

# Prabhat Dairy Limited



August 13 2018

Where Goodness Begins

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai  Ref. Scrip Code : 539351	National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai – 400 051  Ref: Symbol - PRABHAT
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Sub: Investor Presentation on Un-audited Financial Results for the quarter June 30, 2018.

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

Dear sir / madam,

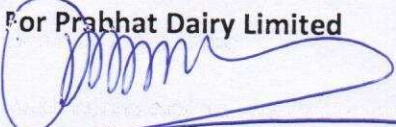
With reference to the captioned regulation, we are herewith enclosing the Investor Presentation on Un-audited Financial results for the quarter ended June 30, 2018.

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

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

Thanking you

For Prabhat Dairy Limited

  
Sarangnar R. Nirmal  
Chairman & Managing Director  
DIN: 00035234



Encl.:A/a

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PRABHAT DAIRY LIMITED  
Q1 FY19 Results Presentation  
August 2018

Emerging brand in value added dairy products



**Where Goodness Begins**

Emerging brand in value added dairy products

## DISCUSSION SUMMARY

- ❖ Q1 FY19 RESULT HIGHLIGHTS
- ❖ COMPANY OVERVIEW
- ❖ STRATEGY & OUTLOOK
- ❖ FINANCIAL SUMMARY & SHAREHOLDING PATTERN



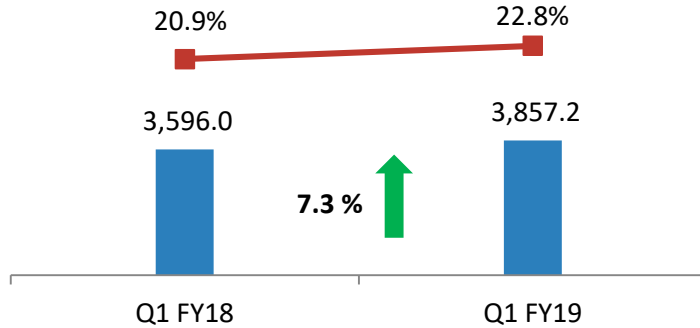
RESULTS  
UPDATE

# RESULT HIGHLIGHTS – Q1 FY19

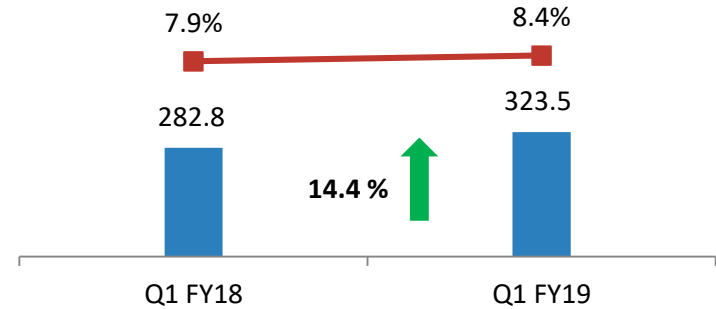
## Key Parameters

In Rs Mn

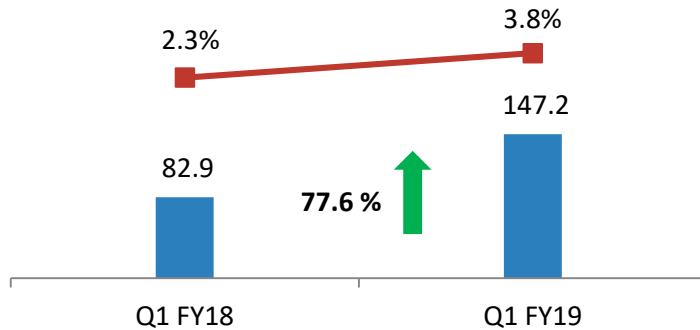
### Revenues & Gross Margin



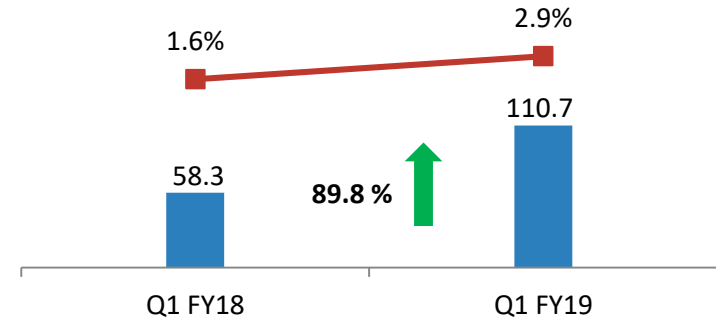
### EBITDA & EBITDA Margin



### PBT & PBT Margin \*



### PAT & PAT Margin



## RESULT HIGHLIGHTS – Q1 FY19

### Key Analysis

- **Total Revenues grew by 7.3% YoY to Rs. 3,857.2 mn.**
  - The Company recorded 36.0% volume growth, partially offset by 23.7% decline in milk prices.
  - **There was strong growth in B2C sales led by milk (+ 69%), ghee (+ 30%), cheese (+ 108%), curd (+ 30%) and Paneer (+ 48%).**
  - **B2C revenues increased by 33% YoY to Rs 1,264 mn. The share of B2C was 33% in Q1 FY19.**
  - Share of value added products and milk was 75% and 25% respectively
  - B2B sales declined primarily due to decline in milk prices (pass-through) and reduction in sale of condensed milk, partially offset by growth in sale of milk powders.
  - Avg. milk procurement rate declined by 23.7% to Rs 20.6 per litre.
  - **Milk procurement continued to remain robust with avg. milk handled per day of 1.08 Mn litres (+ 16.1% YoY).**
- **Gross Profit grew by 17.2% YoY to Rs 880.9 mn. Gross margin increased by 194bps YoY to 22.8% driven by higher B2C sales.**
- **EBITDA grew by 14.4% YoY to Rs 323.5 mn. EBITDA margin increased by 52bps YoY to 8.4%.**
  - The company continued to re-invest the benefits from improved gross margin in building and expanding its B2C network.
- **Interest expense declined by 39.2% YoY to Rs 54.2 mn.**
- **PBT grew by 77.6% YoY to Rs 147.2 mn.**
- **PAT significantly grew by 89.8% YoY to Rs 110.7 mn. PAT margin improved by 125bps YoY to 2.9%**

## RESULT HIGHLIGHTS – Q1 FY19

### Consolidated Profit & Loss Statement

Particulars (in Rs. Mn.)	Q1 FY19	Q1 FY18	YoY%	FY18
<b>Revenue from Operations</b>	<b>3,857.2</b>	<b>3,596.0</b>	<b>7.3%</b>	<b>15,540.1</b>
COGS	2,976.3	2,844.7	4.6%	12,084.4
<b>Gross Profit</b>	<b>880.9</b>	<b>751.4</b>	<b>17.2%</b>	<b>3,455.7</b>
<b>Gross Margin (%)</b>	<b>22.8%</b>	<b>20.9%</b>	<b>194 bps</b>	<b>22.2%</b>
Employee Expenses	108.9	103.1	5.6%	435.0
Other Expenses	448.5	365.4	22.7%	1,644.3
<b>EBITDA</b>	<b>323.5</b>	<b>282.8</b>	<b>14.4%</b>	<b>1,376.5</b>
<b>EBITDA Margin (%)</b>	<b>8.4%</b>	<b>7.9%</b>	<b>52 bps</b>	<b>8.9%</b>
Other Income	8.8	6.3	40.8%	26.5
Finance Costs	54.2	89.2	-39.2%	329.4
Depreciation	131.0	117.0	11.9%	490.7
<b>PBT and Exceptional Items</b>	<b>147.2</b>	<b>82.9</b>	<b>77.6%</b>	<b>582.9</b>
Exceptional Items	-	-	-	-46.3
Taxes	36.5	24.6	48.6%	63.9
<b>PAT</b>	<b>110.7</b>	<b>58.3</b>	<b>89.8%</b>	<b>472.8</b>
<b>PAT Margin (%)</b>	<b>2.9%</b>	<b>1.6%</b>	<b>125 bps</b>	<b>3.0%</b>
<b>Earnings Per Share (EPS)</b>	<b>1.14</b>	<b>0.61</b>	<b>86.9%</b>	<b>4.85</b>

# CONSOLIDATED BALANCE SHEET



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Particulars (In Rs Mn)	FY18	FY17
<b>Equities &amp; Liabilities</b>		
<b>Equity</b>		
Equity share capital	976.8	976.8
Other Equity	6,331.8	5,905.4
	<b>7,308.5</b>	<b>6,882.2</b>
<b>Non-Current Liabilities</b>		
Financial Liabilities		
Borrowings	335.7	386.0
Provisions	9.5	14.3
Other Non-current Liabilities	76.0	0.0
Deferred tax liabilities (net)	123.9	158.8
	<b>545.1</b>	<b>559.0</b>
<b>Current Liabilities</b>		
Financial Liabilities		
Borrowings	1,650.0	3,192.6
Trade Payables	674.1	537.8
Other financial liabilities	190.1	135.0
Other current liabilities	104.5	60.8
Provisions	6.7	4.7
Current tax liabilities (net)	37.1	114.0
	<b>2,662.4</b>	<b>4,044.9</b>
<b>Total Equity &amp; Liabilities</b>	<b>10,516.1</b>	<b>11,486.1</b>

Particulars (In Rs Mn)	FY18	FY17
<b>Assets</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	4,506.7	4,142.9
Capital work in progress	113.0	265.4
Intangible Assets	3.3	7.1
Financial Assets		
Investments	0.0	0.0
Other financial assets	54.5	60.3
Income Tax assets (net)	31.5	28.0
Other non-current assets	349.5	275.9
	<b>5,058.6</b>	<b>4,779.6</b>
<b>Current Assets</b>		
Inventories	1,324.1	1,332.5
Financial Assets		
Trade receivables	2,220.9	2,711.1
Cash & cash equivalents	489.3	1,091.4
Bank Bal. exc. C&CE	796.1	564.4
Loans	3.5	4.3
Other financial assets	194.1	189.4
Other current assets	429.6	813.3
	<b>5,457.5</b>	<b>6,706.4</b>
<b>Total Assets</b>	<b>10,516.1</b>	<b>11,486.1</b>





COMPANY  
OVERVIEW

## COMPANY OVERVIEW

### Emerging Dairy Company with Unique Business Model



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#### Well-established Institutional Business



- Market leadership with marquee clients
- Strong trust & quality recognition



- Consistent growth with stable margins, despite volatile milk prices



- Healthy free cash flows

#### Fastest Growing Consumer Business

- Build a strong regional dairy brand in Maharashtra
- Focus on under-penetrated Tier I & II markets
- Complete basket of traditional & modern dairy products
- Strong consumer retention due to high quality milk (100% Cow Milk)



### Emerging Brand In Value Added Dairy Products

#### Healthy Financial Position to Fuel Robust Growth

- Cash flows from institutional business sufficient to fuel growth in consumer business
- Limited impact on balance sheet
- Low leverage (D/E of 0.3x)



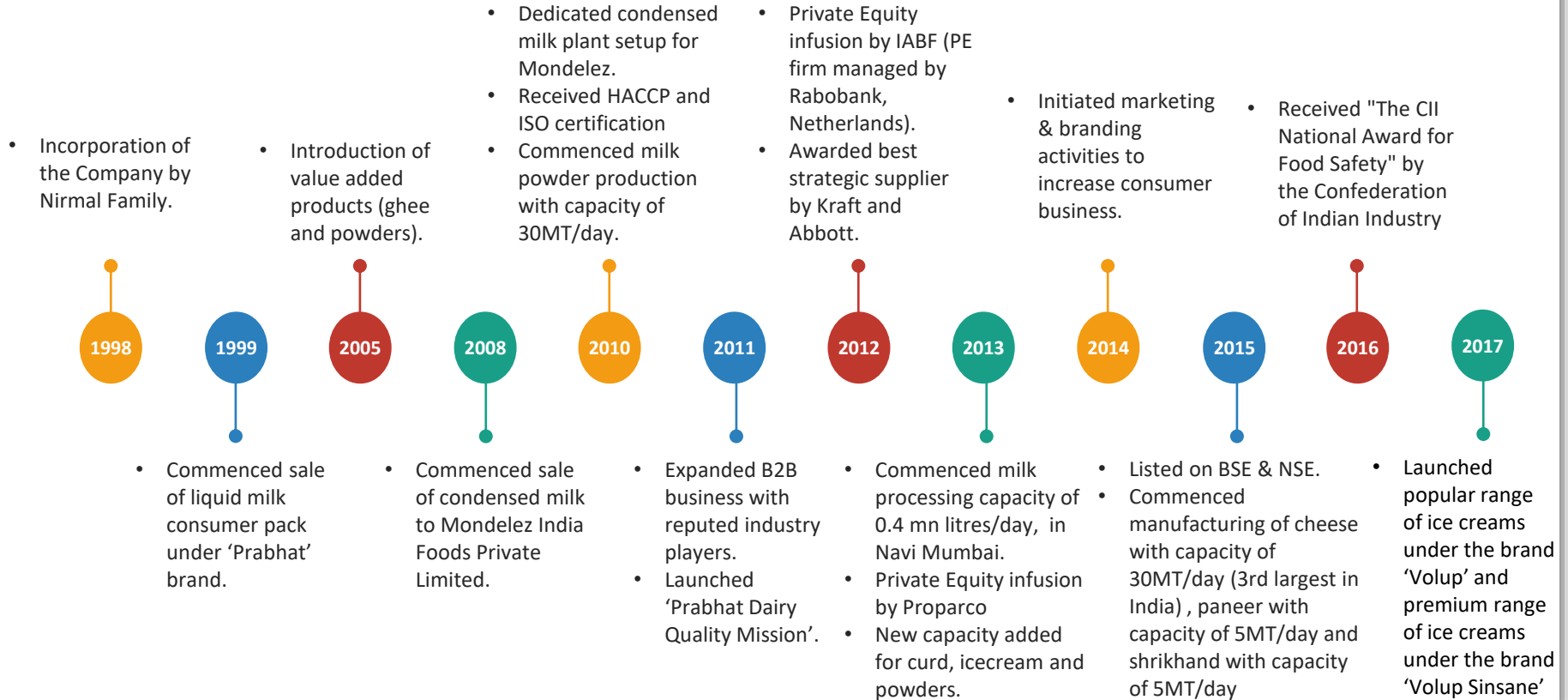
- Robust growth in revenues and margins
- Improving return ratios
- Minimal capex leading to higher free cash flows

# COMPANY OVERVIEW

## Our Evolution



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# COMPANY OVERVIEW

## Enriching Our Product Portfolio With New Products And New Variants



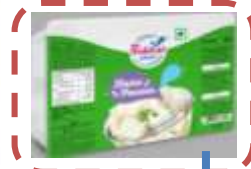
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Ghee, 17 SKUs

Masala Chaas, 5 SKUs

Lassi, 5 SKUs



Milk, 45 SKUs

Dahi, 18 SKUs

Milk Shakes, 2 SKUs

Malai Paneer, 12 SKUs



New packaging material for enhanced portability and convenience.



# COMPANY OVERVIEW

Focusing Institutional Business on Value Addition & Client Diversification



Superior Product Quality

Strong Recognition and Trust

Long Standing Relationships

### 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 Shirampur & Navi Mumbai, large scale operations result in sharing of manufacturing costs.

# COMPANY OVERVIEW – MILK PROCUREMENT

## Robust Milk Procurement System

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

- More than 125,000 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.

#### 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.



Automated milk testing for transparent pricing

Printed Transaction Receipt



# COMPANY OVERVIEW – MILK PROCUREMENT

## Robust Milk Procurement System



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### RAW MILK PROCUREMENT INFRASTRUCTURE

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

#### 590 MILK COLLECTION CENTRES



#### 250 BULK MILK COOLERS



#### SHRIRAMPUR PLANT



#### 20 MILK CHILLING PLANTS



#### NAVI MUMBAI PLANT

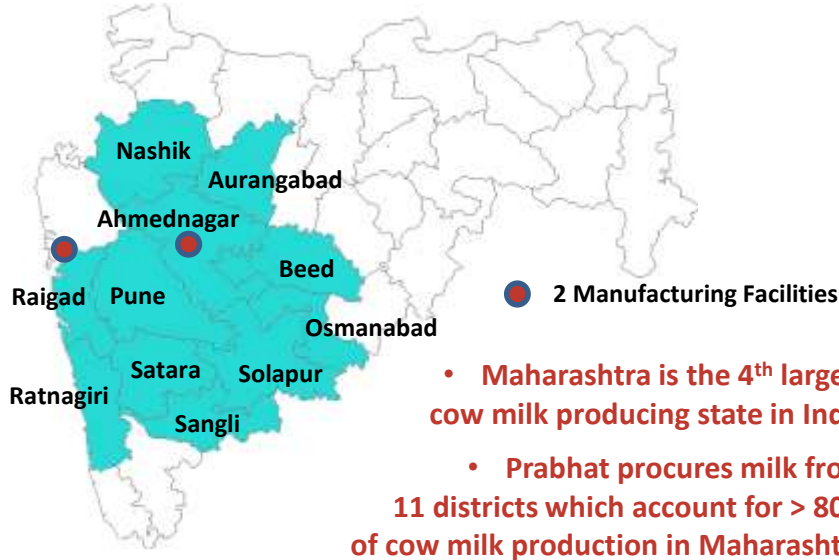




# COMPANY OVERVIEW – MILK PROCUREMENT

## Robust Milk Procurement System

### MILK PROCUREMENT BASE IN COW RICH BELT OF MAHARASHTRA



Growth in our Procurement Base	FY08	FY13	FY18
No. of Farmers	20,000	45,000	1,25,000
Avg. Milk Procurement Per day	0.2 mn	0.45 mn	1.1 mn
% Direct Sourcing	10%	25%	65%

### FOCUS ON STRENGTHENING OUR DIRECT SOURCING ECOSYSTEM

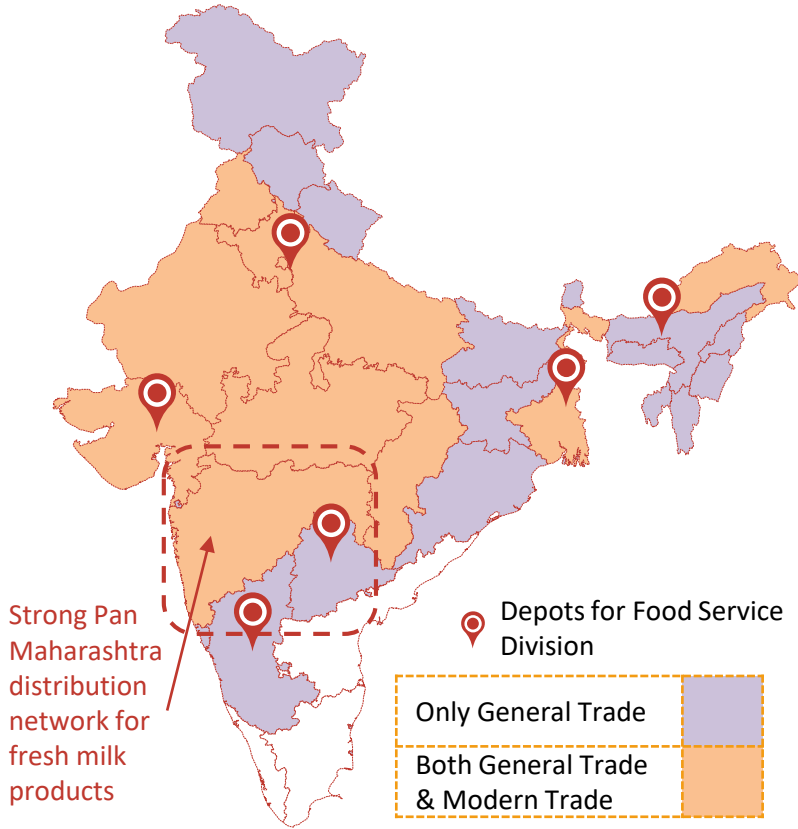
- Best milk procurement systems in the country
- Added 100+ BMCs in FY18
- Build farmer trust & loyalty
- ‘Sanjeevan Yojana’
  - Focus on improving the milk yield per farmer
  - Started own cattle feed plant
  - Provide assistance from animal nutritionists, veterinary surgeons and agriculturists
  - Invest in BMC capacities at various farms
- ‘Project Mahavistaar’
  - Gold standard project
  - Plan to commission 100+ BMCs in Ahmednagar & Solapur

Procurement Infrastructure	Mar-18	Jun-18
Milk Collection Centres	550	590
Milk Chilling Plants	20	20
Bulk Milk Coolers	230	250

## COMPANY OVERVIEW – DISTRIBUTION NETWORK

### Strong Distribution Network To Take Prabhat Brand To Every Household

- Focus on building fresh milk distribution network
- Dedicated routes / delivery schedules for fresh milk products
- Robust technology backend for timely deliveries and effective inventory tracking
- 150+ vehicles including 70 GPS enabled vehicles for fresh milk products
- More than 50% of distribution network is within Maharashtra, in line with Prabhat’s strategy to become a strong regional dairy brand



Distribution Network	Mar-18	Jun-18
Depots	6	6
Super Stockists	84	86
Distributors	1,406	1,446
Modern Trade Outlets	320	325

# COMPANY OVERVIEW – DISTRIBUTION NETWORK

## Building Retail Presence Across India

Presence in **325 Modern Trade outlets** across India



### Chaas, Lassi & Milk Shakes



# COMPANY OVERVIEW – MARKETING CAMPAIGNS

## Connecting With Every Strata of Consumer Ecosystem with Focused Marketing Campaigns





## COMPANY OVERVIEW – MARKETING CAMPAIGNS

Connecting With Every Strata of Consumer Ecosystem with Focused Marketing Campaigns



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### Prabhat's In-Film Integration and Vehicle Branding



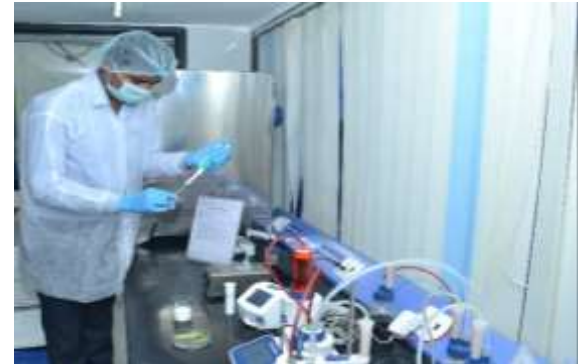
# COMPANY OVERVIEW – MANUFACTURING FACILITIES

## Multi-Product Manufacturing Facilities



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



## COMPANY OVERVIEW – MANUFACTURING FACILITIES

### Ensuring Sufficient Capacities to Handle Medium Term Growth

#### MULTI-PRODUCT MANUFACTURING FACILITIES

Capacity Per Day	June 2018
Milk processing	1,500,000
Milk Powders	80 MT
Ghee / Butter	50 MT
Dahi	50 MT
UHT Milk	40 MT
Cheese	30 MT
Flavored Milk	15 MT
Paneer	5 MT
Shrikhand	5 MT



- **Integrated manufacturing facilities** located in Navi Mumbai and Srirampur, Ahmednagar
- **Strategically located in cow belt** of Maharashtra
- **Closer to major consumption markets**
- **Cheese capacity is 3<sup>rd</sup> largest** in India
- Capacities are **sufficient** for next 3-4 years
- Growth will lead to **improving asset turnover**



# COMPANY OVERVIEW – MANUFACTURING FACILITIES

## 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**



### QUALITY CERTIFICATIONS





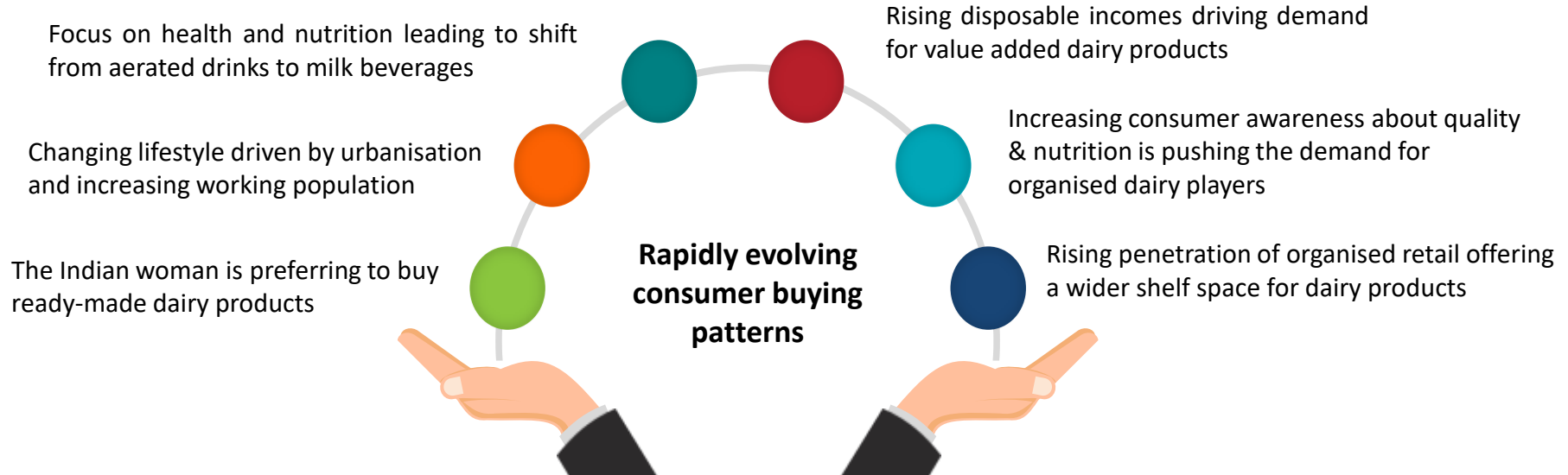


STRATEGY &  
OUTLOOK

India is expected to emerge as the largest dairy producer by 2020 growing at 15% CAGR

India's per capita milk consumption has been growing at 3% CAGR

Value added products are expected to grow at 15-30% CAGR over 2016-2020





**Prabhat Started the Consumer Business in FY12**

**Consumer business is currently 30% of total Revenues**

**Well-positioned to grow consumer business**

**to Rs 10,000 Mn**

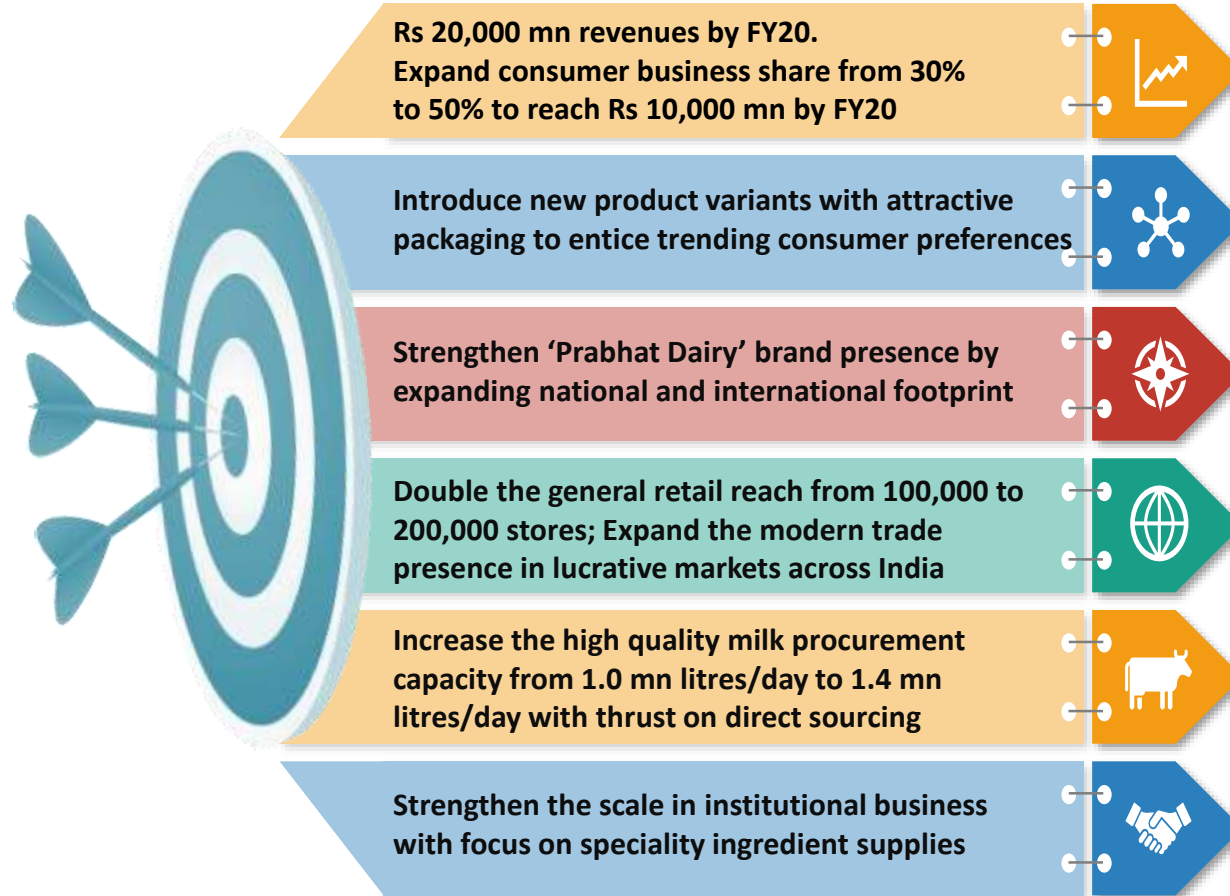
**over next 2 years, to account for 50% of total Revenues**

# STRATEGY & OUTLOOK

## Prabhat Dairy's 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



## STRATEGY & OUTLOOK

### Exclusive Branded Outlets - 'The Goodness Zone'




#### 'The Goodness Zone'


- Launched innovative concept for brand experience  
Currently 10 stores are operational
- Stores operated on 'Franchise Owned – Franchise Operated' model
- **Rationale:**
  - Access to entire range of Prabhat's products
  - Create consumer experience
  - Direct access to newer markets



#### Sales Strategy:

- Direct retail supply
- Direct-to-home supply
- Sales on counter
- Local sub-distribution
- **Plan to launch 500 exclusive retail stores in various districts and talukas across Maharashtra over 3 years**





FINANCIAL  
SUMMARY



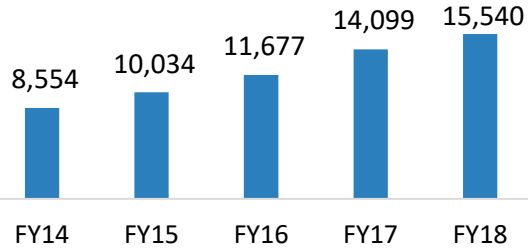
# FINANCIAL SUMMARY



In Rs Mn

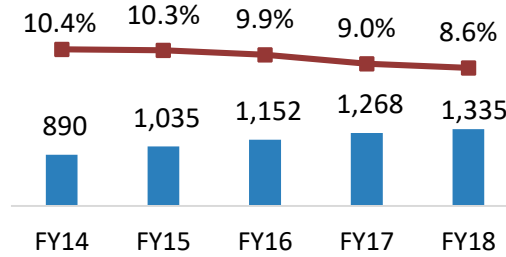
## REVENUES

16% CAGR



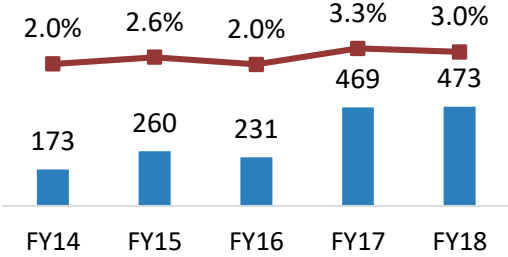
## EBITDA & EBITDA MARGIN

11% CAGR

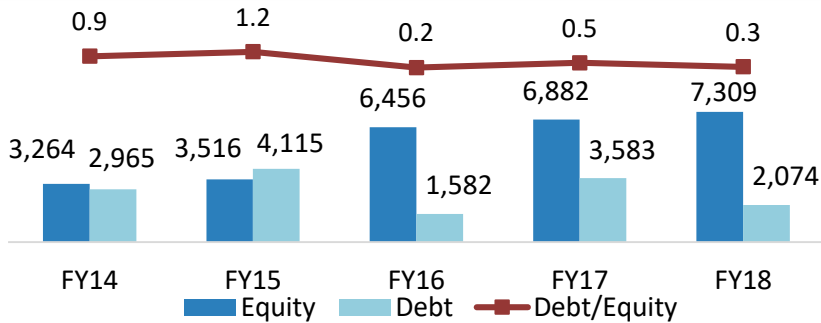


## PAT & PAT MARGIN

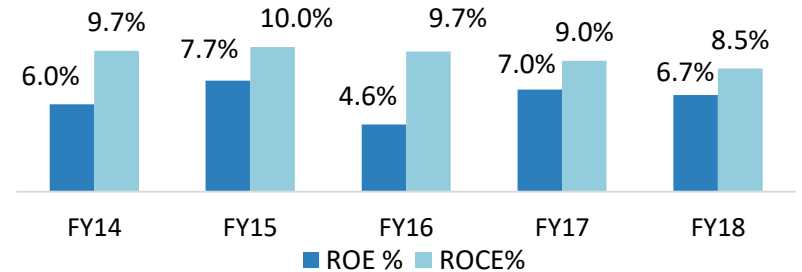
29% CAGR



## LEVERAGE ANALYSIS



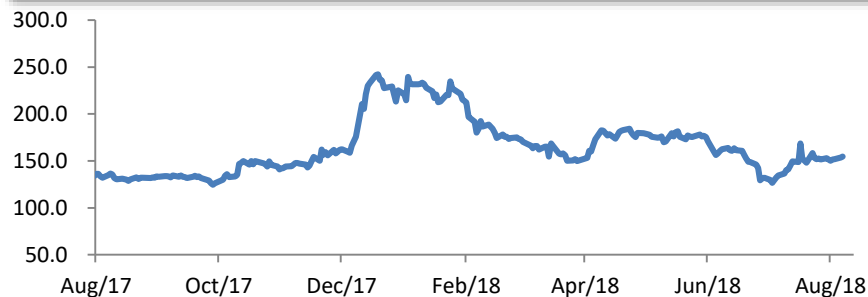
## RETURN METRICS



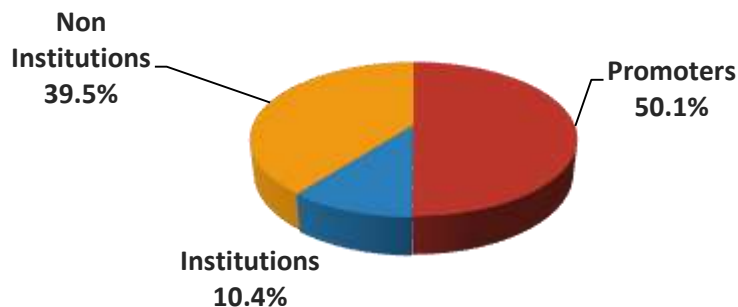
# FINANCIAL SUMMARY

## Shareholding Structure

### SHARE PRICE PERFORMANCE



### SHAREHOLDING AS ON 30<sup>th</sup> JUNE 2018



Source: BSE

### MARKET DATA

AS ON 10.08.18 (BSE)

Market Capitalization (Rs mn.)	15,423.1
Price (Rs.)	157.9
No. of Shares Outstanding (mn.)	9.8
Face Value (Rs.)	10.0
52 Week Low-High (Rs.)	126.2 – 242.3

### KEY INVESTORS AS ON 30<sup>TH</sup> JUNE 2018

% HOLDING

Rabo Equity Advisors	14.37%
Proparco	8.68%
TVS Capital	7.57%
Mondarian Investment Partners	2.46%
Sundaram Alternative Opportunities Fund	2.19%
DSP Blackrock Micro Cap Fund	1.74%
Ontario Pension Board	1.57%
Wasatch Advisors	1.31%
Alquity Sicav	1.25%





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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.