



PRABHAT DAIRY LIMITED



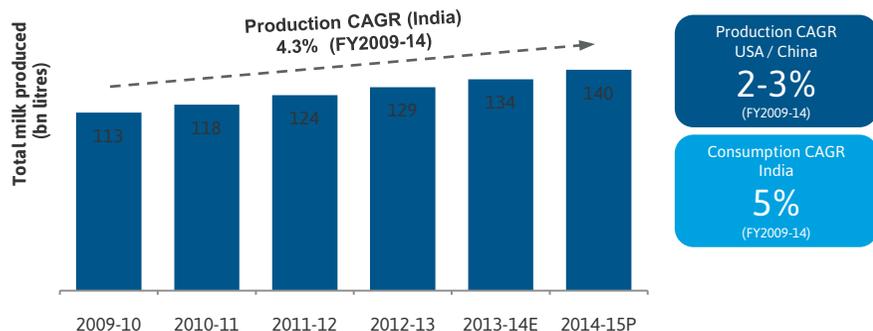
Q2 FY16 – PERFORMANCE UPDATE

10TH NOVEMBER 2015

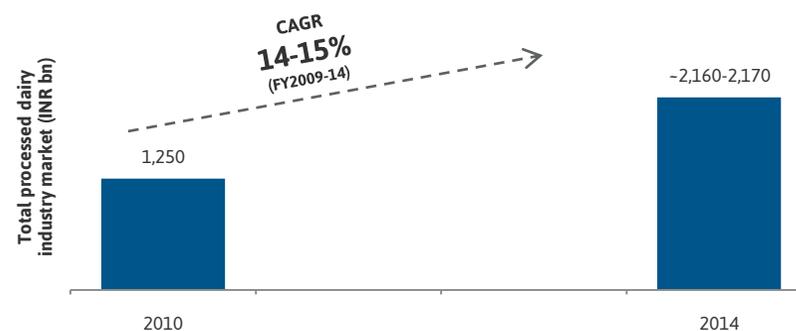
INDIAN DAIRY MARKET

Processed dairy industry to grow even faster at 12-13% CAGR during FY14-17E

India amongst the fastest growing market in the world



Faster growth in processed milk segment



Drivers for processed milk segment

- 1 Changing lifestyles of consumers
- 2 Growth in food service industry
- 3 Increasing urbanization
- 4 Rising need for convenience
- 5 Better health awareness among end-users

Growing preference for Cow's milk^{*(1)}

	Cow	Buffalo
Domestic consumption	Moderate	High
Global consumption	High	Low
Fat content	3.5 – 4%	7 – 7.5%
Cost of milk	INR 36-40 /litre	INR 52-54 /litre
Cost per animal	INR 60 – 70 k	INR 80 – 100 k
Yield per animal	1.2 tonnes milk	1.7 tonnes milk

Regulatory impetus for organized players

- Availability of funds**
 - 100% FDI under automatic route allowed in the dairy industry
 - Priority sector lending status accorded to the segment since 1999
- Subsidies / Duty exemption**
 - 40% subsidy in general areas and 50% subsidy in difficult areas for machinery purchase (subject to a maximum limit of INR 10 mn)
 - Excise duty exempted (up to INR 150 mn) for products manufactured by SSI units
- National Dairy Plan – To improve milk productivity of milch animals**
 - Plan covers 14 major milk producing states of India
 - Phase-I will be implemented with a total investment of INR 22.4 bn over 2012-17

* Company procures a majority of raw milk in Maharashtra, a significant cow milk producing region in India
 (2) Expected CAGR for Processed milk and Milk products segment

(1) FAO, Industry, NDDB, CRISIL Research
 Source: CRISIL Report

INDIAN DAIRY MARKET

Milk product segment set to grow by growth at a CAGR of 12-13%⁽¹⁾ over FY14 to FY17 driven by growth in all product categories

Products	Ghee	Paneer	Curd and related	Cheese	Ice cream	Milk Powder	Sweetened
% of total milk market	~ 30%	~ 32%	~ 22%	~ 3.5%	~ 2.5%	~ 1.2%	~ 0.8%
Market size (INR bn) and growth	13 - 14% CAGR 2010: 275, 2014: 455 - 460	15% CAGR 2010: 136, 2017: 240 - 245	15 - 16% CAGR 2010: 120, 2014: 215 - 220	20% CAGR 2010: 26, 2014: 50 - 55	22% CAGR 2010: 15 - 20, 2014: 35 - 40	15 - 16% CAGR 2014: 25 - 27	NA, NA
Expected growth 2017E)	2010 - 2014: 9 - 10%	2010 - 2017: 13 - 14%	2010 - 2014: 14 - 15%	2010 - 2014: 20 - 21%	2010 - 2014: 19 - 20%	2014: 15% ⁽²⁾	2010 - 2017: NA
Market dynamics	Organised, 10% Unorganised, 90%	Non bulk Sales 40 - 50% Bulk Sales 50 - 60%	Branded 15% Non Branded 85%	NA	Growth factors: <ul style="list-style-type: none"> Rise in Rise in disposable Improved cold infrastructure Modern Retail 	<ul style="list-style-type: none"> Manifold export milk deficient Italy, Germany, Portugal 	<ul style="list-style-type: none"> Widely used as consumer foods chocolates & business
Major players	Amul, Parag, Chitle Dairy, Dynamix, CavinKare	Amul, Prabhat, Britannia	Amul, Danone, Nestle	Amul, Britannia (Foreign Players)	Amul, Mother Dairy, Cream Bell, Kwaliti Walls	N A	Nestle, Amul, Prabhat

(1) Expected CAGR for Processed milk and Milk products segment
Source: CRISIL Report

(2) Expected over the next few years and not specifically by 2017

PRABHAT DAIRY LIMITED – OVERVIEW

ONE OF THE LEADING DAIRY COMPANY IN A GROWING INDIAN MARKET



Overview

- Incorporated in 1998 in the Ahmednagar district of Maharashtra, India (one of the largest milk producing states in India)
- One of the leading suppliers of specialty milk based ingredient products to reputed consumer product companies
- **Institutional client base** including large MNCs such as Mondelez, Britannia, Abbott, Heritage, etc
- **Established brands**, such as Prabhat, Milk Magic and Flava, under which retail products are marketed
- Growing brand visibility and marketing efforts enabled to receive “Asia’s fastest growing marketing brands – FMCG sector” award ⁽¹⁾
- Diversified portfolio of existing products along with a strong pipeline of upcoming products, for both institutional clients and retail customers
 - Existing products: Sweetened Condensed Milk, Specialty Milk Powders, UHT Milk, Yogurts, Set curd (Dahi), Clarified butter (Ghee), Processed and Concentrated milk, Dairy whiteners, Ice creams
 - Added production capability for: Mozzarella cheese, Paneer (Cottage cheese), Processed Cheese, Shrikhand and Cheddar Cheese
- Integrated business model encompasses almost all aspects of the dairy industry value chain
- Robust milk procurement system through continued engagement with farmers, knowledge and infrastructure support
- Strategic location of facilities in Ahmednagar and Navi Mumbai, Maharashtra enables to minimise transportation and handling costs
 - Daily procurement of approximately 900k litres⁽²⁾ of milk through milk farmers, registered vendors and milk collection centres
- **Revenue of INR 558.42 cr. and EBITDA of INR 63.36 cr. in H1 FY16**
- **India Rating Agency (FITCH) has awarded “A” rating to Prabhat Dairy Ltd.**

Key financials

Key items	Units	FY12	FY13	FY14	FY15	6MFY16
Revenue	INR Cr.	483.8	641.9	857.7	1003.36	558.42
Growth	%	68.7%	32.7%	33.6%	16.98%	
EBITDA	INR Cr.	49.5	73.2	91.4	104.48	63.36
Margin	%	10.2%	11.4%	10.7%	10.41%	11.37%
PAT	INR Cr.	9.5	13.8	20.2	25.98	8.83
Margin	%	2.0%	2.1%	2.4%	2.6%	1.58%

Reputed Institutional customers



Abbott



Branded products for retail consumers



(1) At the World Consulting and Research Corporation leaders summit in 2014

(2) Average of 6 months ended September, 2015

INTEGRATED BUSINESS MODEL

Experienced management team

- ✓ Management team with over several years of experience
- ✓ Enables to conceptualize and develop new products, effectively market retail consumer products
- ✓ Develop and maintain strong relationships with institutional customers, dealers, distributors and stockists

Robust milk procurement with low transportation costs

- ✓ Majority milk procured directly
- ✓ Production facilities located near the catchment area which minimizes transportation costs
- ✓ 450+ milk collection centres, 80+ bulk milk coolers, 15+ milk chilling plants
- ✓ Cattle feed and welfare through:

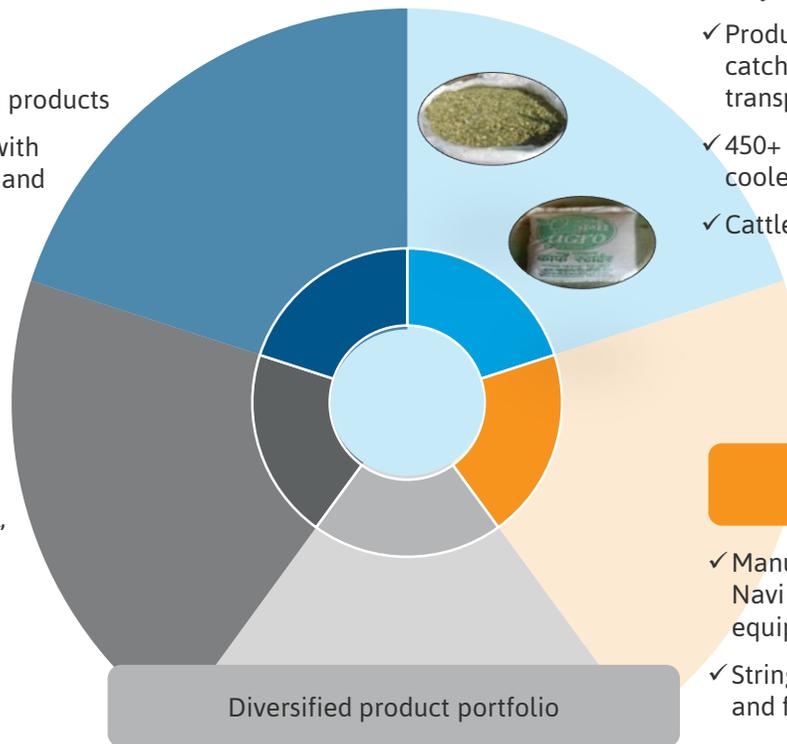
- Prabhat Mitras
 - Pashu Mitras
- Better cattle health and quality milk supply

Strong brands for marketing and distribution for retail consumer products

- ✓ 350+ distributors across Maharashtra, W.B., H.P., M.P., Gujarat, J&K, Goa, Rajasthan and Kerala

Quality focused company

- ✓ Manufacturing facilities at Shirampur and Navi Mumbai are equipped with advanced equipment and modern technology
- ✓ Stringent quality control to maintain quality and food safety



Diversified product portfolio

- ✓ Retail consumer products
- ✓ Specialty ingredient products
- ✓ Co-manufactured products



ADVANCED MANUFACTURING CAPABILITY

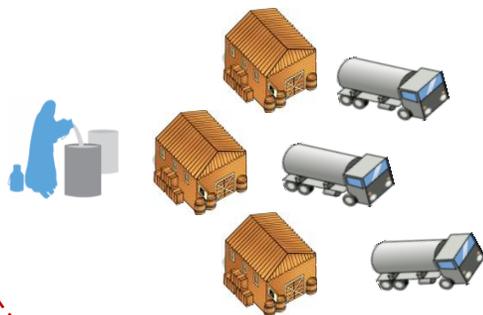
Modern technology enabled plants result in greater operational efficiencies; stringent quality control to ensure food safety

Highly automated and advanced production facilities

Integrated IT infrastructure connects milk procurement and processing facilities to provide control over the production process

Milk collection centres

Milk processing facility



Automated milk testing at milk collection centres

- ✓ Transparent pricing motivating farmers to provide unadulterated and quality milk

Modern technology enabled plants

- ✓ Vapour absorption mechanism enabled refrigeration facilities, variable fluid bed design boilers, express feeder connection to ensure uninterrupted power supply etc.

Stringent quality control

Milk collection

Transport

Processing

Packaging / Dispatch

Dedicated internal quality control team to ensure compliance with good manufacturing practices (GMP) guidelines across the milk processing chain

Leading to several quality certifications and awards

'ISO 22000:2005'



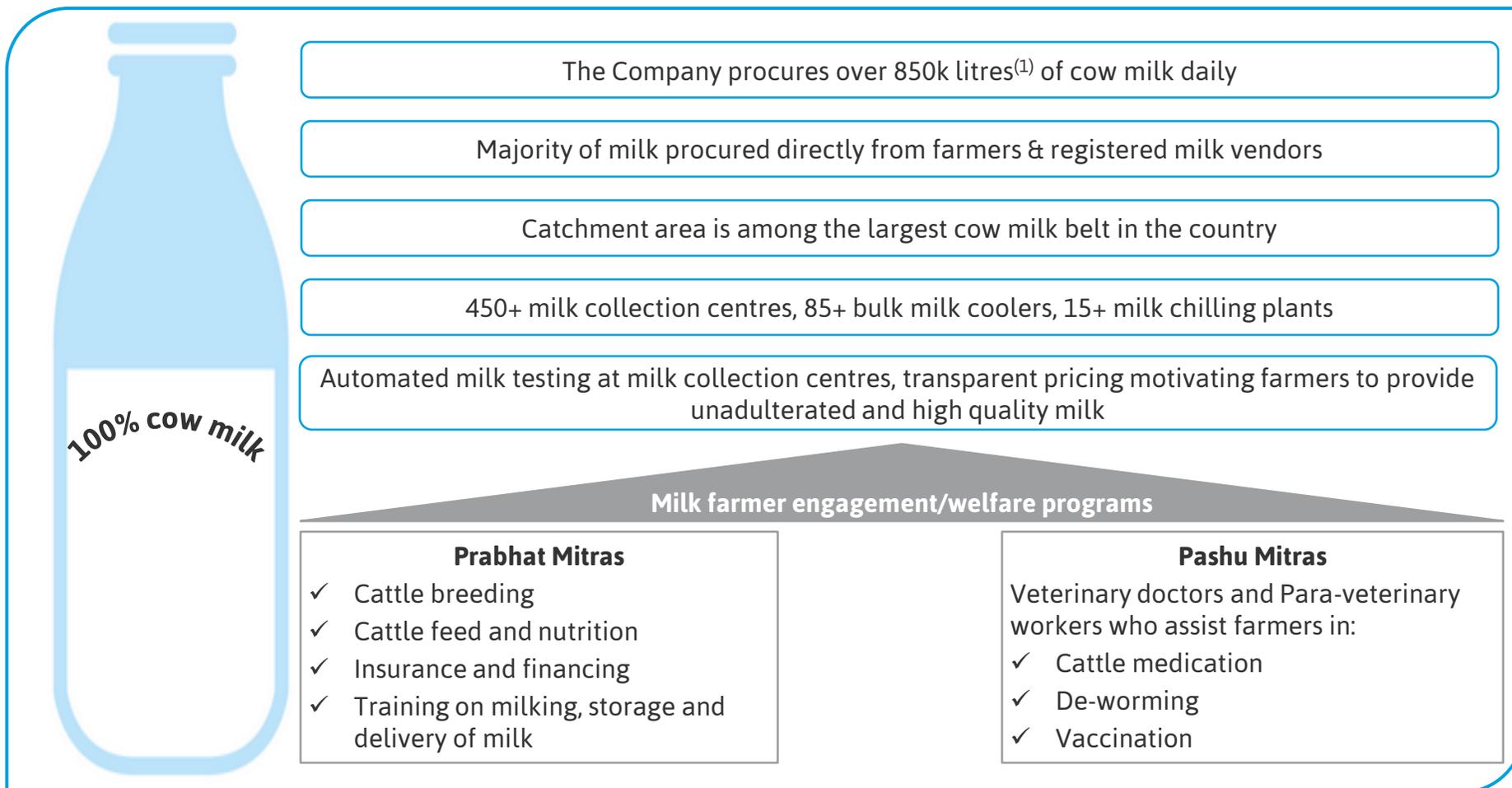
"CII National Award for Food Safety 2014" by the Confederation of Indian Industry for strong commitment to good hygiene and manufacturing practices



"Commitment to supplier quality expectations" in 2012 by Mondelez International

STRONG PROCUREMENT SYSTEM

Robust milk procurement system helps contain costs and ensure supply of quality raw material



(1) Average of 6 months ending Sep-14

KEY HIGHLIGHTS OF THE COMPANY

6

Strong financial performance

Key items	Units	FY13	FY14	FY15	6MFY16
Revenue	INR Cr.	641.9	857.7	1003.36	558.42
Growth	%	32.7%	33.6%	16.98%	
EBITDA	INR Cr.	73.2	91.4	104.48	63.36
Margin	%	11.4%	10.7%	10.41%	11.37%

1

Fast-growing market with low organised penetration

- Processed milk consumption in India is expected to grow at a CAGR of 12-13%⁽¹⁾ over 2014-2017E with growing preference towards cow's milk⁽¹⁾
- Low penetration of the organized sector at c.20% currently⁽¹⁾
- India is the world's largest producer of milk (17% of global production)⁽¹⁾

5

Experienced management team with sponsor support

- Strong management team with several years of experience in the dairy industry
- Investments by reputed PE firms – India Agri Business Fund, (Rabo) and Proparco
- Professionally driven organization. All senior HOD's have more than 15 years of Dairy industry experience.



2

Integrated business model with a strong procurement and distribution network

- Sourcing based in Maharashtra – one of the largest milk producing states of India
- Robust procurement network through milk farmers, registered vendors and milk collection centres collecting over 900,000 litres of milk per day
- Strategically located facilities in Maharashtra to help reduce transportation and handling costs

4

Diversification of products

- Developing into a B2C FMCG player
- Customize products for institutional clients
- Expanded production facilities for curd and milk production at Vashi.
- New Capacities added at Shrirampur for production of cheese, paneer and shrikhand to commence operations in FY16

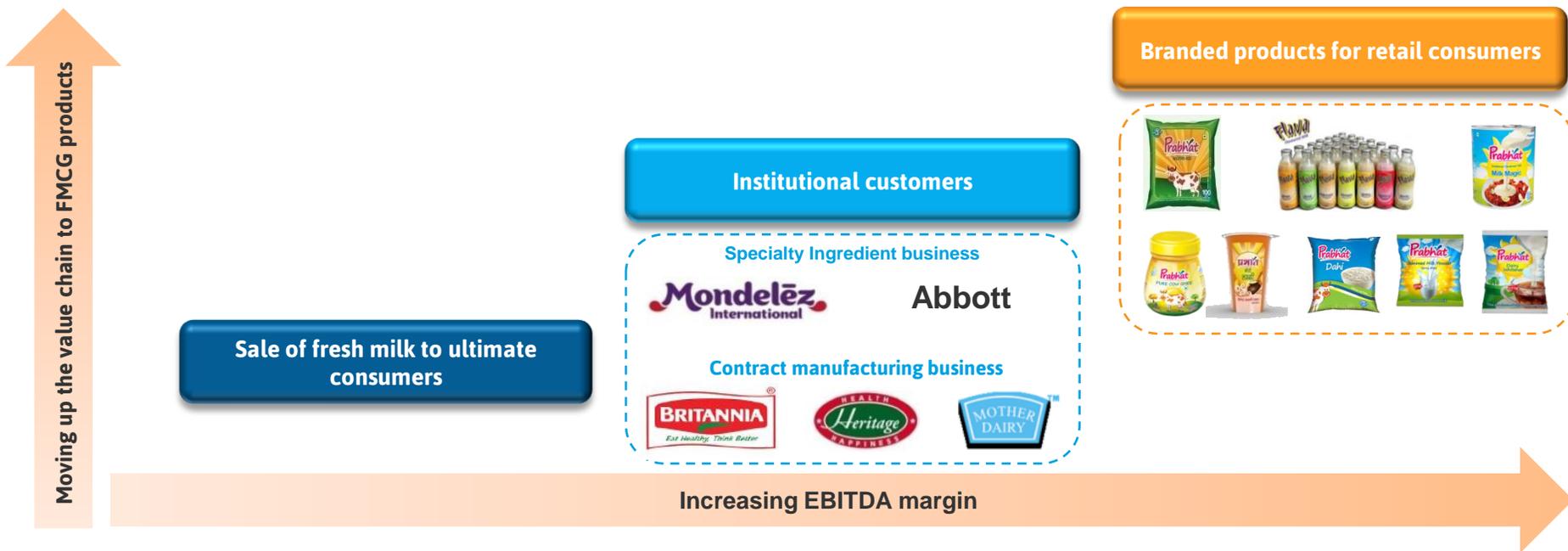
3

Strong relationship with institutional clientele and expanded product offering

- Over 15 years of robust operations with current aggregate milk processing capacity of 1.5 mn litres per day
- Catering to reputed institutional clients including Britannia, Mondelez, Mother Dairy, Abbott, Heritage Foods, etc
- Manufacturing facilities equipped with advanced equipment and modern technology
- Diversified portfolio of existing products (sweetened condensed milk, UHT milk, ghee, Dairy powders, etc) with a robust pipeline of upcoming products (cheese, paneer, shrikhand, etc)

MOVING UP THE VALUE CHAIN WITH EXPANDED OFFERINGS

Company has evolved from a pure liquid milk provider to catering to customized needs of institutional clients with expanded product offerings and selling branded products in retail market



Diversified Product offering

- Sweetened Condensed Milk
 - Specialty Milk Powders
 - UHT milk
 - Yogurts
 - Clarified butter (Ghee)
 - Processed and Concentrated milk
 - Dairy whiteners
 - Ice creams
 - Liquid milk (pouch)
 - UHT milk (pouch)
 - Ghee (Clarified Butter)
 - Flavoured Milk
 - Set curd (Dahi)
-
- Mozzarella cheese
 - Paneer (Cottage cheese)
 - Processed Cheese
 - Shrikhand
 - Cheddar(Processed) Cheese
 - Sweetened condensed milk

- Company has successfully completed stringent quality audits of following products to be sold under Institutional Sales category to various MNC's:
- A. Processed Cheese
 - B. Mozzarella Cheese
 - C. Shrikhand
 - D. Amrakhand
 - E. Paneer

MOVING UP THE VALUE CHAIN WITH FOCUS ON B2C OFFERINGS

Growing brand visibility

Key Brands









“Asia’s fastest growing marketing brands – FMCG sector” at the World Consulting and Research Corporation leaders summit in 2014

Diverse portfolio of retail products targeted at various consumer segments



Clarified butter



Liquid milk



Lassi



Curd



Milk powder



Dairy whitener



Flavoured milk



Condensed milk

Distribution network strength



Strong distribution network across products with over 350 distributors⁽¹⁾

Covers Maharashtra and major cities in Madhya Pradesh, Goa, Gujarat, Rajasthan, Himachal Pradesh, Jammu and Kashmir, West Bengal, Kerala and other north eastern states.

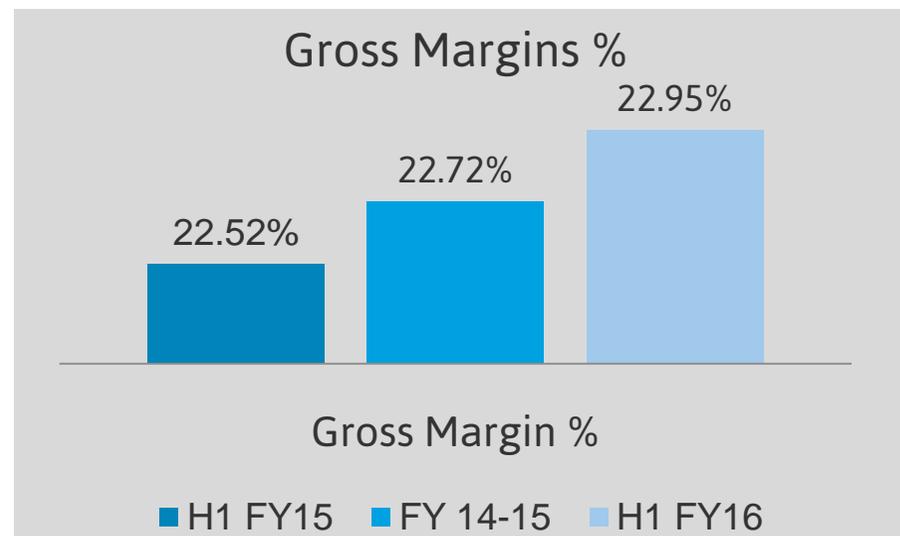
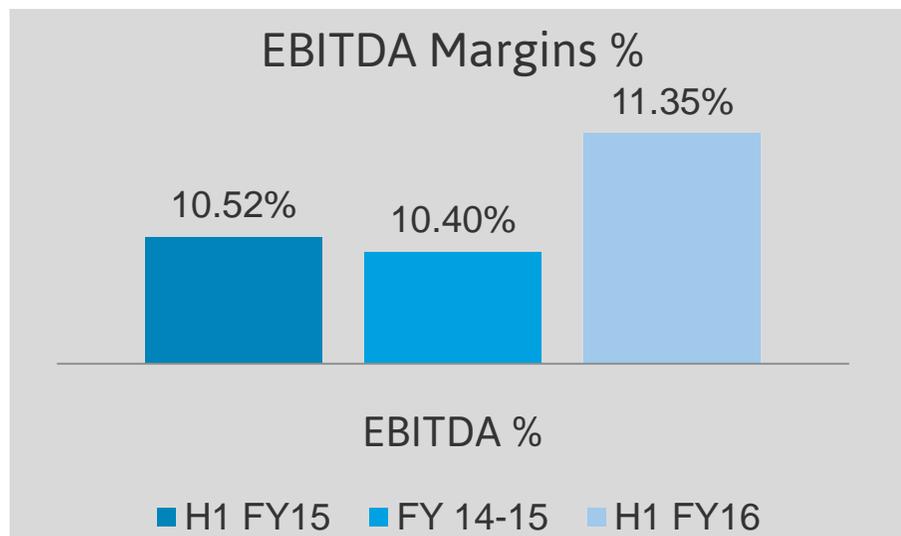
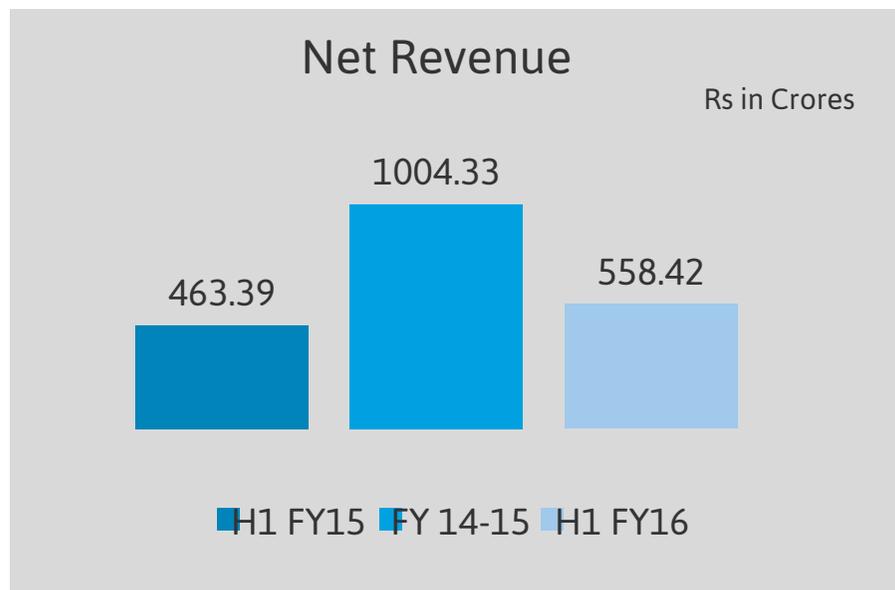
Prabhat Mini Stockists

Primarily for pasteurized milk products with a relatively shorter shelf life

Special Delivery Model

Launched a distribution model which we call, “Raftar” for shorter shelf life product i.e. Curd

SNAPSHOT OF REVENUE AND PROFITABILITY



FINANCIAL RESULTS – Q2 AND Q1 COMPARISON

(Rs. in Crores)

Particulars	Q2 FY 16	% of Sales	Q1 FY 16	QoQ	Q2 FY 15	YoY
Net Sales	288.66	99.81%	268.74	7%	241.44	20%
Other income	0.54	0.19%	0.49	10%	0.21	157%
Net Revenue	289.19	100%	269.23	7%	241.66	20%
Material cost	219.69	75.97%	210.59	4%	188.09	17%
Staff cost	6.3	2.18%	6.78	-7%	6.66	-5%
Other Expenses	27.26	9.42%	24.46	11%	23.44	16%
EBDITA	35.96	12.43%	27.4	31%	23.46	53%
Finance costs	15.01	5.19%	12.58	19%	7.3	106%
Depreciation and amortisation expense	12.43	4.30%	8.21	51%	8.57	45%
PBT	8.52	2.95%	6.61	29%	7.59	12%
Tax expense / (credit)	2.87	0.99%	3.44	-17%	-3.97	-172%
PAT	5.65	1.95%	3.18	78%	11.57	-51%

IMPORTANT RATIO'S – PROFITABILITY ANALYSIS

(Rs. in Crores)

Particulars	Q2 FY16	Q1 FY16	Q2 FY15	H1 FY16	H1 FY15	FY 15
Net Revenue	289.19	269.23	241.66	558.42	463.39	1,004.33
EBDITA	35.96	27.40	23.46	63.36	48.75	104.48
PBT	8.52	6.61	7.59	15.13	12.87	28.89
PAT	5.65	3.18	11.57	8.83	16.69	25.99
Gross Margin %	24.0%	21.8%	22.2%	23.0%	22.5%	22.7%
EBITDA %	12.4%	10.2%	9.7%	11.4%	10.5%	10.4%
PBT %	3.0%	2.5%	3.1%	2.7%	2.8%	2.9%
PAT %	2.0%	1.2%	4.8%	1.6%	3.6%	2.6%

