

# HATSUN AGRO PRODUCTS

*Largest Private Dairy  
in India*



*Speaker Name*

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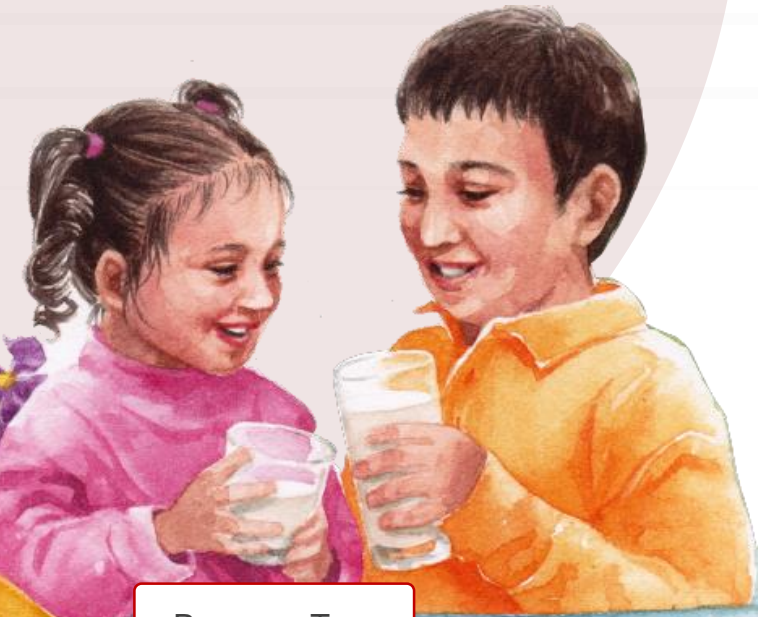
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# Milk Market In India

## SECTOR POTENTIAL

- ❖ *SCALE OPPORTUNITY*
- ❖ *CONSISTENT GROWTH*
- ❖ *LONGEVITY*



| Total Milk Production                           | ~45 Crores Liter / Day |
|---|------------------------|
| - Self Consumption / Not Sold to Markets        | ~22 crores             |
| - Co-operatives including AMUL                  | ~ 4.3 crores           |
| - Private Dairies (Above 2 lakh litre per day)  | ~ 2.0 crores (est)     |
| - Small Agents / Local Milkmen / Local Networks | ~17.0 crores (derived) |

Source:- NDDB, Prospero Tree

### Milk Production Trend

- Consistent Growth in Past
  - 2001: 22 crores LPD
  - 2010: 31 crores LPD
  - 2018: 45 crores LPD
- Expected to grow well



**Conclusion: Strong Longevity & Growth**

### Opportunity for Players

- Largest & First in India
- Amul Sales = 29000 crores
- Amul Procurement @ 1.82 crores LPD
- But
  - All Co-operative including AMUL low market share
- Example Amul
  - Only 1.82 crores LPD
  - i.e. ~4% market share

**Conclusion: Scalable opportunity for many**

# Hatsun Agro Products – Understanding its business



## Procurement Network

- Qty = 30 LLPD
- 25% from non-TN
- Network
  - 4 lakh farmers
  - 13000 villages
  - across 5 states
- 100% Direct Procurement

## Hatsun Infrastructure

- Collection Centres ~10k
- Chilling Centres ~500
- Multi-level Testing
- Milk Tankers Trucks
- Dairy Plants ~17
- Packaging
- Refrigerated Trucks
- Coolers @ Distribution Points
- Power Plants

## Retail Presence

| Hatsun Network         | Stores/Centers |
|------------------------|----------------|
| Distribution Centers   | 974            |
| Hatsun Daily           | 2032           |
| Arun Ice-Cream Centers | 566            |
| IBACO                  | 138            |
| OYALO                  | 128            |

Source:- company website, six months old numbers  
Actual could be higher numbers.



**HATSUN**

**VS**  
**Peers**

### Largest Private Direct Procurer of Milk

| Company  | Procuring (LLPD) | Direct Farmers | Plants |
|----------|------------------|----------------|--------|
| Hatsun   | 30               | 100%           | 16     |
| Heritage | 13               | 95%            | 5      |
| Parag    | 12               | 90%            | 2      |
| Prabhat  | 8                | 65%            | 2      |
| Kwality  | 33               | 22             | 6      |
| Amul     | 182              | 100%           | 50+    |

Source:- Companies website / AR

### Most Efficient & Largest

| Company  | MCAP (Crores) | Revenue (Crores) | 5Yr CAGR | VAP % Sales | WCAP (Crores) |
|----------|---------------|------------------|----------|-------------|---------------|
| Hatsun   | 10000         | 4290             | 15%      | 35%         | 219           |
| Heritage | 2685          | 2344             | 11%      | 23%         | 99            |
| Parag    | 2485          | 1918             | 16%      | 67%         | 383           |
| Prabhat  | 1494          | 1441             | 19%      | 51%         | 287           |
| Kwality  | 304           | 6724             | 13%      | 25%         | 1980          |
| Amul     | Co-op         | 29085            | 16%      | 25%         | NA            |

Source :- Companies website, Prospero Tree

### Unmatched Retail Network

| Company  | Own Stores | Presence   | Business Model | Ad & Promo FY17 (Crores) |
|----------|------------|------------|----------------|--------------------------|
| Hatsun   | 2870       | 9 States   | Fully B2C      | 109                      |
| Heritage | 1680       | 7 States   | Fully B2C      | 5 (ads)                  |
| Parag    | 0          | All Metros | More B2B       | 52                       |
| Prabhat  | 3          | MH         | More B2B       | 17                       |
| Kwality  | 0          | North      | Fully B2B      | 20                       |

Source:- Companies website / AR

### Large Infrastructure & Still Expanding

| Company (Crores) | NFA  | Rec  | Debt | PAT | Dep |
|------------------|------|------|------|-----|-----|
| Hatsun           | 1465 | 7    | 1050 | 91  | 174 |
| Heritage         | 440  | 12   | 306  | 60  | 38  |
| Parag            | 385  | 145  | 300  | 78  | 49  |
| Prabhat          | 461  | 222  | 208  | 19  | 19  |
| Kwality          | 522  | 1897 | 1917 | 71  | 126 |

Source:-Companies website, Prospero Tree

# Thoughts on Valuations

CMP: 621 | Mcap = 10000 Crores

| Hatsun Financials                   | FY12        | FY13        | FY14        | FY15        | FY16        | FY17        | FY18        |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Sales</b>                        | <b>1603</b> | <b>2165</b> | <b>2493</b> | <b>2932</b> | <b>3445</b> | <b>4195</b> | <b>4290</b> |
| Liquid Milk                         |             |             |             |             |             |             |             |
| <i>Milk Powder SMP</i>              | 1086        | 1291        | 1580        | 2105        | 2339        | 2563        |             |
| Milk product                        |             |             |             |             |             |             |             |
| <i>Curd, Ghee, Paneer, Flavored</i> | 373         | 669         | 663         | 514         | 678         | 1077        | 4026        |
| Ice-cream                           |             |             |             |             |             |             |             |
| <i>Arun , Ibaco</i>                 | 116         | 136         | 169         | 215         | 269         | 336         |             |
| Santosa, Oyalo, Others              | 29          | 68          | 81          | 98          | 160         | 219         | 264         |
| <b>EBIDTA</b>                       | <b>109</b>  | <b>148</b>  | <b>178</b>  | <b>198</b>  | <b>305</b>  | <b>379</b>  | <b>372</b>  |
| <i>EBIDTA Margin</i>                | 6.8%        | 6.8%        | 7.1%        | 6.8%        | 8.8%        | 9.0%        | 8.7%        |
| Depreciation                        | 42          | 50          | 65          | 94          | 107         | 146         | 174         |
| Interest                            | 38          | 44          | 40          | 63          | 68          | 70          | 88          |
| <b>PBT</b>                          | <b>32</b>   | <b>57</b>   | <b>81</b>   | <b>47</b>   | <b>134</b>  | <b>169</b>  | <b>119</b>  |
| <i>Tax Rate</i>                     | 17%         | 21%         | 0%          | 17%         | 55%         | 21%         | 23%         |
| <b>PAT</b>                          | <b>27</b>   | <b>45</b>   | <b>82</b>   | <b>39</b>   | <b>60</b>   | <b>134</b>  | <b>91</b>   |

Company Financial, Prospero Tree

## Downside

- Extreme Regulation
  - ❑ Capping of sale price &
  - ❑ MSP on Milk
- Valuations Expensive
- Inability to manage competition in new states

## Upside

- Potential to become a Pan India Player
- Premium Chocolates
- Other Product that hit the market from Hatsun Stable

## Some Product Pictures

# Hatsun & Aarokya Milk Brands

Market Leader in South India (esp TN)



## Some Product Pictures

### Arun Ice-creams

Few stores recently opened in Mumbai suburbs



**Arun**<sup>®</sup>  
ICECREAMS



## Some Product Pictures

# Ibaco Brand – Premium Ice-cream brand

Super Excellent reviews



ICE CREAMS



ICE CREAM CAKES



ICE CREAM BARS



SIGNATURE CONES



ICE CREAM PIZZA

# Some Product Pictures

**Oyalo Pizza** (selling as per slice)  
Recently Started & Expanding Fast



# THANK YOU

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