

## Prabhat Dairy Limited : Average Issue IPO Note: Ranking:\*\*



### Issue details

<b>Price band (Rs)</b>	Rs.140 - Rs. 147
<b>IPO Opening Date</b>	28/08/2015
<b>IPO Closing Date</b>	01/09/2015
<b>Issue Size</b>	Rs.520.00 Crore

### Valuations & Recommendation

On consolidated basis it has reported net profit of Rs. 21.04 crore on a turnover of Rs. 1001.74 crore for FY15 against net profit of Rs. 20.78 crore on a turnover of Rs. 857.68 crore expresses pressure on margins. If we attribute FY15 earnings to fully diluted equity of Rs. 92 crore then the asking price at the upper band is at a P/E of 64. It has a only one listed peer i.e. Hatsun Agro that is quoting at a P/E of around 71 (as on 26.08.15). To retail investors it will cost at a P/E of around 62 as they are getting Rs. 5 special discount on the final cut off price. As on March 2015 end it has total debt of Rs.411.77 Crore and debt equity ratio is 1.22.

### Highlights

- As of March 15, 2015, Prabhat Dairy had an aggregate milk processing capacity of 1.5 million litres per day.
- It has total debt as on FY15 end stood at Rs.411.77 crore
- Average EPS for last three fiscal year was Rs.2.95
- Prabhat Dairy procure a majority of its raw milk requirements directly from milk farmers and registered milk vendors in the State of Maharashtra
- Company has established large, automated production facilities with advanced equipment at Shrirampur (Ahmednagar) and at Navi Mumbai.
- The Retail investors are getting Rs.5 special discount on the final cut-off price

### Company Introduction Company Profile

Prabhat Dairy Limited is an integrated milk and dairy products company in India catering to institutional as well as retail customers. Prabhat Dairy produce fresh, dry, frozen, cultured and fermented dairy products, including pasteurized milk, flavoured milk, sweetened condensed milk, ultra-pasteurised or ultra-high temperature (UHT) milk, yoghurt, dairy whitener, clarified butter (ghee), milk powder, ingredients for baby foods, lassi and chaas.

### Products:

#### 1. Institutional Products:

Prabhat Dairy produce a range of milk and dairy products including milk-based specialty ingredient products and co-manufactured products for a large number of Indian and multinational companies.

The specialty ingredient products include nutrition supplements and formulations for baby food, sweetened condensed milk, partially skimmed milk, skimmed milk powder, skimmed milk preparations, full cream milk powder and specialty milk powder

The co-manufactured products include UHT milk, specialty milk



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## Financial Summary

Particulars	FY2013	FY2014	FY2015
Sales (in cr.)	641.94	857.66	1001.74
Net Profit (in cr.)	14.07	20.78	21.05
EPS (Rs.)	2.83	3.0	2.95

## RANKING METHODOLOGY

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

powders, curd (dahi), clarified butter (ghee), flavoured milk, dairy whiteners, yogurts, processed and concentrated milk, and ice creams

### 2. Retail Consumer Products:

Prabhat Dairy's retail consumer products include pasteurized milk, UHT milk, flavoured milk, sweetened condensed milk, dairy whitener, milk powder, lassi, curd (dahi), chaas and clarified butter (ghee) sold under the Prabhat, Flava and Milk Magic brands.

## Issue Proceed

For part pre-payment of loans of its subsidiary and raise general corpus funds, the company is coming out with a maiden IPO of Rs. 516 crore that includes approx 2.05 crore fresh equity shares worth Rs. 300 crore and the rest (14706000 equity shares) by way of "Offer for Sale" by existing stakeholders. The issue is being made via book building route and the price band is fixed at Rs. 140-147. Issue opens for subscription on 28.08.15 and will close on 01.09.15. Minimum application is to be made for 102 shares and in multiples thereon,

On performance front for last five fiscals, it has been posting 37% CAGR in top line and around 47% CAGR in EBIDTA. The company has posted an average EPS of Rs. 2.95 for last three fiscals. On consolidated basis it has reported net profit of Rs. 21.04 crore on a turnover of Rs. 1001.74 crore for FY15 against net profit of Rs. 20.78 crore on a turnover of Rs. 857.68 crore expresses pressure on margins. If we attribute FY15 earnings to fully diluted equity of Rs. 92 crore then the asking price at the upper band is at a P/E of 64 against industry composite of 24. It has a listed peer i.e. Hatsun Agro that is quoting at a P/E of around 71 (as on 26.08.15). To retail investors it will cost at a P/E of around 62 as they are getting Rs. 5 special discount on the final cut off price.

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