

# 1 Bovine. elevation

2009 could just be a watershed year for this regional dairy firm.

By Zainab Morbiwala

**W**hen Devendra Shah first decided to try his hand at the dairy business with his maiden venture – Parag Milk Foods Private Limited (set up in 1992, now a Rs 320 crore company) – little did he know that a few years down the line he would manage to create a niche in the market with his offering – dairy products prepared using only cow milk.

Shah's brand, Gowardhan, might not be well recognised outside the Western and some parts of East and South India, but in Maharashtra and Gujarat, it is making its presence felt aggressively by active marketing and advertising activities stressing on their USP – *We, the Cow People!*

### Milking its way ahead

Shah's journey had a very interesting beginning. It was the license *raj* prevalent in the late '80s that prompted him to venture in this business after having forayed into

Timeline	
Year of Launch	Products
1194	Cow Milk
1998	Toned Milk
1999	Skimmed Milk Powder
1999	Ghee
2000	Gulab Jamun Mix
2000	Cheese
2000	Double Tone Milk
2000	Fresh Cream
2001	Dairy Whitener
2002	Cheese Powder
2004	Whole Milk Powder
2004	Butter
2005	Pizza Cheese
2005	Chaos

PARAG MILK FOODS' INSTITUTIONAL CLIENTELE INCLUDES NAMES SUCH AS BASKIN ROBBINS, CADBURY'S, UNILEVER, PARLE, TASTY BITES, ITC, OBEROI SKY CHEF AND VADILAL.



Gowardhan has come to make its presence felt as a leading dairy brand across Western India.

sectors like apparel retailing shortly after his graduation. Talking about his early days in the dairy venture, Shah, chairman, Parag Milk Foods Pvt. Ltd. shares, "Before 1993, about 55,000 litres of milk per day was being collected by government and co-operative societies. The collection of milk then was done only on five days of the week; two days were what were called 'milk holidays'. Obviously, the two-day holiday meant huge losses for farmers and as a 'social obligation', we decided to buy milk and supply it to milk converters – such as manufacturers of non-perishable dairy products. This distribution initiative eventually led us to understand the

business of milk procurement and processing as well. Over a period of time, we managed to gain the trust of farmers; our assured purchase of milk also resulted in higher milk supply from their side. As part of furthering this we then developed infrastructure facilities to process the quantity of milk supplied by these farmers. Thus, in 1993, the foundation stone of our journey in this business was set, and that is when the brand Gowardhan was born.”

The turnaround for Shah came in 1991 when the then Finance Minister, Manmohan Singh, in his annual budget speech announced de-licensing of the dairy sector. This announcement effectively meant that private players could procure milk directly from farmers, and allowed Shah to launch Parag Milk Foods Pvt. Ltd. in 1992. The start-up capital of one crore rupees was raised from a combination of accruals from within as well as borrowings from a local cooperative bank.

In 1993, the company set up a modest pasteurising plant at Manchar. Over the following few years, it stepped up capacity in stages to eventually reach the level of 79,000 litres per day in 1997-98. The company has since further enhanced its processing capacity to touch 7,00,000 litres per day and has also set up modern facilities for manufacturing downstream dairy products.

### Toppings added

The year 2004 saw Parag Milk Foods entering the export market. The initial export list contained only skimmed milk powder (SMP) and whole milk powder (WMP), but it has grown over the years and now the export portfolio includes butter and butter oil as well to various Gulf and African countries.

According to Shah, the company will shortly begin exporting cheese as well. This would materialise from the new expansions taking place at Parag, which will facilitate the expansion of cheese production from 3 MT per day to 40 MT per day. “Expansion of the plant will help the company to export cheese, milk powders (in several variants), butter and butter oil in significant quantities,” Shah states.

As for the dairy set-up at present, the company has three integrated

units of which the one at Manchar in Pune (spread across 12 acres) is completely operational. Two more dairies at Ahmednagar and Palamner are also ready for operation. In addition, Parag Milk Foods has a state-of-the-art dairy farm by the name Bhagalaxmi, which is spread over an area of 30 acres and equipped with the latest rotary parlour for milking cows – an investment Shah made to propel his company into the league of global dairy companies.

### Pastures covered

While its current presence is concentrated in Maharashtra and Gujarat, by 2010, the company aims at making its products available across India. As far as Gowardhan’s current reach is concerned, Shah shares, “We have our own distribution network in Maharashtra, Gujarat, Rajasthan, Karnataka, West Bengal, Assam, Madhya Pradesh and Chattisgarh. We have appointed 18 super stockists under whom there are 390 dealers / distributors. At the company level itself, we have also tied up with major retail chains such as Reliance Fresh, More, Big Bazaar etc.”

The best selling products in their portfolio happen to be cheese and *ghee* as far as Maharashtra and Gujarat are concerned.

### Production capacity

- Pasteurised milk – 7 lakh litres per day
- Condensed milk – 1050 TPD
- Cream / ghee – 25 MT
- Cheese – 40 MT
- SMP / Dairy Whitener / Gulab Jamun Mix – 50 MT

### Packaging it right

In 2006, the brand went in for a new look through reworked packaging for its entire range – *ghee*, butter, cheese, gulab jamun mix, liquid milk and milk powder. This was done as part of an ‘image improvement’ exercise, Shah confirms. “As part of the makeover exercise, the first effort was to probe our packaging design. After examining the marketplace and the competition, a few designs were shortlisted. Finally, and after many deliberations, the ‘golden yellow and white designs’ were finalised,” he says.

The packaging theme was designed to highlight the ‘whiteness’ of milk. The colour white is dominant in all the Gowardhan packaging and occupies no less than two-thirds of the surface area. The golden yellow band on the pinnacle represents that all the products are derived from cow’s milk. “Considerable care has been taken to ensure that the Gowardhan pack is distinct from the clutter of brands currently available in the market,” Shah says.

As far as brand building exercise goes, an annual marketing spend of Rs 10 crore has been set aside, Shah informs. Besides exhibiting in various food exhibitions and organising sampling activities, the company has recently been very aggressive with outdoor advertising – for Gowardhan *dahi* – in Mumbai.

### Moving ahead

In June 2008, the company received Rs 600 million in private equity funding from India Business

Excellence Fund managed by Motilal Oswal Venture Capital Advisors Private Limited (MOVCAPL). Investment in the company allows MOVCAPL to now be a part of the dairy business, which offers tremendous scope. As for Parag Milk Foods, the fund infusion will be utilised for capacity expansion along with branding and marketing activities. Mumbai-based investment bank Ladderup Corporate Advisory Private Limited acted as the exclusive financial advisors to Parag Milk Foods for the deal.

Looking ahead, on the company’s radar is the setting up of modern cold chain infrastructure facilities apart from manufacturing value-added milk products. “The idea is to offer all chain services from farmers to the consumers. This would immensely benefit the local milk suppliers (farmers),” says Shah.

On the product innovation front, year 2009 will see a range of new cheese variants being launched by the company apart from flavoured *dahi*, milkshakes and also milk that would be supplied to customers directly from the farm untouched by human hand (Farm to Home milk). Explaining the new product launches, Shah shares, “Our new cheese variants would include cheddar cheese, block cheese, triangular 8-portion cheese packs, cheese slices and mozzarella cheese. As for Farm to Home milk, the milk will be directly supplied from our Bhagalaxmi cow farm and it will be completely unprocessed. It will be totally fresh, completely untouched by human hand and directly packed in pet bottles of one and half-litre sizes.”

With an aim to close the current fiscal at Rs 425 crore, Parag Milk Foods is also hoping that with the brand building exercise gathering pace along with the recent investment by MOVCAPL, in the medium term, Gowardhan will be also able to effectively challenge established and popular national brands in the segment, though the going may not be easy.

“Cooperative sector companies such as Amul and Mother Dairy draw large government support, whereas in private sector companies like ours, any manner of support extended by the government’s side is negligible,” Shah points out. ■



**Parag is investing in strong cold chain infrastructure in order to enhance the supply network.**