"Parag Milk Foods Limited Investor and Analyst Meet"

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MANAGEMENT:

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Moderator: Ladies and gentlemen good day and welcome to Parag Milk Foods Limited Investor and Analyst Meet. This conference call may contain certain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"then "0" on your touchtone phone. I am now glad to hand the conference over to the company for their presentation.

Natasha Kedia: Good afternoon ladies and gentleman and welcome to Parag Milk Foods Investor & Analyst Meet. I am Natasha Kedia, the Investor Relations Officer for the company. I am delighted to see so many known faces who have been our partners on our journey so far as well as many new faces who we are excited to interact with. The Parag team usually connects with you all over the Earning's call held every quarter, but given the recent developments that have occurred in the company and the many exciting new developments that are yet to come, we thought this is an opportune time to meet you all and give you a chance to understand our Business and Strategy going forward as we start the next phase of our journey.

It has been 2 years since we started our journey of being a publicly listed company after we got listed on the stock exchanges on 19th May 2016. Since then, most of our IPO proceeds have been deployed and a major portion of our Investment phase has been completed. We have expanded our cheese capacity, upgraded our paneer technology and capacity, and have installed a state of art whey protein infrastructure – the first of its kind seen in India, making us the only Indian company that manufactures whey protein powder in-house. That is a huge milestone in our journey towards becoming a health and nutrition focused company with products made from 100% cow's milk.

As a lot of you may already know, innovation has always been a part of our DNA, and we it has been our constant endeavor to find new ways to meet the ever changing and evolving needs of our consumers. Whether it is through pioneering the cow ghee segment in India, or through our several innovations in cheese, or through providing fresh paneer with a shelf life of 75 days, we have always been one step ahead of others.

Let me tell you that the Indian consumption story has just started, especially in dairy which is a rapidly growing industry. Moreover, given that a large part of the industry is still unorganized, the opportunities for us are immense. We are excited to be a formidable player in such a dynamic space and welcome you all to join us as partners in the next phase of Parag's journey.

However, the backbone and foundation of any organization are its people, and as many of you know, we have recently hired and beefed up our top management team with seasoned professionals

who have had long stints in the FMCG sector. To introduce them as well the people on the Dias, I would like to now invite our Chairman and Founder, Mr. Devendra Shah to the podium. Thank you.

Devendra Shah: Thank you Natasha.

I welcome you all for this Analyst & Investor Meet and thank you for taking out your valuable time to be with us here today.

Before I start with the Presentation I would like to Introduce the new addition in our management team.

1. Mr. Vimal Agarwal, our CFO. He is a CA and MBA by qualification. He brings with him 18+ years of rich experience in Financial Planning, Strategy and Controls in leading FMCGs with his latest stint in Pepsico India Private Ltd.

2. Mr Amarandra Sathe, Chief Commercial Officer. Mr. Sathe has over 24 years of experience in new product launches, brand management, sales promotion & distribution management. Prior to joining the Company, he was associated with Kimberly- Clark Lever Private Ltd. as Director Sales India & South Asia.

3. Mr. Harshad Joshi, Chief Operations Officer (Plants) is a Dairy Technologist with 26+ years of experience. Prior to joining the Company, he was the CEO in Maahi Milk Producer, and worked in Walmart India, Amul-Fed Dairy, and in Sardar Diary Pvt. Ltd.

4. Mr. Niharendu Sarkar, VP – Supply Chain & Logistics has 23 years of experience in Logistics, Inventory management, Transport and supply chain management. He is certified by renowned Goldratts TOC International Certification Program on principles of Supply chain management. He has previously worked in organizations such as VIP Industries, Bajaj Electrical and TVS Logistics.

5. Mr. Rajneesh Vasudeva, is the Sales Head for North and North East India. He has 25+ years of experience in several companies in India and abroad like Lipton, Duracell, Kelloggs, and Coke with his recent stint in Vodafone, Hong Kong & Macau.

6. Mr. Vinay Jain, Heads the Avvatar Division and has 14 years of experience in the Health and Nutrition segment. Prior to Joining Parag he was working with Amway.

Presentation:

The Journey of Parag Milk Foods started in 1992. We had a very humble beginning. Our business started with selling pouched liquid milk and Fresh Dairy Products in the regions of Maharashtra and Gujarat with the brand Gowardhan.

With our constant efforts and innovation over the last 3 decades we have transformed our company into an FMCG company with 7 Brands and a huge basket of Products.

The product portfolio consists of different products like Cheese, Ghee, Paneer, Whey Beverages, Dahi etc.

Our constant endeavor towards brand building, distribution and innovation has helped us transform to an FMCG company. We will continue to launch new and value-added products every year.

My team present here will take you through the details of our business, but before that I would like to highlight how we are different from the competition.

We did a market dip stick few years back and realized that there was a huge vacuum in the market place for Innovative Cheese. Most of the Cheese Products like Cheese spreads, Cheese wedges and Cheese Slices were being imported in India. There was no Local Player who produced pure vegetarian Gourmet cheese for the Indian Consumer. We capitalized on this opportunity and launched Multiple varieties of cheese for various products. Today I am proud to say that 9 out of 10 food chains in India use our cheese.

Our second competitive strength is that our products are made form 100% cow's milk. Cow milk is considered healthier and more nutritious. Consumers are aware of its nutritional benefits and advantages over other milk sources. There is no player in India today who can claim that their products are purely made from 100% cow's milk. We have extremely strong presence and relationships with the Farmsers in the cow belt of India which helps us collect cow's milk of the right quality for our products.

To be a considered a successful FMCG company in the dairy space it is important that our business model is integrated. Most of the brands in the dairy FMCG space are struggling in India is because of their business model.

It is important to be at every stage of the value chain to deliver quality and have a scale in the business that permits the penetration of the products to the end consumers. We offer a total of 170

varieties of Products for the Indian Consumers. Merely having a brand or presence in one or two segments of Products does not allow the company to be competitive. We own a Dairy Farms, we have our own Procurement Network, we have our own processing facilities, our Distribution and Supply Chain Network is in place and we have our own Brands. In this way we are present from 'Farms to Fork'.

I would not like to spend a lot of time on discussing Industry size with you. In short, the dairy space in India is expected to witness tremendous growth in the coming years where the Traditional Products like Liquid Milk, Ghee, Paneer and Curd are expected to grow by 15% CAGR while the Modern Products like UHT Milk, Flavored Milk, Cheese and Whey are expected to grow by 26% CAGR. Moreover, the share of Organized sector and private players is improving which bodes well for the Industry.

I have talked about the transformation of Parag to an FMCG Company. Let me explain you all the same with our numbers. As you can see, our share of Milk products has gone up from 28% in 2004 to 64% whereas the share of Liquid Milk and Skimmed Milk Powder has dropped from 72% in 2004 to 34% in 2018. We endeavor to strengthen our Health and Nutrition Portfolio by launching new products and expect the segment to contribute ~7% in FY21. With this the share of Milk and SMP is expected to further go down to 28%. This transformation and reach to the end consumer with high value products make Parag a true FMCG Company.

Natasha: Thank you Mr. Shah. I would now like to show you a short video that will take you through Parag's journey so far.

Natasha: I will now like to invite Akshali Shah, the next generation entrepreneur from the promoter family and also VP – Strategy, Marketing & Sales and Amarendra Sathe, Chief Commercial Officer to take us through the journey of Parag and what you expect in the future in more details.

Amarendra Sathe: Thanks for joining us for this analyst meet. Thank you very much.

Akshali Shah: Parag Milk Foods is an FMCG company; we have a fully integrated business model. If you see the current industry, on one side you have co-operatives and regional players that focus on procurement and processing, and on the other hand you have large corporate players which focus on branding and distribution. We, at Parag, are known for having our own dairy Farms, where we have our own cows, our own processing units, our own procurement, our own distribution and several powerful brands.

Amarendra Sathe: No wonder Akshali, that our company ranks No. 1 in Fortune India's Next 500 in 2017. As Deven Sir already mentioned, we launched our cheese plant, one of the largest cheese plants in India 10 years back, first few years we fought with international players and then we fought with the Indian

brands and today we are the No. 2 brand with a market share of ~33%. Also we own one of the largest cow Farmss and technology advanced plants in India. To satisfy customer needs, we have adopted several brands in our portfolio. We have got milk, ghee and around 80 SKUs in cheese alone. We have beverages, we have whey protein, the first whey protein made of 100% cow's milk in India and we have other products. In total, we have got around 170 SKUs to fulfill the customer needs.

Akshali Shah: To talk about our Brand strategy, we have seven powerful brands, which cater to different segments and we have bucketed our brands in three different buckets, one is the traditional brand Gowardhan, the modern brands like TopUp and Go, and your premium brands like Avvatar and Pride of Cows. With our multiple brand strategy, we are able to cater to different target groups that belong to different strata's of society. Just to give you an example of how through branding we are able to move up the value chain – our fresh milk sold under the brand 'Gowardhan' costs Rs. 40 to Rs.45 per liter. If we cater to a different audience, we sell UHT milk under the brand 'Go' for approximately Rs. 65- 70 and under the brand 'Pride of Cows', we sell milk from our cow Farms at Rs. 90 to premium customers. In this way, by creating brands we are able to charge a premium.

Amarendra Sathe: We have world class manufacturing facilities. Our first manufacturing unit is located in Manchar near Pune, the second plant is in Palamaner, Andhra Pradesh and our dairy Farms is located in Manchar. We have a world class UHT facility in our plant, one of the largest cheese plants in India and India's 1st state of the art fully automated and integrated whey protein plant. We also have a fully automated Paneer plant.

Akshali Shah: An FMCG company is all about product offering and innovation and you know how important innovation is for our business. As Amar mentioned that we have gained around 33% market share in cheese, we were able to do that through innovating new products. So in 2011, we launched a blend of cheddar and mozzallera in shredded format. We also got a global award for innovation for GO Cheesooz**.** Recently we have also launched Go cheese cubes. This will help us in our distribution in Tier II towns and in smaller outlets.

India is the largest milk producer in the world but our per cow yield is very low in comparison to global standards. To improve the cow yield, we set up an R&D Centre called Bhagyalaxmi Dairy Farmss. Bhagyalaxmi Dairy Farmss is the largest and most advanced modern dairy Farms in India where we have around 2,000 hand-picked herd of Holstein Freisan cows and state of art equipment. The brand 'Pride of Cows' derives its milk from this Farms. The result of which is that we are able to get around 25-30 litres per cow on average while a normal cow in India gives around 5-8 litres per day.

Amarendra Sathe: And I will add to this that we have some cows that give upwards of 50 litres of milk per day – which are our so-called 'celebrity' cows!

Akshali Shah: So with this technology and knowledge, which we gained out of this, we are passing it on to the Farmsers, so they can get better yields from the cows. At the Farms, we are now working on backward integration through the introduction of value added products like organic fertilizers from cow manure and cow urine. We have also collaborated with an Australian University to establish a training centre which is helping us give our knowledge to the Farmsers. We also supply feed to the Farmsers to improve the cows yield. All these activities have resulted in Bhagyalaxmi turning profitable in 2017.

So Whey protein as a lot of people are aware that we are only one from India who are manufacturing it in-house. Just to explain to you what exactly whey protein is. Whey protein is byproduct of cheese and we are the only ones in India who are making it from fresh milk. Right now the market is flooded with imported products, which are coming from several countries. The market size of this if you see is about 1,500 Crores and it is growing by 25% CAGR. We have early mover advantage as we need to have a large volume of cheese first to be able to produce whey as the by-product. This is also a high gross margin product and we are able to deploy the margins we make in this product, to both our cheese and whey businesses to help them grow.

Amarendra Sathe: So another challenge which the Avvatar team faces is to replicated the story that played out in cheese where in the last 10 years we were able to replace several foreign brands in India. We are looking to adopt a similar strategy in whey were 99% of the whey market is imported, so we have taken this challenge in coming years to replace these foreign players with Avvatar.

So we are the first company to start producing ghee made from 100% cow milk. This was the first consumer product which we launched and today also we are the leading player in this space with a premium positioning. We have won several awards for our Gowardhan cow ghee such as the 'Most Trusted' brand award and the 'Consumer Voice' award from 'Jago Grahak Jago'.

Now a lot of you know that children do not like to drink milk, so we decided to give the same protein richness of cow's milk into paneer and we are the only company to manufacture fresh paneer with a shelf life of 75 days. Now how did we make it? Our R&D team and engineering team tied up with the German company called Salma who are skilled in feta cheese, and jointly we developed the manufacturing facility which is untouched by human, hygienic and fresh. The production is automated and that is how we can keep the freshness of paneer for 75 days and this is definitely going to change the game in the market.

Akshali Shah: Right now the paneer that you see in the market is packaged is all old format. We have the fresh paneer product.

Amarendra Sathe: So as everybody knows the biggest trend or necessity of the FMCG Company is consumer focus, so definitely we are also working for our consumer satisfaction through fulfilling their needs. That

is why we just launched another product in Avvatar called "Avvatar Advanced Muscle Gainer" and this is the only product, which have been certified by Informed Sports from a WADA lab in UK. This is made up of 100% cow milk, there is no added sugar, and is gluten and soya free. A lot of research has been done that shows that a large part of the Indian population is protein deficient. To meet this demand, we are going to launch the brand called Go Protein Power, a protein powder for mass consumption. It will also be made from 100% cow's milk and will be sugar free. The total market size of protein in India is Rs. 1,400-1,600 Crores and our aim is to reach to the pan India distribution within one year from the launch date.

Akshali Shah: We are also launching our Premium Ghee under the name 'Aurum'. Food is all about experience and we believe that we can enhance this experience so we are launching Premium ghee, which will be served to modern royalties of India. How is this ghee different? This ghee is cooked homestyle, has better granulation a distinct aroma. It will be priced almost double of normal ghee and will cater to premium customer segment.

Amarendra Sathe: Obviously the Aurum brand will be the best Ghee available in India.

I think you must have tasted the Mishti Dahi before we started the presentation. That product is yet to be launched but we wanted you to taste it and give us your feedback of how you like it.

Akshali Shah: So, we saw big trend of Indian dessert products and we decided to launch Mishti Dahi. You will soon see the product on the shelves in Modern and General trade outlets in major metros.

Amarendra Sathe: So essentially an FMCG company is about supplier and customer relationships. The company endeavors to build strong relationships with Farmsers for our procurement. We procure from 29 districts in the states of Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu. The Farmsers give milk twice a day. We collect it our village collection centres and then transfer it to Bulk Milk Cooling centres where it is chilled and then transported to our plants. The first plant is in Manchar, the second plant which is in Palamaner which is in Andhra Pradesh is strategically located in the heartland of cow belt of India which is connected to all the three states in the South. As Farmsers are an important stakeholder of our business, we make sure we have a strong bond with them which we develop through having transparent milk pricing, supplying cattle feed at a discounted rate, improving the productivity of cows through providing them feed, free vaccinations for their cattle and other services.

Currently we are procuring our milk mainly from west and southern parts of India. But as everybody knows we have recently acquired the Danone manufacturing facility in North India which is in Sonipat. We are already talking to the Farmsers of North India and we soon will start procuring milk from North India also.

We have also partnered with several Institutional players for our B2B business. As Devendra Sir already shared, we supply to large national and international foods companies such as leading pizza chains, burger chains, major FMCG companies, and prominent hotels and restaurants. We have a very strong relationship with these companies and we are strong in B2B markets.

Akshali Shah: Just to give you a small example, is when a Mexican chain was entering India, they started with 2-3 stores and required a couple of kilos of cheese. So we started with providing them our products since their inception and they have continued to partner with us. This kind of relationship with us goes beyond just a supplier relationship.

Amarendra Sathe: To cater to the end consumer and to serve them fresh products, we have around 2 - 2.5 lakhs outlets across India. We are available pan India with support of 17 depots, 140+ super stockiest and 3,000+ distributors.

Akshali Shah: Now I would now like to invite Kiran, CEO of Vector consulting, who we are engaged with since the past couple of months to improve our supply chain efficiencies and increase the reach and range of our retail outlets. Over to you Kiran.

Kiran Kothekar: Good afternoon. My name is Kiran Kothekar and I am the Founder of Vector Consulting. We have more than 100 consulting companies and we work with majority of the big companies in India. So Coming to Parag, we believe in tapping the hidden potentials of the company along with exploiting the full potential that is available in market. The company is not running at full utilization. We can increase the utilization by 20% to 30% more. If this increase in capacity is sold in the market from the existing infrastructure, the impact on the company's financials realization, profitability will be significant. Now if we want to increase utilization and improve sales, where is it going to come from? One of the normal ways of getting the sales is, put more money in marketing, introduce more products, etc., that is already going on. But I believe that we can get more from the existing products because there are two very important factors, one, we have high quality products and second there is limited availability of our products. So let me take you through some facts. When the product is sold in the retail market, customer comes and buys our product only if it is available. If not then some other product gets sold. How many categories of products, how many types goes to the retail shop, some shops are 10, some shops are 50; and what is the rate of their product in the categories in the shops? 3, 5, 10, right, it is not more than 20%. This is one part of the potential. Second part of the potential is number of shops. Currently, we are exposed to 2.5 Lakhs of retail stores whereas the universe is upto 20 lakhs. So now the question is whether are we available at 2.5 lakhs retail outlets when the customer walks in to buy our product every time? The important fact that we should also consider is if customer like freshness of the product, you may say that you have a product which has a shelf life of six months, nine months, but if you go to buy paneer would you take a product which is 3 months old from the shelf? No. you do not want it, because you require extreme freshness. So we are constantly working on improving these aspects. I will give

you some examples about what we have done. So let us say we want to move towards, fresh products in the shop. I cannot ask the shop to order once a month because of the freshness issues. Also, the retail shops have limited space for each category so the whole concept of this monthly planning, monthly selling, which is very prevalent in many companies will not work here. Hence, we need to get a system which has the mechanism wherein a retail shop orders twice a week and the product is supplied in very low quantity which is exactly against the rate of normal selling in the FMCG industry where you want to push as much as you want to achieve the sales. So this is critical, when we talk about 2.5 lakhs retailers, it does not mean that everybody is buying every week, only half of them are buying or less than that are buying every week. So we want all retailers to buy every week or maybe twice a week, that is how we get availability and freshness. We would want to implement this practice to three to four times the number of shops we are currently present in. What does this imply to the company? Does it mean that the company has to invest in thousands and thousands of sales force? We are working on solutions that can improve the productivity of the current sales force by more than 100%. If a sales person tries to go in the field, he can do maximum of 20-30 shops in a day. We have shown them a solution by which we can go to 80 or 100 shops per day. So using the existing infrastructure and with an addition of few people can we cover more shops and double the frequency in a week. I will show you some results that we got in Mumbai, which is the most penetrated market under FMCG. In-order to do this we took the support of a distributor and asked him to do small delivery frequently over large areas. How do we motivate him? Is it Margin? No it was ROI. We are working on how can we get the distributor near 100% availability at very low inventory. This serves two purposes, one is high ROI, but at the same time the freshness of product is very good. Now, if he takes multiple stocks, we do not know it is going to sell in this month or the next month and the freshness goes for a toss. That part is probably getting implemented now. This requires planned supply chain. We can do this in a small lot, very frequently, not the monthly money business. This is a pilot plan initiated in Borivali, which one of the most penetrated markets in Mumbai for us. We are working with our sales people in a different way, collecting order once or twice a week and supplying them immediately. This is something that we have done with 100 retailers as of now. We are about to pick up the scale. We achieved the maximum in January, February, and March. If you look at the outlet billed in a month, there were 23 to 24 outlets that were billing which has increased to nearly 75, 78. If you look at the range of the product there is an increase of nearly 31%. If you look at the average daily sales for these 100 outlets there is an increase in 53%. We are talking about taking the peak of January, February, and March and not the average. If you look at the repeat orders which is the most important thing, it has increased by 170%. Now the scale up of this pilot has already started. We are now planning to take it to 1500 outlets in this area and then slowly increase to about 80,000 to 1 lakh retailers within a period of 6-8 months. I think that there is a huge potential not by putting money but by changing management thinking. There are two ways by which we can change management thinking. One, it does not require money and second is this is very difficult for competition to copy this because it is collective thinking that has been put in play. Thank you.

Natasha Kedia: Thank you Kiran. That was very insightful. We now move on to Parag 2.0, which is the next phase of the company's journey. To explain it in detail, I would like to call Amar, Akshali and Vimal to the podium. Over to you.

Vimal Agarwal: In the first part of the presentation we talked about our journey from 1992 of 20,000 liters a day to a revenue of 1954 Crores, so Parag 2.0 starts with technology. The statement we make here is that, while we are a dairy FMCG company, IT is very much the backbone of the company. If we start from the procurement, operations to sales and data analytics, there are four or five things happening. On the procurement side what we have done is we have got approximately 2 Lakh Farmsers across four states where we have got LP Connect which is a software. Every transaction, which we do to the Farmsers, we ensure that it is transparent, which leads to quality procurement of milk and therefore after every transaction, we issue a receipt on a printed note and at the same time we are able to analyze data on the quality and quantity of milk. What we also do is non-milk procurement and for that we have implemented a Software called SAP Ariba, which means that any buying or procurement that they we are doing goes through an e-auction process or reverse auction process which gives us a range of prices which are absolutely competitive.

Moving on the operational side, Kiran talked about Vector and the Theory of Constraints. We have Network optimizers in place and we have software's which have been implemented to ensure that we have optimum inventory. On the sales side, we have Distribution management system in place where the orders will get triggered when the inventory levels come down from a certain level. Then we have got Sales Force Automation where every action or movement of the entire sales team of Parag is visible on the net. All Data such as throughput and volumes and what is the performance can be seen. To back all this, we have implemented SAP across all our verticals. We are investing in data analytics. All our decisions are based on Sales Data and not on Judgement alone.

Amarendra Sathe: So as we know, the 20th Century is all about technology and digitization. Just to give some examples of e-commerce, in South Korea a total 70% of their FMCG business happens through e-commerce. In Japan it is 40%, and in a large country like China it is 30%. India is still in between 5% and 8%, but I think definitely future is bright and definitely it is going to grow. That is why we have seen one Jaw dropping acquisition happening in this week. Walmart taking over Flipkart for $16 billion. That is what the future of E-commerce in India is. That too they are going to push another $2 billion dollars to improve the volume and sales. That means India is going to grow digitally and proactively we have understood this and we have taken steps to strengthen ourselves in the digital world and in E-commerce. We have got a strong partnership with Amazon and Flipkart. We strongly work with digital, e-commerce supermarkets like Big Basket and Grofers. We have developed our own website for Avvatar. We have our own website for Pride of Cows. We have our own mobile app for Pride of Cow and recently we have developed an app for Milk in Mumbai for Gowardhan milk. We think this is what the future is about. Digital Marketing is helping us a lot and we have been investing a lot on that front.

Akshali Shah: Yes, who would have imagined a milk company being on a mobile app! Actually you can take your orders, you may see your orders, on our Pride of Cows App and for Gowardhan Milk.

To increase our presence in North, we recently acquired a facility of Danone. Danone is a French based Dairy FMCG player. They had facilities in outskirts of Delhi in Sonipat, which has milk processing and Curd processing units. With this acquisition, we will have a lot of benefits. First and foremost, we will be entering more households with fresh products, which will also help us boost products like Ghee, Paneer and Cheese. We are also building connections with the Farmsers in the northern region of India which will add to our topline.

Amarendra Sathe: And obviously as you can see India is divided into four major regions and every region acts as a different country itself and with this acquisition of Danone facility we will be making inroads in all the regions of India. We are already there in west, in south, and now we increasing our footprints in the north and north east.

Akshali Shah: I will now call our CFO, Vimal Agarwal to take us through Financial Performance for the year.

Vimal Agarwal: Thanks. Moving on to financial performance chart, there are two keys slides; one is on the revenue and the way that we progress. We have closed the year with Rs. 1954.5 Crores of revenue. This is 16% CAGR over financial year 2014 and about 13% from the last year. Now, the key driver of this is really been driven by the strong product portfolio which we have got, the strong marketing and branding initiatives done over the years and the distribution network we have built over the last one year, which we will continue to do over the next 2-3 years in terms of distribution and the execution. The second important chart is really on the right side. If you look at 2014 numbers and the green part, which talks about what is the Milk products portfolio. It was 56% about four years back, which has really grown to 66%, which means a 10% point improvement. Now for a dairy company to really make that progress into product portfolio, which is more FMCG product portfolio, is a great achievement. What it does for us are two things; one is it helps us eliminate the Milk pricing variability because the portion of the Milk based products really goes up and therefore the price movement in Milk up or down really doesn't matter to that extent so far as the milk product portfolio is concerned. A 10% movement also means that we had better flexibility to manage the revenue much more efficiently and therefore ensure that your profitability increase in a better trajectory at any point in time.

Moving on to the next chart, which is really dependent on second part of the slide. We are looking at EBITDA numbers in 2014 was around Rs.79 Crores, the number has gone up to Rs. 205 Crores. In terms of percentage it is a 320 basis points improvement from 7.3% to 10.5% and really the key drivers are the overall product portfolio which we have got and also contributed by a tighter cost management which we have done across all our cost lines. PAT Margins are at 4.5% for the full year at 5% for the quarter.

Overall ROCE, now this is one number which is close to our hearts, and I will talk about this a little more. 2014 we were at 9.1%, 2015 we were at 12% and this year we will be closer to 16% points. This is one aspect that we are really going to track very aggressively and I am sure we will talk about this in the guidance slide and this is one that we also would not like to let go in the sense that you see actions on all the costs lines, and Profit numbers, we will make sure that the profitability number would be much better than this year and at the same time there will be actions take on the Balance Sheet and working capital side as well to ensure that our ROCE really progresses well in the next one, two or three years. Thank you.

Natasha Kedia: Thank you Vimal. I will now like to invite our Chairman, Devendra Shah to share the company's goals and vision moving forward.

Devendra Shah: Thank you Natasha. Our Team at Parag has targeted to achieve Revenues in the range of Rs. 2,700 to Rs. 3,000 Crores with an EBITDA Margin of 11-12% by FY20. With all major investments completed, capacities utilizations improving and EBITDA margins on the rise, our ROCE is expected to improve to 18-20% by FY20. To achieve our 2020 vision, our strategy will revolve around, Enhance Product Reach, Increase Value-added Product Portfolio, sharpening our Branding strategy, Focus on Health & Nutrition, Improve Operational Efficiencies and control costs.

Parag 2.0 - Our next phase of journey has started. Our endeavor is to deliver better returns for all the key stakeholders of Parag. Our heartfelt thanks for your support in the Journey of Parag till now. We also believe that your support will continue with us as we start new initiatives to make Parag a much stronger brand with leadership position in the Industry. I am confident that My Team will make every effort and work day and night to achieve the Targets that we have set today. In this direction we have already taken steps like appointing professionals like Vector Team who bring on table specialized subject knowledge. We have expanded our Leadership Team, increased our presence through Digital Media to capture the Digitally Influenced Consumers, launched products on the Health and Nutrition segment, continue to excel in manufacturing, increase our product offerings, strengthen our brand and work on increasing the length and breadth of our reach to end consumer. With this, I now open floor for Q&A.

Natasha Kedia: Before we take questions from the audience, I would like to give a change to the people on the call who have dialed in from various cities.

Unknown Speaker: You have called this meeting at the right time when the milk production is at a high level and the milk is available at Rs. 17 can you throw some light on this.

Pritam Shah: As you have seen, Parag is not in the commodity business where the quality of the milk is totally different, the habit of production, and the supply is totally different. We use the milk procured to produce our value added products the products like cheese, ghee and other thingsI think Rs. 17 is

the price where generally it is traded in bulk by the unorganized players, chilling centres who are into bulk trading where the quality is not up to the standard which we use in our products..

Unknown Speaker: You have so many products, but you never talked about milk powder?

Devendra Shah: We have explained our business and how are you reducing our SMP business or the skimmed milk powder business and are now moving towards selling specialty SMP to companies who make Baby foods and to Pharma Companies. We have now come out from the commodity Market.

Unknown Speaker: A large portion of market is unorganized, almost 80% of it is unorganized, so what is the big factor that are causing this migration from unorganized to organized?

Amarendra Sathe: I personally feel aspiration of the consumer as we know that India economy is growing well and the aspiration of a consumer is growing well. Hygiene cautiousness is increasing everywhere, so they are worried about the hygiene. If you are buying loose milk, chances of adulteration is very, very high and automatically the pricing is also very less.

Akshali Shah: One more thing to add is that people are looking for more convenience, recent trends show that very few households make dahi at home anymore. People want consistency in quality and therefore the industry is becoming more organized. The market has changed completely over the period of time, and is changing year-on-year.

Viral Shah: My name is Viral Shah. My question is related to our main product cheese, one of the media report says that Amul has got 70% of the market share in cheese. I think it is very controversial report so can you throw some light what is the Indian cheese market and what is our share of cheese in India?

Akshali Shah: The market size would be around 40,000 to 50,000 MT. We follow the IMARC report as the entire dairy industry follows the IMARC report that states that we have 33% share in the market. This article was tracking Neilson report and as per the industry standard we do not follow that report because it does not track the entire cheese universe, specially leading Modern Trade and out-of-home consumption outlets which form a large part of cheese consumption. There is a small difference of 5-6% between the leading cheese player and us.

Viral Shah: How much did Parag sell in March 2018?

Pritam Shah: In terms of our overall Parag's revenue we are at Rs. 1,954 Crores and the contribution will be more around 20-22% in the entire revenue.

Navin Trivedi: What is the strategy to launch new products?

Akshali Shah: We do an intensive study of the products as a trend that is happening. We have on board, a couple of research agencies and they give us guidelines on what is trending. To give you an example ghee is coming back as a healthier option and hence you see the product Aurum. Yoga trend had completely stopped but it became trending again as yoga schools have started again. Similar thing is happening with ghee. It is trending because it is healthy and we track such trends and we launch our new products.

Unknown Speaker: Initially how much of the capital would you be allocating to the new product launches?

Pritam Shah: So, I will answer it little differently. It is not about the capital intensity or capital investment. For example, Avvatar actually gets manufactured from a product called whey protein, which is a byproduct of cheese. So you have the complete infrastructure ready and it is the byproduct which till yesterday was fully getting sold at Rs.150 a kg. We have just invested a very small sum of money, but have come out with a product which is really premium in terms of its positioning as well as the gross margins which we generate. So that is how we have really progressed and that is how the journey from a base business to premium or a niche product category.

Ashi Anand: What is the share of our final products?

Akshali Shah: Just to tell you that 50% of cheese consumption happens out of home. that is to a QSR restaurants which is also the industry trend. B2B would be broadly 50% and B2C would be the remaining 50%.

Yash: Great results this quarter. I just wanted to understand on the reconciliation of our company? What is the Profit after tax in FY2017?

Vimal Agarwal: We were following Ind-AS numbers or the methodology there. What we have done is from April 1, 2017 we have migrated to Ind-AS and based on that wherever there are changes, which were to be restated we have gone ahead and done those changes that is the reason you will see some change in FY2017 numbers because that was the opening number based on which the entire balance sheet in P&L got restated.

Unknown Speaker: My question is regarding the capital reconciliation; how much you have planned and how do you plan to allocate this?

Vimal Agarwal: Overall we have done substantial investments in the last two years. If our product mix continues to move the way it is as of now estimated which means that our value added mix which is around 65.7% moves to ~72%. all our capital investments would be done, which means that over the next two years we would not require any further capital investments to reach our target of Rs. 2700 and 3000 Crores.

Amit: I am Amit here. , wanted to ask where do you see working capital numbers going forward?

Vimal Agarwal: There will be actions taken to ensure that our working capital numbers as percentage of sales or number of days in terms of WC really improves. We want to optimise and how do we really optimise the inventory is that we really cut down our inventory across the pipeline and therefore operate at lower inventory levels. If you move to debtors there are two choices. One is - do I want to continue to move away from say a commodity business? Yes I want to, but that also means that in case of SMP I need to tie up with high end customers where the Credit periods are predefined and are on the higher side, so while we need to cut down on the debtors, we do not want to cut down at the cost of really acquiring committed vs non-committed business lines. So it is our choice. In terms of improvement, you will definitely see the improvement quarter-on-quarter from here on.

Vipin Mehta: You have significantly upped your revenue guidance?

Vimal Agarwal: Major driver is our product mix, which will improve. Second is there are new products, which are getting introduced, Avvatar was one example. Amar talked about Go Protein Power and all the newer introductions, which we are doing are at a higher margin level. This should really start giving us upside. The second example, is the Sonipat acquisition, which we have done. Now you are closer to the demand center in the northern part of India. What it means is that you are definitely optimizing your logistics cost, you are operating through a plant, which is state of the art, fully automated plant and therefore all of this will add up where you will see your margins really improve.

Kunal Sanghvi: You just talked about the inventory management, so how do we take care of the logistics costs that I think that would offset the benefits that we have from the inventory?

Vimal Agarwal: Devendra Sir, at the beginning of this presentation introduced all of you with Nihal Sarkar. Now while he is a logistics head, he is also an expert in terms of overall network designing and managing it with the constraint supply chain. If I were to elaborate this, we have right now tied up with Snowman Supply Chain to ensure that our product is rightly placed which means that while I have got 19 or 20 depots right now, over a period of time, I will definitely cut it down to a more optimal number. Our GST regulations which came in July are really helping us to achieve that. Our network designs right now are being optimized to ensure that we do not have any aged products in the pipeline. So all of this are adding up to ensure that we are at a fresh inventory.

Amarendra Sathe: Adding to Vimal's point, earlier we used to get some smaller quantities of frozen products order where we used to pay more in order to sell. With having Nihal join us, we have developed a vehicle which can transport all kinds of products ranging from minus 4 degrees to plus 4 degrees also.

Earlier the availability of the transportation was very less but now we are actually intending to take it up 80%, so that is going to really help me to save our transportation cost.

Unknown Speaker: Our brand – Pride of Cows presently is only working in three cities that is Pune, Mumbai and Surat. Are we looking to take this brand in a national way? Since it's a high profit margin business, how will we expand it?

Devendra Shah: We want to expand on our products every year. You are absolutely right we are expanding Pride of Cows business and will entering some new cities soon.

Kunal Chandra: My question is what is the revenue and EBITDA of Danone? And are we going to take over the manufacturing facility of Danone or you are going to acquire the brand Danone?

Akshali Shah: Only the manufacturing facility.

Devendra Shah: Several people in the media like asking this question. Our company is world class. And we are buying the infrastructure of Danone only.

Unknown Speaker: I just wanted to know what percentage of Pride of Cows you have and what is the growth and what are the margins in each of them and what is the potential time?

Akshali Shah: Pride of Cows would be around 3% of our revenue. For Pride of Cows, our gross margins would be upwards of 35% to 40%.

Unknown Speaker: I would like to know how much revenue would Avvatar add in FY2020?

Vimal Agarwal: Overall if you go back to slide #6, which Devendra Sir presented, he talked about milk based products and he has segregated milk based products into two, which is health and nutrition products and Milk products. Now health and nutrition segment is expected to be around 7% or 8% of our revenue which is really being contributed by products like Avvatar or products like Go Protein Power and the whey we would supply to pharma and baby food companies, as well as couple of other products which he talked about.

Akshali Shah: Avvatar is a sports nutrition product and if you are comparing it with anything, it will go on and on. So our other whey protein product is not falling into this sports nutrition segment because Avvatar is in the segment which is at about Rs.3000 to Rs.4000 a kg. So that is the MRP of the product. We are operating at a similar range.

Unknown Speaker: So we are replacing which brand in terms of our competition?

Vimal Agarwal: We are competing with the imported brands. So we are competing with them directly and then there are a couple of more products. That is the endeavor of the marketing team. So after we have introduced the product, we are seeing the competition from imported brands who have reduced their prices.

Natasha Kedia: We will try to take the last two questions.

Unknown Speaker: Where is your product 'Slurp' available and any plans to scale up?

Vimal Agarwal: Slurp is focused in west and other states and we are available in general trade and modern trade and wherever there is a consumption points and we are operating at 100% capacity utilization for that product in season that is why we are not extending the trade distribution.

Unknown Speaker: Sir, I just want to know how many litres of milk our own dairy Farms produces? Any plans to setup your own stores?

Vimal Agarwal: Around 30,000 to 35,000 litres per day of production is done from our own Farms. We have not started our own stores or shops.

Percy Panthaki: This is Percy from IIFL. Just wanted to ask you on your profitability of the Pride of Cows product given that MRP is double of what is generally available in the market is that your profitability is not much higher than the company average, the yields also take more time and that would also bring down the cost of production.

Vimal Agarwal: Percy thanks for asking this question. Couple of points here. One is the Pride of Cows is a brand. Our EBITDA on Pride of Cows is pretty high. It is upwards of 35% to 40% and to that extent you are right it is a highly profitable business. In dairy Farmss there are some more business streams, which we have been able to develop, and during the course of presentation you heard Akshali talk about it and that is how it is really progressing. So it is disproportionately higher and to that extent it is really contributing to the brand's profitability on quarter-on-quarter basis.

Devendra Shah: Thank you very much. Before the closing I am to say that we believe that you now have a better understanding of our business. We now look forward to a True FMCG Valuation matrix for us!

Natasha Kedia: Thank you Mr. Shah and thanks to the entire management team. Please do try all our products, all our new products as well. Thank you very much for joining us.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Parag Milk Foods Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines.