

Parag Milk Foods Ltd : Average Issue

IPO Note: High Debt and offer price little bit expensive : Ranking**



Issue details

Price band (Rs)	Rs. 220-227
IPO Opening Date	04-05-2016
IPO Closing Date	06-05-2016
Issue Size	Rs. 767 Cr.

Recommendation

Total revenues grew at a CAGR of 21.6% from Rs 658.50 Crore for the financial year 2011 to 1440.51 for the financial year 2015. Net profit after tax grew from Rs.18.89 Cr. for the financial year 2012 to 25.96 crore for the financial year 2015. Post IPO its current paid up equity capital of Rs. 70.41 crore will stand enhanced to around Rs. 83.62 crore. For first nine months ended 31.12.15 it has earned net profit of Rs. 31.92 cr. on a turnover of Rs. 1231.19 cr. If we annualized these earnings and attribute to the fully diluted equity post IPO then asking price is at a P/E of 44.68 at the higher price band. The listed peer Hatsun Agro is trading at a P/E of 56 while Prabhat Dairy is trading at a TTM P/E of 295. It has a debt of Rs.545 crore on FY15. **Looking to its overall performance and fundamentals and high debt and offer price at a P/E of 45 looks little bit expensive.**

Highlights

- Parag Milk Foods Ltd is Pune based dairy-based branded food producer
- Govardhan, Go cheese, TopUp and Pride of Cows are the 4 brands of the Co.
- Company's supply chain network includes procurement from 29 districts across Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu, through over 3,400 village level milk collection centres
- Well Established Brands Targeting a Range of Consumer Groups and Diversified Product Portfolio and Customer Base
- Growing Pan-India Distribution Network
- The company is offering discount of Rs. 12 per share to eligible retail and employees bidders
- Total Debt of Rs.545 crore as on FY15 and debt equity ratio 4.40

Company Introduction Company Profile

Incorporated in 1992, Parag Milk Foods Ltd is Pune based dairy-based branded food producer. Company is involve in collection, distribution of milk and producing dairy-based branded consumer products including cheese, ghee, whey proteins, paneer, curd, yoghurt, milk powders and dairy based beverages. All products of the company are made from cow milk.

Company's manufacturing facilities are located at Manchar in the Pune district of Maharashtra and Palamaner in the Chittoor district of Andhra Pradesh. Company's supply chain network includes procurement from 29 districts across Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu, through over



www.paragmilkfoods.com

Financial Summary (Rs. In Crore)

Particulars	For nine month ended 30 Dec. 2015	FY2015	FY2014	FY2013
Total Income	1231.18	1440.51	1089.50	927.14
Net Profit	31.92	25.96	15.96	20.77
EPS (Rs)	4.67	3.81	2.34	3.05

*EPS Not Annualize, Source:RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

3,400 village level milk collection centres. Parag Milk Foods Brand and product lineup under them:

Gowardhan : Gowardhan brand is targeted at house-hold consumption and to be used as cooking ingredients. The products under this brand includes fresh milk, curd products (curd, trim curd and buttermilk), ghee, paneer, butter, milk powders, whey proteins, gulab jamun mix and shrikhand.

Go : Targeted at children and the youth generation, primarily for direct consumption. The products under this brand includes cheese products, UHT milk (go milk, go slim milk and go supremo milk), fresh milk: go kidz, fruit yoghurts in six flavours, fresh cream and beverages (lassi and buttermilk in two flavours).

Financial Performance

On performance front, on a consolidated basis the company has posted turnover and profit of Rs. 900.54 cr. / Rs. 18.90 cr. (FY12), Rs. 927.15 cr. /Rs. 20.77 cr. (FY13), Rs. 1089.50 cr./Rs. 15.97 cr. (FY14) and Rs. 1440.52 cr. /Rs. 25.97 cr. (FY15). For first nine months ended 31.12.15 it has earned net profit of Rs. 31.92 cr. on a turnover of Rs. 1231.19 cr.

Issue details

The company is coming out with a combo of primary issue as well as offer for sale. While the primary offer is for Rs. 300 crore (approx 1.43 crore equity shares), offer for sale is for 20572573 equity shares of Rs. 10 each that will bring approx Rs.450 crore for the selling investors, thus making the aggregate size of the issue above Rs. 775 crore. The issue is being made via book building route and the price band is fixed at Rs. 220-227. Issue opens for subscription on 04.05.16 and will close on 06.05.16. Minimum application is to be made for 65 shares and in multiples thereon.

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