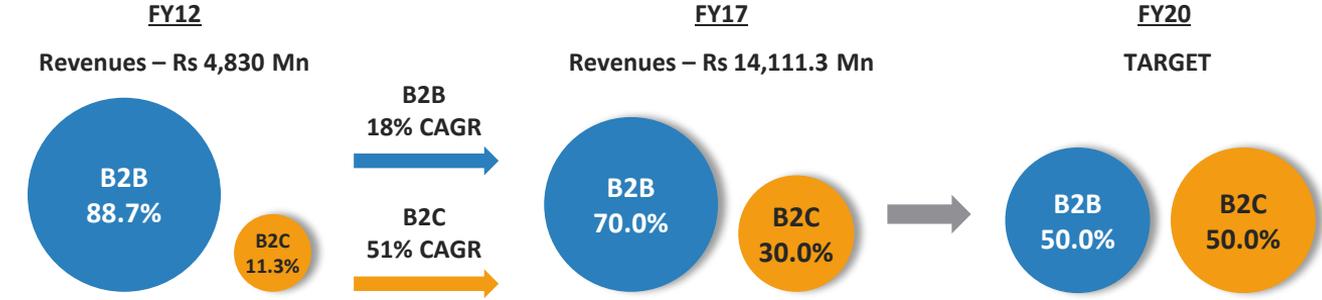
### KEY INSTITUTIONAL INVESTORS AT 30<sup>th</sup> SEPTEMBER 2017

% HOLDING

Rabo Equity Advisors	14.37%
PROPARCO	8.68%
TVS Capital	7.57%
DSP Blackrock Micro Cap Fund	3.50%
Sundaram MF	1.97%
Styrax Commodities Limited	1.88%
Ecap Equities Limited	1.06%
Wasatch Advisors	1.54%

# COMPANY OVERVIEW

## BUSINESS MODEL - PROGRESSING FROM B2B (INSTITUTIONAL) TO B2C (RETAIL)



**STRONG GROWTH  
WITNESSED IN  
B2C BUSINESS**

**SOLID FOUNDATION  
OF ESTABLISHED  
B2B BUSINESS**

VAP – Value added products

## COMPANY OVERVIEW

### RETAIL BUSINESS – WIDE RANGE OF VALUE ADDED PRODUCTS



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



CHEESE



PANEER



POUCH MILK – PREMIUM, FRESH,  
SLIM, RICH



CURD (DAHI)



COW GHEE



MISTI DOI



CHAAS



UHT MILK



LASSI

## Popular Range of Ice Creams under the 'Volup' brand



Butterscotch Cup



Strawberry Cup



Vanilla Cup



Mango  
Crush



Kala Khatta  
Crush



Orange  
Crush



Mango  
Dripper



Raspberry  
Dripper



Vanilla  
Crunchie



Mini  
Chocolate  
Crunchie



Chocolate  
+ Vanilla  
Crunchie



Butterscotch  
Crunchie



Malai &  
Kesar Kufli



Volup Party Pack – Chocolate



Volup Party Pack – Chocolate



Volup Party Pack – Butter Scotch



Premium Range of Ice Creams under the 'Volup Sinsane' brand



Alphonso Mango



Real Lychee



Belgian Chocolate Fudge



Real Pistachio



Zaffrani Badam Pista



Belgian Swiss Chocolate



Belgian Exotica



California Coffee Bar



French Vanilla Bar



Choco Naughty Crunch



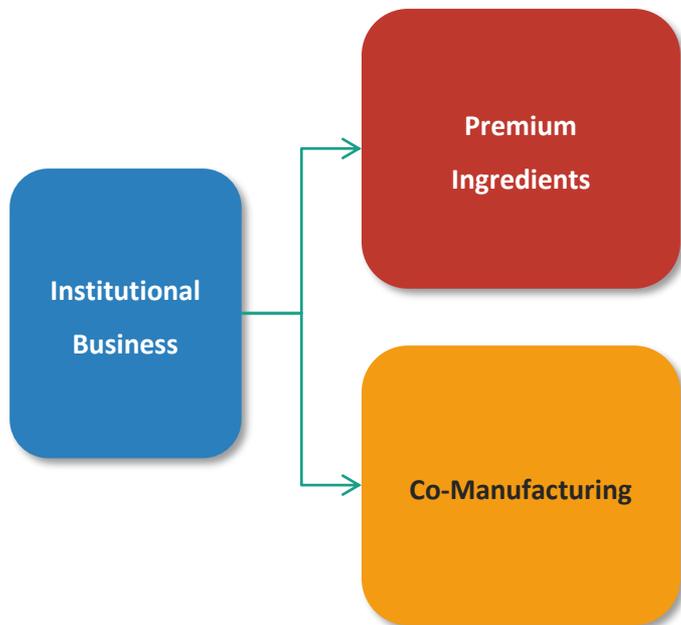
Mango Rush



Ringo



Twistie



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

# COMPANY OVERVIEW

## INSTITUTIONAL BUSINESS – DIVERSE CLIENTELE



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



**Abbott**



**LOTTE**

*future group*  
india tomorrow



**PERFETTI**



**Domino's**

*Nilgiri's*  
1905





## COMPETITIVE ADVANTAGES



# 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, Volup.
- 270+ sales professionals, 1,375 distributors, 150 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



Where Goodness Begins

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

- More than 100,000 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



Where Goodness Begins

## 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

475 MILK COLLECTION CENTRES



150 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



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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 "Commitment to supplier quality expectations" by Mondelez International

### QUALITY CERTIFICATIONS





STRATEGY &  
OUTLOOK

# STRATEGY & OUTLOOK

## KEY FOCUS AREAS

### 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
  - Ricotta 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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