

# The Taste That Stays.



**Prabhāt**  
Partners in Progress

Emerging brand in value added dairy products

Q2 & H1 FY17 RESULTS UPDATE  
NOVEMBER 2016

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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.

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Emerging brand in value added dairy products

## DISCUSSION SUMMARY

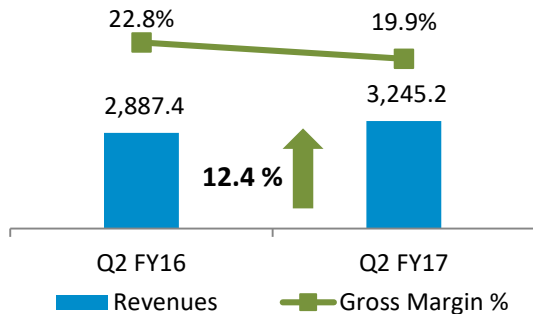
- Q2 & H1 FY17 RESULTS ANALYSIS
- COMPANY OVERVIEW
- BUSINESS MODEL
- COMPETITIVE ADVANTAGES
- STRATEGY & OUTLOOK
- ANNEXURE

# Q2 FY17 RESULT ANALYSIS

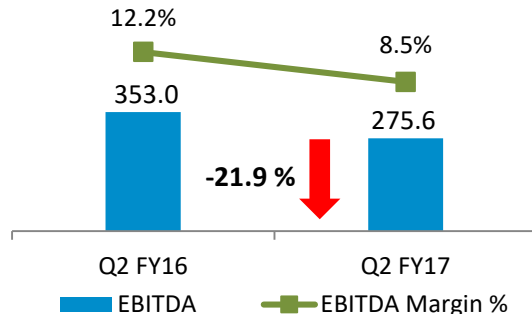
## KEY HIGHLIGHTS

In Rs Mn

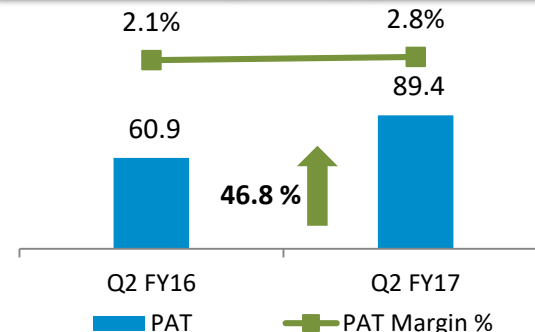
### REVENUES & GROSS MARGIN



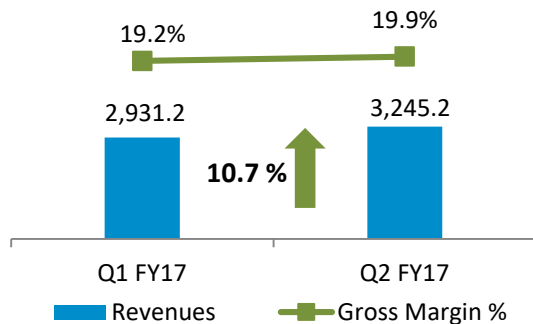
### EBITDA & EBITDA MARGIN



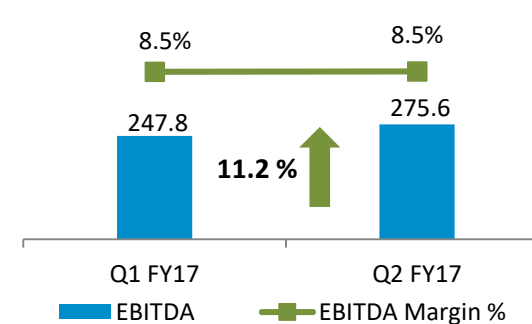
### PAT & PAT MARGIN



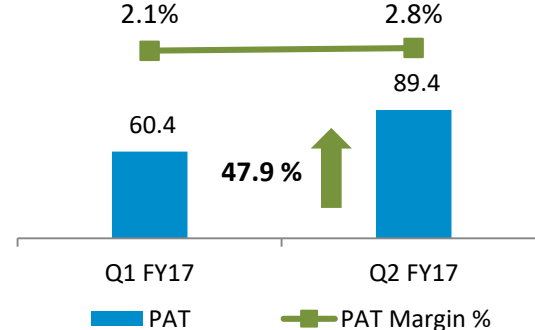
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN

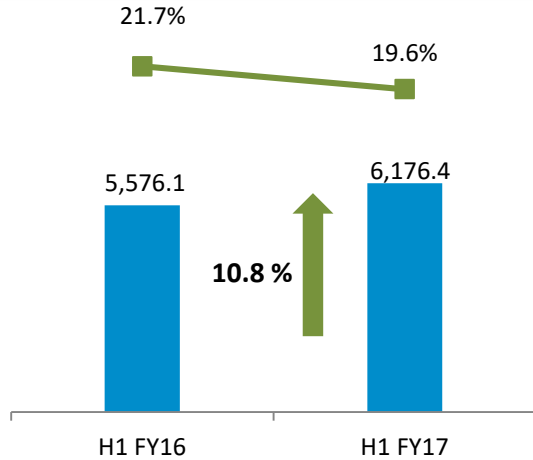


# H1 FY17 RESULT ANALYSIS

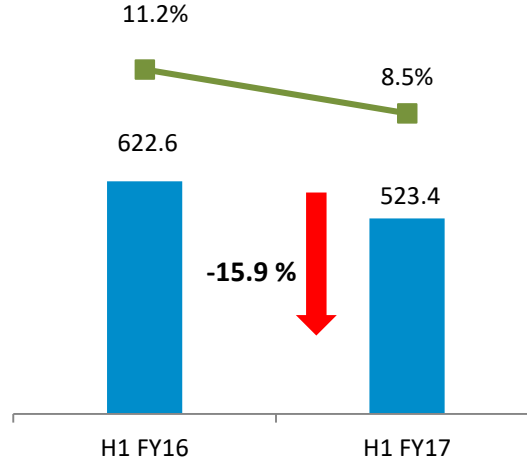
## KEY HIGHLIGHTS

In Rs Mn

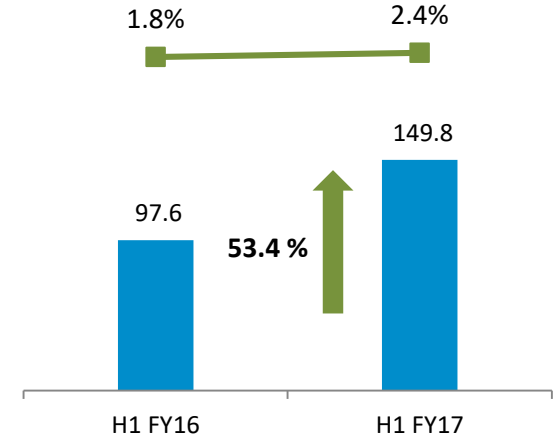
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN



Revenues    Gross Margin %

EBITDA    EBITDA Margin %

PAT    PAT Margin %

## Q2 & H1 FY17 RESULT ANALYSIS

### CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q2 FY17	Q2 FY16	YoY%	Q1FY17	QoQ%	H1 FY17	H1 FY16	YoY%
Revenue from Operations	3,244.3	2,887.04	12.4%	2,926.0	10.9%	6,170.4	5,574.7	10.7%
Other Operating Income	0.9	0.4	126.7%	5.1	-82.4%	6.0	1.4	326.5%
<b>Total Revenues</b>	<b>3,245.2</b>	<b>2,887.4</b>	<b>12.4%</b>	<b>2,931.2</b>	<b>10.7%</b>	<b>6,176.4</b>	<b>5,576.1</b>	<b>10.8%</b>
COGS	2,598.8	2,227.8	16.7%	2,369.0	9.7%	4,967.8	4,367.2	13.8%
<b>Gross Profit</b>	<b>646.4</b>	<b>659.6</b>	<b>-2.0%</b>	<b>562.2</b>	<b>15.0%</b>	<b>1,208.6</b>	<b>1,208.9</b>	<b>0.0%</b>
<b>Gross Margin</b>	<b>19.9%</b>	<b>22.8%</b>	<b>-293 bps</b>	<b>19.2%</b>	<b>74 bps</b>	<b>19.6%</b>	<b>21.7%</b>	<b>-211 bps</b>
Employee Expenses	81.4	64.1	26.9%	82.2	-1.0%	163.5	131.4	24.5%
Other Expenses	289.4	242.5	19.3%	232.2	24.6%	521.6	454.9	14.7%
<b>EBITDA</b>	<b>275.6</b>	<b>353.0</b>	<b>-21.9%</b>	<b>247.8</b>	<b>11.2%</b>	<b>523.4</b>	<b>622.6</b>	<b>-15.9%</b>
<b>EBITDA Margin %</b>	<b>8.5%</b>	<b>12.2%</b>	<b>-373 bps</b>	<b>8.5%</b>	<b>4 bps</b>	<b>8.5%</b>	<b>11.2%</b>	<b>-269 bps</b>
Depreciation	109.4	123.8	-11.6%	104.0	5.1%	213.4	205.4	3.9%
Finance Cost	68.4	154.7	-55.8%	71.3	-4.1%	139.7	287.0	-51.3%
Other Income	6.0	5.4	12.1%	2.1	181.0%	8.2	10.3	-20.6%
<b>PBT</b>	<b>103.9</b>	<b>79.9</b>	<b>30.2%</b>	<b>74.6</b>	<b>39.3%</b>	<b>178.6</b>	<b>140.6</b>	<b>27.1%</b>
Tax Expense	14.6	19.0	-23.3%	14.2	2.4%	28.8	42.9	-32.9%
<b>PAT</b>	<b>89.4</b>	<b>60.9</b>	<b>46.8%</b>	<b>60.4</b>	<b>47.9%</b>	<b>149.8</b>	<b>97.6</b>	<b>53.4%</b>
<b>PAT Margin %</b>	<b>2.8%</b>	<b>2.1%</b>	<b>65 bps</b>	<b>2.1%</b>	<b>69 bps</b>	<b>2.4%</b>	<b>1.8%</b>	<b>67 bps</b>

## Q2 & H1 FY17 RESULT ANALYSIS

### CONSOLIDATED BALANCE SHEET

Particulars (In Rs Mn)	H1 FY17
<b>Equities &amp; Liabilities</b>	
<b>Shareholder's Funds</b>	
Equity share capital	976.8
Other Equity	5,584.4
	<b>6,561.2</b>
<b>Non-Current Liabilities</b>	
Financial Liabilities	
Borrowings	387.8
Provisions	15.8
Deferred tax liabilities (net)	45.3
	<b>449.0</b>
<b>Current Liabilities</b>	
Financial Liabilities	
Borrowings	1,852.9
Trade Payables	408.2
Other financial liabilities	157.2
Other current liabilities	57.9
Provisions	5.0
Current tax liabilities (net)	14.7
	<b>2,495.9</b>
<b>Total Equity &amp; Liabilities</b>	<b>9,506.0</b>

Particulars (In Rs Mn)	H1 FY17
<b>Assets</b>	
<b>Non-Current Assets</b>	
Property, plant and equipment	4,133.9
Capital work in progress	303.0
Intangible Assets	8.7
Financial Assets	
Investments	0.0
Other financial assets	5.8
Other non-current assets	287.8
	<b>4,739.2</b>
<b>Current Assets</b>	
Inventories	1,025.0
Financial Assets	
Trade receivables	2,769.6
Cash & cash equivalents	122.3
Loans	3.5
Balance with banks	2.3
Other financial assets	2.3
Other current assets	841.7
	<b>4,766.8</b>
<b>Total Assets</b>	<b>9,506.0</b>

### FINANCIAL UPDATE:

- Q2 FY17 Total Revenues increased by 12.4% YoY to Rs 3,245.2 mn.
  - Despite the over hang of drought conditions in Maharashtra, our efforts to increase volume growth and increase in realizations across value added products aided revenue growth.
  - Milk procurement rates were steady on a sequential basis as it marginally declined from Rs. 25.72 to Rs. 25.62 per litre.
  - The share of value added products increased from 76.3% to 83.1% on a YoY basis driven by speciality ingredients and ghee product.
  - Adequate monsoons should help in increasing raw milk availability and the ecosystem should improve over the next two quarters.
- Q2 FY17 gross profit decreased by 2.0% YoY to Rs 646.4 mn. Gross margin decreased by 293 bps from 22.8% to 19.9%.
  - This was on account of higher milk prices and increased milk procurement efforts.
  - However, on quarter on quarter basis, gross margins increased due to higher realizations.
- Q2 FY17 EBITDA decreased by 21.9% YoY to Rs 275.6 mn. EBITDA margin decreased by 373 bps from 12.2% to 8.5%.
  - Higher employee expenses as the new Cheese, Paneer and Shrikhand facilities are operational.
  - Increase in business promotion expenses for B2C sales led by efforts to expand retail presence in newer regions and markets.
- As the finance cost decreased by 55.8% YoY after the company repaid Rs 1,850 mn debt using IPO proceeds, Q2 FY17 PAT increased by 46.8% YoY. PAT increased by 53.4% YoY in H1FY17.
- PAT margin increased by 65 bps YoY to 2.8% in Q2FY17. In H1FY17, PAT margin increased by 67 bps YoY to 2.4%.



## Q2 & H1 FY17 RESULT ANALYSIS

### KEY BUSINESS UPDATES

#### B2B BUSINESS

- Pouch milk and pouch curd packaging for “**Nandini Brand**” – **Karnataka Milk Federation (KMF)** for Mumbai Market.
- Orders from **Patanjali** for **Sweetened Condensed Milk (SCM)**.
- Orders for Malai Paneer & Low Fat Paneer from **Domino's**.
- Orders for Paneer from **Mother Dairy** and **Pizza Hut**.
- First export order for Paneer from the **Middle East**.



## Q2 & H1 FY17 RESULT ANALYSIS KEY BUSINESS UPDATES

### B2C BUSINESS

- Launched the brand “Popular Milk” (low fat milk).
- Started supplying products to Indian Railways.
- Launched table and cooking butter.
- Ghee is now retailed across 25 states in India.
- Prabhat under its various brands is evolving as a preferred choice across the country as witnessed from repeat sales in retail outlets.



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 2 years back and already covers more than 10,000 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

**Prabhāt**  
Dairy  
Partners in Progress



## 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

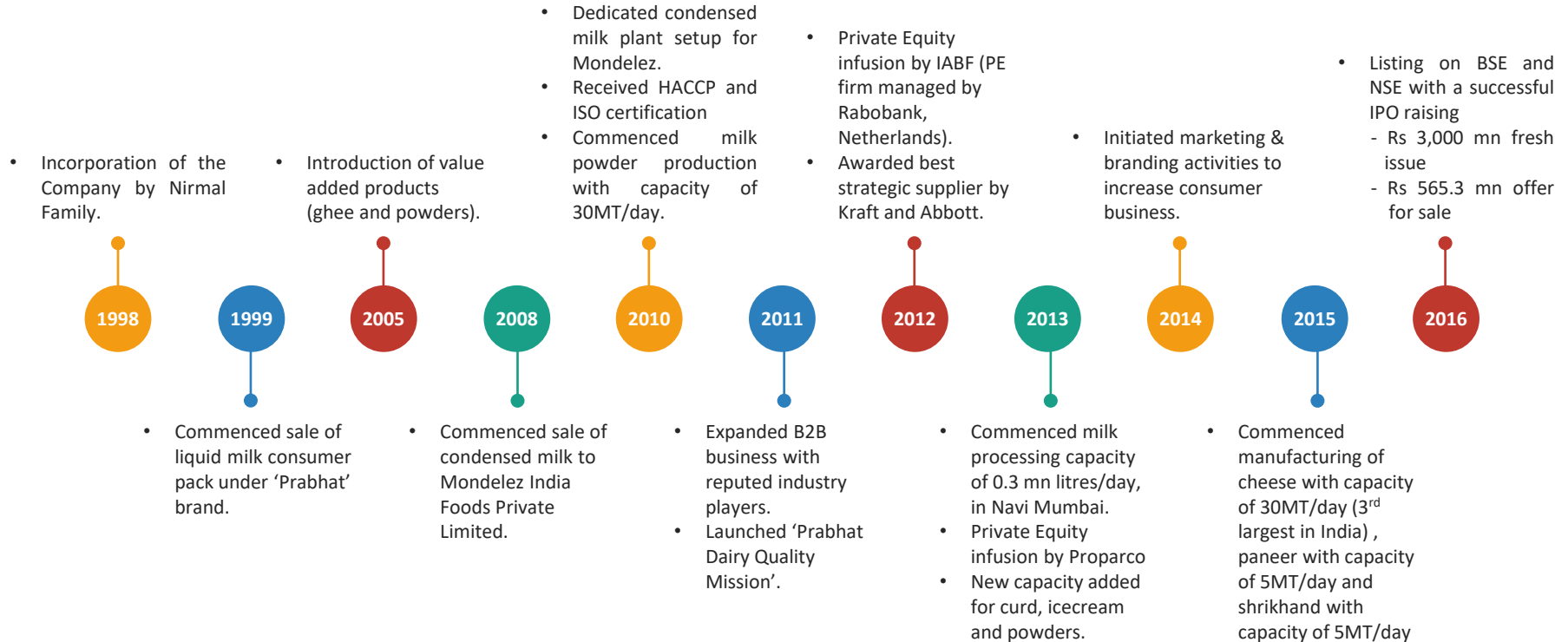
- Integrated business model – robust procurement, state-of-the-art manufacturing, fast-expanding distribution network and brand presence.
- Strong farmer relationships – 70% direct sourcing from more than 85,000 farmers.
- Strategically located manufacturing facilities in Shrirampur (Ahmednagar) and 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

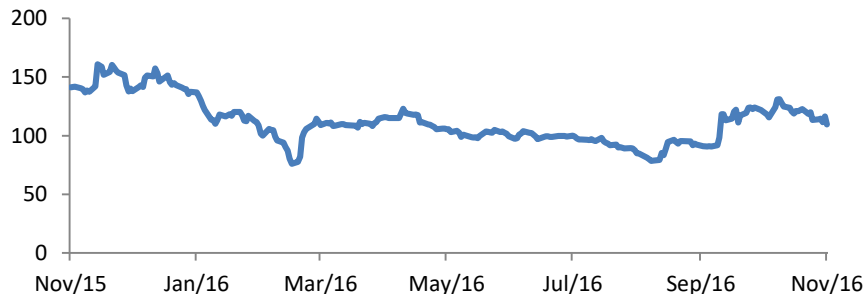
## OUR EVOLUTION



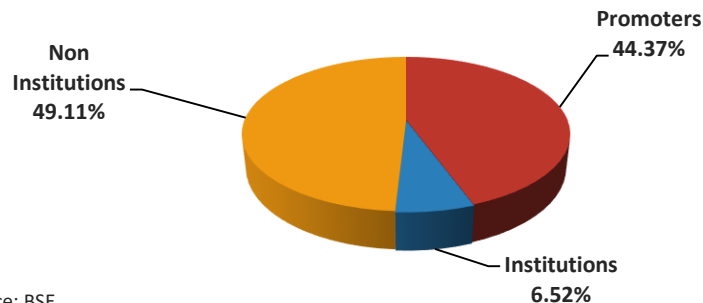
## COMPANY OVERVIEW

### SHAREHOLDING STRUCTURE

#### SHARE PRICE PERFORMANCE



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



Source: BSE

#### MARKET DATA

AS ON 11.11.16 (BSE)

Market Capitalization (Rs mn.)	10,710.2
Price (Rs.)	109.7
No. of Shares Outstanding (mn.)	9.77
Face Value (Rs.)	10
52 Week High-Low (Rs.)	167.5 - 72.0

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

% HOLDING

Rabo Equity Advisors	14.37%
PROPARCO	8.68%
IL&FS Trust Company Ltd.	7.57%
Reliance Capital Ltd.	2.81%
Wasatch Advisors	1.54%
HDFC Capital Builder Fund	1.34%
Birla Sun Life Small and Mid Cap Fund	1.08%



Prabhat  
Dairy

Too Good  
To Resist!



#PrabhatDairy

Prabhat  
Dairy



BUSINESS  
MODEL

Now  
is your  
Time  
to shine

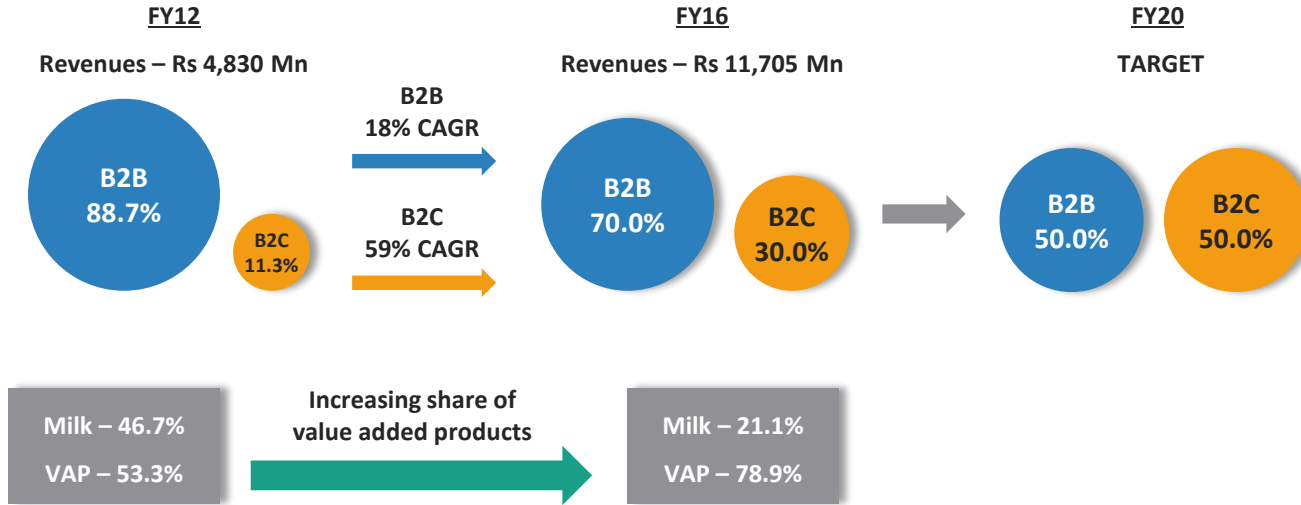




# BUSINESS MODEL

## 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 September-2016

1 State  
5 Distributors



27 States  
850 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



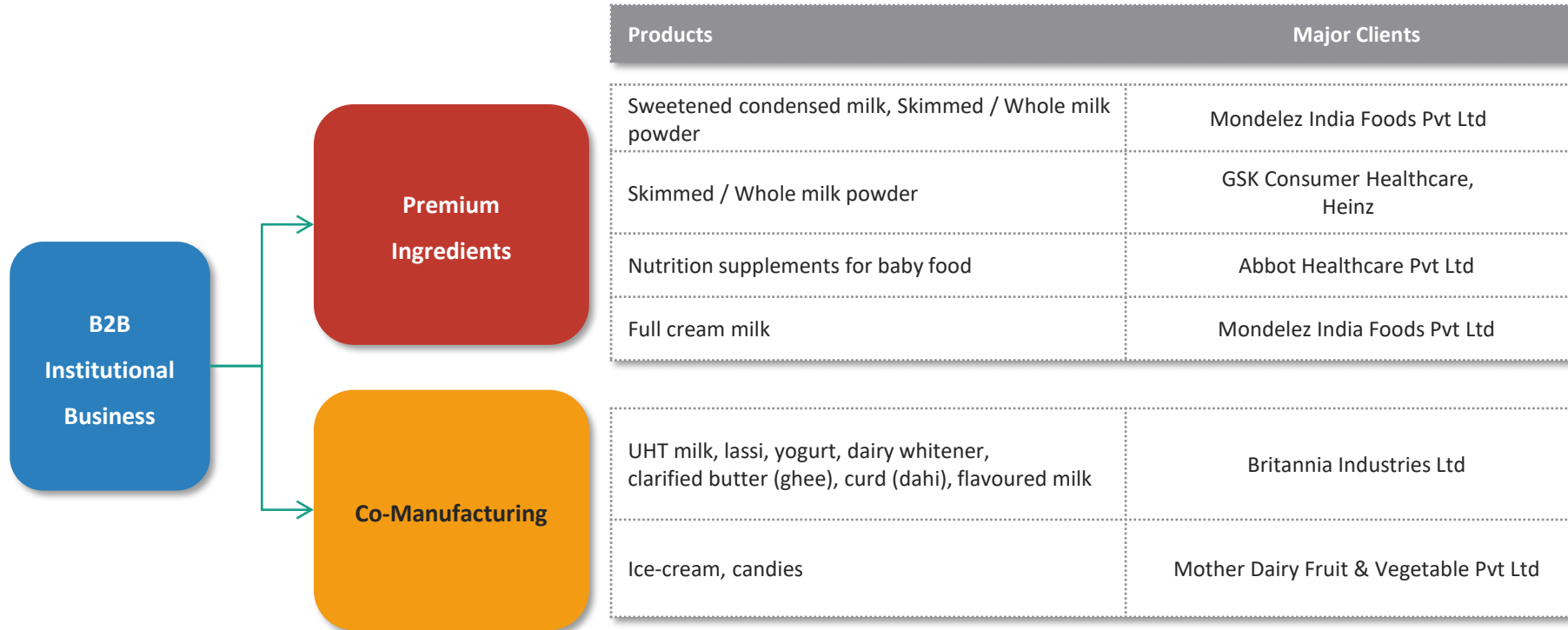
- Our products like Paneer, Dahi, Lassi, Chaas and Shrikhand are retailed in Modern Trade shelves like Big Bazaar, Star Bazaar, Hypercity, D Mart etc.
- Presence in modern trade has been expanded beyond Mumbai across Maharashtra and Gujarat.
- Measures taken to expand retail presence in Northern and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

### OUR PAN-INDIA PRESENCE



## BUSINESS MODEL

### B2B – INSTITUTIONAL BUSINESS



## 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

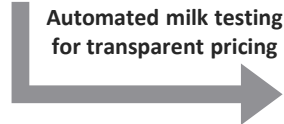
- More than 85,000 farmers.
- 70% direct sourcing from 1,200 villages twice a day.
- More than 700 procurement cycles a year.
- Procurement from Ahmednagar, Pune, Nashik and adjoining districts in Maharashtra (4<sup>th</sup> largest cow milk producing state in India).



- 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



**Raviraj Vahadane**

**Prabhat Dairy Limited  
CFO**

Email ID: [raviraj.vahadane@prabhatfresh.org](mailto:raviraj.vahadane@prabhatfresh.org)

Contact No: +91 8888991111



**Rohan Rege**

**Dickenson Seagull IR  
IR Consultant**

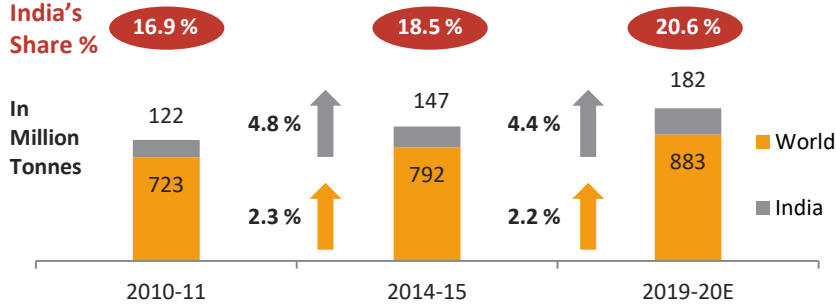
Email ID: [rohan.rege@dickensonir.com](mailto:rohan.rege@dickensonir.com)

Contact No:+91 9167300142

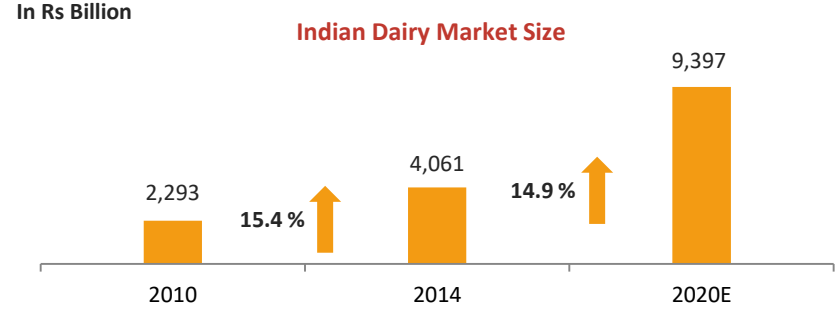
# ANNEURE - INDIAN DAIRY INDUSTRY

## LARGEST MARKET, FASTER GROWTH, INCREASING ORGANISED SHARE

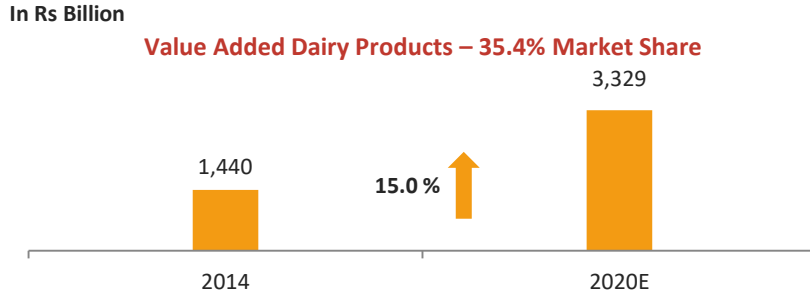
### INDIA HAS HIGHEST SHARE IN GLOBAL MILK PRODUCTION



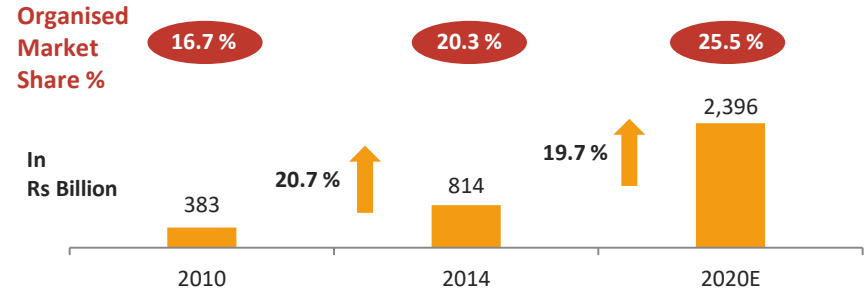
### POSITIVE CONSUMPTION TRENDS ARE DRIVING VALUE GROWTH



### RISING ACCEPTANCE OF VALUE ADDED DAIRY PRODUCTS



### ORGANISED MARKET IS WITNESSING HIGHER PENETRATION

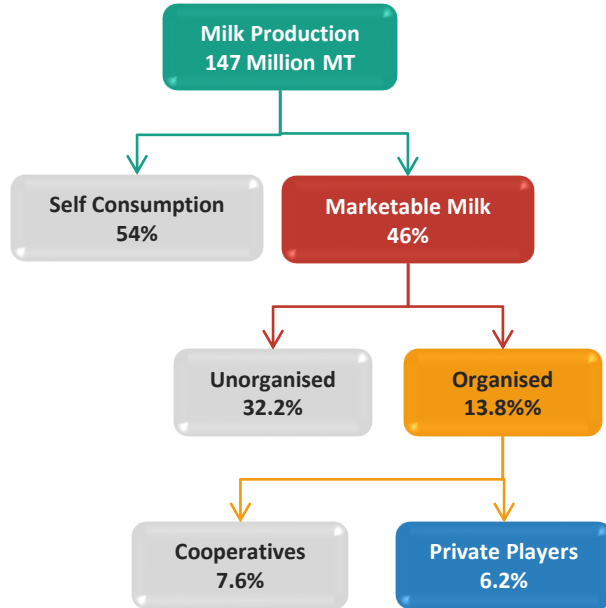


Source: IMARC report

# 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)

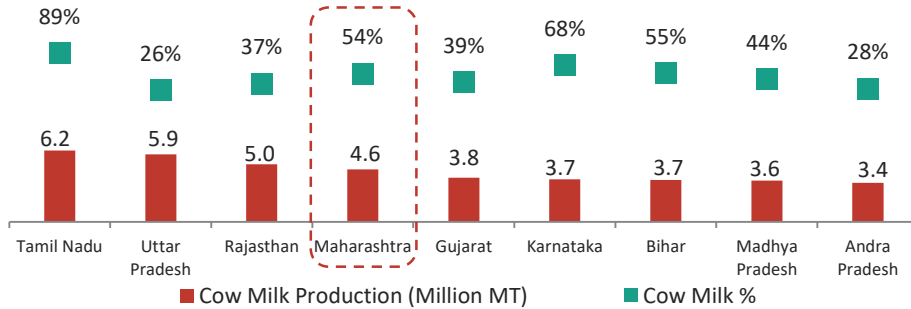
Products	Market Size (% Share)	Organised Market %	2014-2020 CAGR %
Processed / Pouch Milk	519.4 (63.8%)	20%	21%
Ghee	110.3 (13.6%)	18%	17%
Skimmed Milk Powder	49.6 (6.1%)	100%	15%
UHT Milk	26.0 (3.2%)	100%	26%
Butter	21.3 (2.6%)	13%	19%
Buttermilk	13.8 (1.7%)	-	21%
Cream	12.7 (1.6%)	-	15%
Flavoured Milk	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 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.

### 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.

### 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.

### 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.