

Private companies make their moves into India's dairy market

Private equity firms are playing a key role in facilitating the corporate take-over of India's dairy sector. One of the early private equity deals occurred in 2010, when the US-based Carlyle Group acquired a \$22 million stake in Tirumala Milk Products, a family owned private dairy company in southern India. Over the next three years, Tirumala expanded its supply chain by adding over 100 chilling stations, increasing the number of processing plants from five to seven and expanding its distribution northwards. Carlyle Group then sold its stake in 2014 to the French dairy company Lactalis, the world's third largest dairy processor, for US \$250 million— more than 10 times what it initially paid.

Over the past few years, France's Lactalis has become one of the largest dairy companies in India, second only to Nestlé, which has been active in India since the 1960s. After acquiring Tirumala in 2014 and the dairy division of Indore-based Anik Industries in 2016, the French company acquired the dairy business of Prabhat Dairy as well as its subsidiary, Sunfresh Agro Industries, in 2019. Prabhat Dairy has a network of more than 75,000 farmers in Maharashtra that collects around 200,000 litres of milk every day. The purchase of the Prabhat gives Lactalis two additional facilities in India, giving it a total of 13, and an overall procurement supply of 2.3 million litres of milk per day. Lactalis is planning to acquire one more company in northern India, as it aims to take a market share of 10 percent in each dairy category across the country.

New Zealand's Fonterra, the world's largest dairy exporter, also has its sights on the Indian market either through a preferential trade agreement or through collaborative ventures. In August 2018, Fonterra started a 50:50 joint venture called Fonterra Future Dairy Partners with the Kishore Biyani-led Future Group, Future Consumer. This will establish Fonterra in India and help fulfil its expansion agenda. As Fonterra chief operating officer Lukas Paravicini puts it, "It will allow us to prepare the groundwork and make the most of our expertise as we enter the world's largest and fastest growing market."

The objective of Fonterra is clear. In the words of Teh-han Chow, who leads Fonterra's ingredients business in China, South and East Asia, "India remains a massive opportunity for the New Zealand cooperative once it inevitably shifts to being a dairy importer." He went on to say, "India is currently balanced in terms of supply and demand...As it continues to grow and production doesn't keep pace there will eventually be a need for dairy imports into India. The question mark is when".

(Courtesy: grain. org)

(see table in page no.2)

Table 1: Recent private equity deals in Indian dairy

Year	Investor (country)	Indian target	Deal value (US\$M)
2019	Danone Manifesto Ventures (France)	Drums Food International (Epigamia yogurt)	25
2017	TPG (US)	Dodla Dairy	50
2016	Motilal Oswal PE (India)	Dairy Classic Ice Creams	15.84
2016	Verinvest (Belgium), Drums Food International	DSG Consumer (India)	6.39
2016	KKR (US)	Kwality Limited	74.90
2015	TVS Capital (India)	Prabhat Dairy Ltd.	12.22
2015	Eight Roads Ventures (US)	Milk Mantra Dairy Pvt. Ltd.	12.63
2014	Westbridge Capital (Mauritius)	Hatsun Agro Products Ltd.	5.18
2013	Capvent AG (Switzerland)	Hangyo Ice Cream	4.79
2012	Cargill Ventures (US)	Dodla Dairy Ltd.	15.83
