

Tirumala Milk to set up organic dairy farm

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Guntur-based Tirumala Milk Products Private Limited is set to establish a 20,000-milching animal farm to produce premium organic milk and milk products with an investment of up to Rs 6,000 crore in the next five years. Tirumala is now a Rs 1,100-crore dairy company from a Rs 25-lakh chilling centre operator 12 years ago.

Private equity player The Carlyle Group, which had invested over Rs 100 crore in the company a couple of years ago, is advising the management on its proposed expansion plans, including fund raising options and a likely public issue at a later date.

The dairy company procures and markets 1.3 million litre processed milk across Andhra Pradesh, Tamil Nadu and Karnataka in equal proportion every day while the new milk farm project alone will have a capacity to produce 1 million litre a day when fully operational.

At present, the company has six processing and 150 milk chilling centres in three states, in addition to a 200,000-litre milk powder plant in Guntur and a 100,000-litre tetra pack milk packaging plant in Hyderabad, which was launched on Wednesday.

Announcing the future plans, B Brahma Naidu, managing director of Tirumala, who visited China's supposedly largest dairy farm with 13,000 animals recently, said by far their project would be the largest of its kind. The company also proposes to set up a mini biomass power



The company has already acquired 3,000 acre in Guntur district for raising grass and to establish the dairy farm, which will produce full range of milk products apart from milk

plant to meet the energy needs of the milk farm.

It has already acquired 3,000 acres of land in home district for raising grass and to establish the dairy farm, which will produce full range of milk products apart from milk. "We will be using only organic manure to grow grass for feeding the animals. The project will be ready by 2016-17," he said.

"We are working with the management on raising funds for the project from various sources including overseas funds," M Shankar Narayanan, managing director of Carlyle India Advisors Private Limited, said.

The project will have 80 per cent

debt component while the 20 per cent equity would be brought in by the promoters. "At present, we would like to bring in all the equity by ourselves as we are the least leveraged to mop up reserves internally. Carlyle Group is also willing to pitch in," Naidu told reporters.

State Bank of Hyderabad is positively considering to finance the project, according to MC Jacob, general manager - agri and chief risk officer of the bank.

AP is the second largest milk producer in the country with a daily production of close to 26 million litre per day. While the government-sponsored cooperative federation and a number of district cooperative milk producers' unions have been active in the organised milk sector, the role of private milk companies including Heritage Foods, Jersey and Tirumala has assumed pan Indian proportions.

With the state government recently announcing a milk mission to enhance the total milk production to 496 litre per day in the next five years, the space for private players in milk procurement is also expected to grow in future. "We have growing supply-demand gap and milk prices are also going up in AP and elsewhere to make this project a very viable business proposition. We will certainly consider funding the project," Jacob said.

According to Naidu, the company is aiming to reach the Rs 2,000-crore turnover mark in the next 2-3 years. The company's top line rose to Rs 1,100 crore this year from Rs 800 crore in the earlier year, according to him.