

Institutional Holding as on December 15th, 2017

Particulars	Latest Holding as on Dec. 15th, 2017	Previous Holding as on Dec. 8th, 2017	Change in absolute nos.	Change in %
FPIs/FIIs	3,923,902	3,932,709	-8,807	-0.22
Mutual Funds	2,939,463	2,922,754	16,709	0.57
Fin. Insts./Banks	6,223	7,402	-1,179.00	-15.93
Total	6,869,588	6,862,865	6,723.00	0.10

Headlines...

21 December 2017

- ⇒ Dairy Sector to Grow at 15% CAGR till 2020 to Rs 9.4 Trillion: Report
- ⇒ Stocks of these regional dairy firms may give good returns

Full Story...

Parag Milk ties up with Taj Group to serve its products on international flights

Mumbai: India's dairy industry is expected to maintain 15 percent compounded annual growth (CAGR) over 2016-20, and attain value of Rs 9.4 trillion on rising consumerism, a report said.

"Indias dairy industry is worth Rs 5.4 trillion by value, having grown at 15 percent CAGR during 2010-16. Going ahead, the dairy industry is expected to maintain 15 percent CAGR over 2016-20, and attain value of Rs 9.4 trillion on rising consumerism, Edelweiss Securities said in a report.

India has progressed from being deficient in milk production at 20 million MT in 1970 to becoming the world's largest milk producer at 160 million MT, accounting for 18.5 percent of global milk production.

Further, India is expected to emerge as the largest dairy producer by 2020, the report said.

The Union government implemented the Central Scheme National Dairy Plan - Phase 1 during 2012-17 to improve productivity of dairy cooperatives through several input activities. Investments by private players in the domestic dairy sector is also expected to further augment milk productivity, it explained.

Going ahead, India's milk production is expected to outperform global production and grow at a similar 4.2 percent CAGR to 185 million MT per annum, and surpass EU to emerge the largest dairy producer by 2020.

Interestingly, the countrys per capita milk consumption has also been increasing at 3 percent CAGR as compared to 1 per cent CAGR globally.

The report notes that there is huge scope for Indias per capita milk consumption to spurt led by growth in value-added products (VADP),

which is at 34 percent of industry versus 86 percent for the global mature markets like EU, the report said.

India has a potential of 15-30 percent plus growth in VADP like cheese, whey, UHT milk over next few years, it added.

Led by rising disposable income, and growing consumer preference for branded and value-added milk and milk products, investments by organised players also in the sector has been on the rise.

The report pointed out that other top milk producing geographies like EU, USA, China, Pakistan are expected to grow their production volumes at 2 percent growth over 2020, which is lower than India's growth estimates.

Stocks of these regional dairy firms may give good returns

Companies from the dairy sector— a subset of the fast-moving consumer goods (FMCG) segment— have been on a growth trajectory in the recent past. A good monsoon is one key reason for this. With the quantity and quality of fodder increasing, milk production has also increased and brought down the prices. "Though dairies are passing on the fall in raw milk prices to packaged milk, they have kept the prices of value-added products constant, which has helped improve their margins," says Sameer Deshmukh, Senior Analyst, Reliance Securities.

Most dairy companies declared good results in the second quarter of 2017-18. They are expected to report even better numbers in the coming quarters. Realising the importance of the food processing industry in poverty alleviation, the government has started incentivising the sector which will boost its prospects and the organised players will lead its growth. The shift from the unorganised to the organised players has accelerated due to the impact of demonetisation and GST. With more than 75% of the market share with the unorganised players, the opportunity for the organised dairy players is huge. "The organised Indian dairy market will grow by 20% per annum, doubling to a Rs 2.5-lakh crore market by 2020," says a recent Edelweiss report.

Besides increased milk usage, especially among the vegetarian population which relies on milk for protein, urbanisation and affordability is also boosting the dairy business. "Indians are moving up on the quality chain when it comes to packaged milk and milk

products and this offers a good opportunity to dairy players with value-added products," says Amar Ambani, Head, Research, IIFL.

COMPANIES TO WATCH OUT FOR

The large organised players, such as Amul, are from the co-operative sector and aren't listed. Analysts are also not too bullish on players like Nestle, mostly because they are not dedicated dairy players. "Strong regional players with backward and forward integrations— purchasing milk from farmers and selling value-added products—will be the main beneficiaries of this structural growth expected in the next 3-5 years," says Deshmukh of Reliance Securities.

However, this does not mean that regional dairy players will not face any headwinds. Since the industry's growth prospect is strong, these smaller players should gear up to fight increased competition. This increased competition can come in the form of big domestic corporate houses entering the dairy business or foreign dairy players like Danone entering the Indian market in a big way. Experts, however, feel that the pie is large enough for everyone to

"Strong regional players, who were doing well for decades, are in a sweet spot now. Though competition will increase in the future, it will not be a big worry for them because of the industry's high growth rates," says Ambani. Let's look at these strong dairy companies.

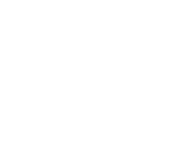
Parag Milk Food: Among the mid-cap dairy companies, Parag Milk Food is the strongest player with the highest share in the value-added

products segment. Just like Amul has done well in the milk segment, Parag has been doing well in the cheese segment. Its brands Gowardhan and Go are also quite popular in western India.

Heritage: Companies who have established processes for procuring milk directly from the farmers hold a substantial competitive edge. "Heritage scores high in terms of direct procurement (95%). It also leads the pack in RoCE (Return on capital employed) due to its milk business with high asset turn," says a recent Edelweiss report.

Kwality: While the brand Kwality is very strong, its milk procurement side is weak. Kwality procures just about 25% of the milk directly from the farmers and the rest is sourced from contractors. However, the company is taking steps to increase direct sourcing which helps to procure better quality of milk at lower cost. The company is also looking to increase its (B2C) vertical which currently makes up 40% of its business.

Prabhat Dairy: Though Prabhat Dairy has strong milk procurement network and is also into high value-added products, most of them are sold directly to big food chains or manufactured for multinational companies. However, the company management is taking steps to improve its B2C presence from about 30% now to 50%. Since the price of this counter has rallied significantly in the recent past, investors need to wait for a better price.



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