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October 19, 2026

To
The Manager
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

To
The Manager,
Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block, Bandra-Kurla
Complex, Bandra (East), Mumbai – 400 051

Scrip Code: 519552

Scrip Code: HERITGFOOD

Sub: Transcript of Conference Call held on October 16, 2026 - reg.

Dear Sir / Madam,

In Continuation of our letter dated October 7, 2026, the Company had organized a conference call with the Investors/Analysts on Friday, October 16, 2026 at 11.00 AM (IST). A copy of Transcript of conference call held with the Investors/Analysts is enclosed herewith and the same has also been available on the Company's Website at www.heritagefoods.in.

Kindly take the same on record and display the same on the website of your exchange.

Thanks & Regards,

For HERITAGE FOODS LIMITED

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UMAKANTA BARIK
Date: 2026.10.19
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UMAKANTA BARIK

Company Secretary & Compliance Officer

M No: FCS-6317

Encl: a/a

HERITAGE FOODS LIMITED

CIN : L15209TG1992PLC014332

AN ISO: 22000 CERTIFIED COMPANY

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HERITAGE FOODS LIMITED

Q2 & H1 FY27 Earnings Conference Call

October 16, 2026



MANAGEMENT:

Mrs. N Brahmani – Executive Director

Dr. M Sambasiva Rao – Whole Time Director

Mr. Srideep Kesavan – Chief Executive Officer

Mr. A Prabhakara Naidu – Chief Financial Officer

Mr. J Samba Murthy – Chief Operating Officer

Dr. Brij Mohan – Chief Executive Officer - Heritage Nutrivet Limited

Mr. Umakanta Barik – Company Secretary & Compliance Officer

INVESTOR RELATIONS REPRESENTATIVE:

Ms. Diya Kaswa – GO India Advisors



Moderator: Ladies and gentlemen, good day, and welcome to the Heritage Foods Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone telephone. Please note that this call is being recorded.

I would now like to hand the conference over to Ms. Diya Kaswa. Thank you, and over to you, ma'am.

Diya Kaswa: Thank you. Good morning, everyone. I am Diya Kaswa, and it's my pleasure to welcome you all on behalf of Heritage Foods Limited. Thank you for joining us today for the second quarter and first half of financial year '27 earnings call. This call is being hosted by Go India Advisors. Please note that today's discussion may include certain forward-looking statements. Therefore, they must be viewed in conjunction with the risks that the company faces.

Today, on the call, we are joined by Mrs. Brahmani Nara, Executive Director; Dr. M. Sambasiva Rao, Whole-Time Director; Mr. Srideep Kesavan, CEO; Mr. A. Prabhakara Naidu, CFO; Mr. J. Samba Murthy, COO; Dr. Brij Mohan, CEO, Heritage Nutrivet Limited; and Mr. Umakanta Barik, Company Secretary and Compliance Officer.

I now invite Dr. Rao to present the company's business outlook and performance, after which we will open the floor for Q&A. Over to you, sir.

M. Sambasiva Rao: Thank you, Diya. Good morning, everyone. Thank you for joining us today. Before we begin the call, I would like to extend my warmest wishes to all of you and your families on the occasion of the festive season. I hope this special time brings happiness, prosperity and good health to everyone.

Heritage Foods delivered a strong performance in quarter 2 of this financial year, sustaining revenue growth despite an inflationary environment marked by rising milk procurement costs and supply side constraints.

Consolidated revenue grew 19% year-on-year to INR13,196 million in quarter 2, taking H1 revenue to INR26,577 million, up 18%. While elevated procurement costs continue to weigh on profitability, EBITDA stood at INR740 million with a margin of 5.6% and profit after tax was INR309 million. Encouragingly, EBITDA

margin improved by 98 basis points sequentially over Q1 of this financial year, reflecting a recovery in operating performance amid sustained cost pressures.

Our integrated farm-to-consumer model underpins our ability to ensure reliable milk availability, strengthen farmer relationships and respond to evolving consumer preferences. During the quarter, we continued to build on this foundation through a stronger procurement network, expansion of our value-added products portfolio and investments in premium and nutrition-led categories.

A strong and resilient procurement network remains fundamental to our business. During Q2, milk procurement volumes increased 7% year-on-year to 17.28 lakh liters per day, while H1 procurement volumes grew 4% to 17,69,000 liters per day. This growth, despite monsoon-related supply constraints, reflects our sustained efforts to deepen our village level procurement network and strengthen farmer engagement.

At the same time, milk procurement inflation remains elevated across the country. Our average landed milk procurement cost increased 11% year-on-year to INR47.73 per liter in quarter 2, driven by sustained demand, limited improvement in milk arrivals and higher feed and fodder costs. These pressures continue to weigh on near-term profitability across the dairy industry, making procurement efficiency and calibrated pricing critical.

On the consumer side, our core milk business continued to demonstrate strength of the Heritage brand and sustained consumer trust. Milk sales volumes increased 2% year-on-year to 12.35 lakh liters per day in Q2, while average selling prices improved 6% to INR60.34 per liter. For H1, milk sales volume grew at 1% to 11.99 lakh liters per day, while average selling prices increased 5% to INR59.54 per liter. Our focus remains on balancing volume growth with calibrated pricing while protecting the strength of our consumer franchise.

The evolution of our business mix continues to be an important driver of Heritage's growth. Value-added products remain a key growth engine with revenue, excluding ghee and butter, increasing 32% year-on-year to INR4,510 million in Q2 and 36% to INR10,146 million in H1 of this year. Consequently, VAP contribution increased to 35.4% of revenue in Q2 from 31.3% in the corresponding quarter last year and to 39.6% in H1 from 33.7% in H1 of last year.

Growth was broad-based across categories, led by lassi, buttermilk, ice cream, paneer and curd. Volumes grew 89% in lassi, 56% in buttermilk, 44% in ice cream, 21% in paneer and 15% in curd during the quarter. We also achieved important scale milestones with daily curd sales crossing 500 tonnes, quarterly yogurt volumes exceeding 100 tonnes and Nourish+ high-protein paneer accounting for more than 15% of our paneer portfolio.

These trends demonstrate the increasing scale of our brands and growing consumer preference for differentiated and nutrition-led products. Including our consumer packed ghee and butter portfolio, the broader value-added portfolio grew 31% year-on-year to INR5,408 million in quarter 2 and 35% to INR11,730 million in H1.

Its contribution to revenue increased to 42.5% in quarter 2 from 37.9% a year ago. And to 45.7% in H1 from 39.3% in H1 of last financial year. The growing contribution of higher value-added products reflects our transition towards a more diversified and premium branded dairy business. We believe this shift will strengthen consumer loyalty, improve product differentiation and support earnings resilience over time.

Alongside portfolio expansion, we continue to invest in innovation. During the quarter, we strengthened our high protein portfolio with the launch of Nourish+ High Protein Curd containing 25 grams of protein and Greek Yogurt available in single-serve packs containing 8 grams of protein and midsized packs containing 40 grams of protein.

We also expanded the Alpenvie ice cream range and introduced organic curd, further strengthening our presence across premium dairy segments. Our objective is to build differentiated products that address emerging consumer needs while leveraging our brands, manufacturing capabilities and distribution network. These initiatives are helping us expand our presence in premium dairy and nutrition-led categories with attractive long-term growth potential.

We continue to strengthen our adjacent growth platforms during the quarter. The newly commissioned ice cream facility provides additional manufacturing capacity for Alpenvie and Get-A-Way, supporting capacity absorption, operating leverage and future growth. Get-A-Way in which we now hold 71% stake delivered robust revenue growth during the quarter with Heritage manufacturing and supplying 3,272 liters of ice cream per day to support its growth, its product availability and expansion.



Heritage Novandie Foods, now a wholly owned subsidiary continues to strengthen our presence in the yogurt category through the LIVO brand and has established itself among the top 5 brands in India. These investments expand our presence across premium food and nutrition-led categories while complementing our core dairy operations.

Beyond our core dairy operations, Heritage Nutrivet continued to deliver strong growth. The wholly owned subsidiary reported revenue of INR853 million in quarter 2, an increase of 47% year-on-year with profit before tax of INR37 million. For H1, revenue grew 42% to INR1,581 million with profit before tax of INR56 million. This performance reflects the growing scale of our Animal Nutrition business and its increasing contribution to our broader portfolio.

Our focus remains on translating revenue growth into sustainable profitability through calibrated pricing, tight cost control, continued premiumization and improved operating leverage. A stronger contribution from higher-value products alongside disciplined execution across our operations will be critical to navigating the current cost environment and strengthening margins over time.

We also remain committed to responsible and sustainable operations. During the quarter, Heritage Foods wind farm comprising 3 turbine generators with an aggregate installed capacity of 6.3 megawatts, received the Indian Wind Power Association's Best Performing Wind Farm Award for the year '25-'26. This recognition reinforces our continued focus on sustainability alongside business growth.

Our long-term direction remains unchanged to build a larger, more premium and more resilient branded dairy business. The progress achieved during Q2 and H1 reflects the strength of our consumer franchise and the increasing scale of our value-added and adjacent businesses. While near-term cost pressures persist, we remain focused on disciplined execution, profitable growth and creating sustainable long-term value for all our stakeholders.

On behalf of the entire management team at Heritage Foods, I would like to thank our farmers, employees, distribution partners, customers, consumers, shareholders and all our stakeholders for their continued trust and support. Once again, I wish everyone a very happy and prosperous festive season.

With this, I would like to conclude my opening remarks and open the floor for discussion. Thank you.

Moderator: Thank you, sir. We will now begin the question-and-answer session. First question comes from the line of Sameer Gupta with IIFL Capital.

Sameer Gupta: Firstly, going into the buffalo flush, are we seeing any sign of moderation in milk procurement prices? I understand last year also, the prices had gone up during the flush season. And normally, it doesn't happen that for 2 consecutive years, we have persistent inflation. But this is also an El Nino year plus a broad-based inflation. You mentioned feed and fodder costs are seeing inflation. So any sense on the upcoming surge that you can provide will be helpful.

M. Sambasiva Rao: Thank you, Sameer, for the question, and you have answered partly. The repetition of the same is not normally seen in terms of production drop or price hikes, etcetera, but this being El Nino-impacted year, the situation is repeating like last year, the prices have gone up in quarter 2. And the performance of the season is not uniform across the country.

If you see the last few months, certain states in northern part of the country have received good rains rather led to even floods of severe nature. And certain states in southern part of India have faced drought and situation is unclear even today. All the governments are announcing that situation could be difficult in the coming months in terms of drinking water, water for agriculture, electricity availability, etcetera.

Most of the states have announced contingency plans for agriculture to avoid water intensity crops to semi-dry crops kind of thing. So entire country is preparing for facing El Nino. So we are also preparing in our own areas of operation where our milk sheds are there, encouraging farmers to adopt more and more healthy practices. You can see our feed growth itself has seen 47% year-on-year growth in quarter 2 sale of cattle feed.

So the performance of the season is yet to be clear. As of now, in certain areas, milk availability has improved, certain areas may improve after Diwali festival. So it's a mixed kind of situation right now. And it might be stable if the good monsoon states perform well to compensate the drop in the drought hit states.

So it's a kind of close observation we are making and improving our performance. You've seen milk also improved 7% over last year in volume terms at the procurement level. So with our field efforts, continued relations with farmers, extending good veterinary care, timely nutrition support and even tying up with the funds for overcoming their requirements of working capital for the

dairy or even to procure more animals from the other states. This should help us to further improve our milk availability in our catchment areas.

Sameer Gupta: Got it, sir. This is very helpful. Second question is on the value-added dairy portfolio. I understand there are broad-based efforts. But this 32% growth, is there any element where weather was more supportive this year in terms of higher temperatures versus last year?

Srideep Kesavan: Weather helped in Q1, right, and helped in the sense Q1 weather was normal, I would say, compared to, let's say, previous year Q1 because of which in Q1, we actually had significant growth in value-added products because of the relatively better weather compared to previous year Q1. But in Q2, I wouldn't say that because the growth that we have seen in value-added products is broad-based.

Even though you are seeing certain deficit in rainfall, the deficit in rainfall are restricted to certain districts, whereas we have seen the rainfalls in metro cities like Hyderabad, Mumbai, Bangalore and all has been actually normal or even above normal. Bangalore has actually received more than normal rainfall.

Mumbai has received more than normal rainfall. So I don't think there is any rainfall impact. And the Q2 value-added product growth is broad-based. If you have seen our investor note, we have very clearly called out that the growth is across paneer and ghee and everything. It's not just any heat-related product category. I hope I've answered your question.

And if you look at the growth in the temperature-sensitive products, whether it is buttermilk and ice creams and all of that, it is sustained at the same levels as Q1. So it's more about growing consumer franchise and a sustained steady long-term growth rather than any event led.

Moderator: The next question comes from the line of Vijay Jangir with Systematix.

Vijay Jangir: My first question is on product price hike. In milk and VAP, how much price hike we have taken in Q2? And are we planning further price hikes in Q3 and beyond? And second question on milk procurement. Just keeping cattle feed inflation in mind, what trend we see in procurement cost subsequently over the next few months? Yes, just these 2 questions.

J. Samba Murthy: So first question is on NR increase. Overall NR increase for milk and value-added products is about 8%. So milk is about 6% and others is about 9% to 10%. Overall, 8% increase is there.

Srideep Kesavan: Yes. So you can see that the raw milk prices had increased by about 11% in Q2 against which net weighted average price increase we have taken is about 8%. I think milk is 6% and the value-added products are much higher. And this 8% is the weighted average over 3 months of the quarter, July, August, September. And the price hikes we have passed on to the consumer in the month of September is much higher than 8%. Price hike is always staggered. The benefit of it will accrue in quarter 3.

In October, we have opened the month with much higher price levels than we had in Q2 as far as the consumer is concerned. Like you rightly said, because of the feed and fodder price increases, we are also seeing village level, farm level procurement prices also increasing at average. But like as asked by Mr. Sameer Gupta in the beginning and as answered by our Whole-Time Director in the beginning, we are expecting the buffalo flush in the rain-fed regions to improve. And we are hoping that post Diwali, there is a little bit of a cooling effect as far as the procurement situation is concerned. But at this point in time, what we see is a slight increase of procurement prices in October compared to September as well.

Vijay Jangir: Okay. And I mean, just on Q-o-Q basis, milk price hikes around 2.4% or 2.5% as per my calculation. So in Q3, we are expecting softer than that. That's what you are saying, sir?

Srideep Kesavan: No, sir. Procurement prices increased by 11% Y-oY in Q2. And the sales prices net weighted average increased by about 8%. And in Q3, at this point in time, I think that 11% kind of thing might continue as we speak. But we are hoping, like I mentioned, as answered by our Whole-Time Director, sir, that we are hoping that there is buffalo flush and an improvement because of that. I hope the answer is clear, right?

Vijay Jangir: Yes, sir.

Moderator: Our next question comes from the line of Nirmam with Unique PMS.

Nirmam: Yes, sir. So my question is, we have heard news about Nandini taking a big price hike. So how are the cooperatives behaving in October? Because as you mentioned, we were yet to pass on the whole procurement increase completely. So how are prices trending now?

Srideep Kesavan: Yes. In this month in this quarter, we saw 2 significant events. One is Aavin increasing milk procurement from up to INR38 to INR41 first and then INR41 to

INR44. So that's about INR6 per liter kind of increase. It's unprecedented at the farm level. Slowly following suit, Karnataka government also announced that it is going to increase consumer price by INR8 per liter, and they will pass on INR6 out of that to the farmer, very similar to the Tamil Nadu model. So this is, as you know, as per model code of conduct for the election commission as and there, this is going to take effect only from 1st of November.

As the investors may know, our procurement footprint in Karnataka is not significant. So for us, we have sales side upside from this move because we have some sales volume in Bangalore City, it is significant enough for us. So we are expecting once the KMF takes up the prices of Nandini milk, we'll also be able to pass on much better to the consumer in Bangalore City. Apart from Bangalore City, in all other places, on a staggered basis, as and when we had opportunity, we have passed on, not on a same day, but on a staggered basis throughout Q2, we have been continuously passing on consumer price hikes across products, across regions.

Nirmam: Okay. And we will continue that in Q3 also, right? And the milk procurement prices should not increase by that much?

Srideep Kesavan: Yes. That's what we are hoping.

Nirmam: And sir, one more question. So when the cycle finally turns, in which segments and how much benefit will you have to pass on to the consumers once the milk prices start trending down?

Srideep Kesavan: No, we won't have to because usually, the consumer prices, once it goes up, at least, we have not seen it coming down. So if the milk prices trend downwards, let's say, we were doing an arithmetic earlier. See, the good news is we are now cycling all these high levels at a much higher milk procurement volume level as well as much higher consumer franchise level, which means every rupee will have a much bigger impact than we had previously. So INR0.5 reduction in milk procurement prices will improve our bottom line by 0.7%. So we won't have to increase consumer prices further.

But that said, what we should realize is that the net revenue reported by the company is a weighted average of the products that we sell and the regions where we sell in, yes. And as we see more and more value-added product contribution, even without increasing consumer prices, our weighted average net revenue goes up. Within the value-added products, one significant phenomenon

we are seeing is that the percentage of our premium portfolio contribution is going up.

For example, within paneer, now Nourish+ paneer, which is our premium high-protein variant is now already contributing 16% or 17% of the volume, which is actually pulling up our consumer revenue. Our yogurt contribution share is going up. Ice cream share is going up. Ice creams has got more than INR200 per liter of revenue. Ghee, we have seen close to about 20% revenue increase in ghee. So ghee going up, all these things will pull up our net revenue per liter realization.

Nirmam:

Got it, sir. And sir, one last question. So last flush season, we saw that milk availability itself was a challenge. So do we expect something of that kind this year given the drought conditions and the poor monsoon?

Brahmani Nara:

As mentioned, we are on a wait-and-watch mode. However, I think I'd like to point out the fact that milk procurement volumes for the company despite the tough situation that we're seeing out there, has increased by 7% in terms of volume, and that's because of the continuous efforts of how closely we work with the farmer. We work very closely in terms of improving their animal productivities. We organized a lot of third-party lending to meet with their working capital needs as well as to help them purchase more animals. And very closely, they're looking at metrics.

And our basic fundamental metrics in terms of procurement are looking very encouraging and very positive, such as the number of farmers that we are adding, the number of farmers we are activating, the volume per farmer has seen a very positive trend this year and the productivity or the capacity utilization per milk collection center have all been very positive. So I think the basic fundamentals are looking good for us, and we continue to work in that direction of closely working with the farmer and looking at our numbers.

Moderator:

The next question comes from the line of Yash with Awriga Capital Advisors.

Yash:

Sir, would the understanding be right that the worst is not behind us in terms of the procurement cycle and it could only be normalizing post a good monsoon?

Srideep Kesavan:

I think that is a very speculative question. If you want a speculative answer, I can give. But see, what we should understand is that we are in a very strong position because we have been able to take up consumer prices and sustain volumes. See, if you see the presentation, our revenue growth in core dairy,

which is about 17 percentage, 49 percentage has come through price increases, 51 percentage has come through volume increase. So we are able to sustain volume growth despite price increases.

So we'll continue to do this. So if procurement prices go up, we'll again take consumer prices. We don't have an option, right? And at the same time, our value-added products contribution has increased by 4.1%. In Q3 also, already we are already 15 days into the quarter. We are seeing the same trend continuing. So our value-added products will continue to further expand in Q3. This is a continuing job for us. And one more thing what you should know is that in the beginning of the year, we had capitalized some large projects and those depreciation is also impacting the P&L. You must have seen that the EBITDA improvement sequential is far better than PBT or PAT. The reason is depreciation is much higher.

And that is another thing that we should see playing out in the subsequent quarters because operating leverage is increasing, right? With higher volumes, higher throughput, operating leverage is kicking in. So operating leverage in Q2 is better than Q1. And the operating leverage in Q3 will be better than Q2. So it's an ongoing journey. Raw milk prices is speculative, I do not wish to make any comment.

Yash: Okay. So can you comment on how the cooperative actions have been because we're reading in the news that Aavin, they have not been able to meet the demand. So if you can comment on the cooperators in the Southern region, Aavin, Vijaya and Nandini?

Srideep Kesavan: I think it is very unfair to ask us a question on cooperatives because we do not know the inner workings of cooperatives. And in most cases, there are multiple stakeholders there. One is a society, farmer, the other is the government as a stakeholder, then there is voting population. So I don't know.

Moderator: The next question comes from the line of Ishani with NV Alpha.

Ishani: I'd like to just ask a clarifying question. When you state in your presentation that cow milk accounts for 80% of procurement, do you mean price or volume?

Srideep Kesavan: Volume

Moderator: The next question comes from the line of Sidharth Jain with YES Securities.

Sidharth Jain: So one of the slides in your presentation had shown different value-added products, their pricing and their volume. So is that true that the growth that is coming in lassi and buttermilk, it is coming at near zero price increases?

Srideep Kesavan: See, these are all weighted averages. The general idea there is that I don't think that you should deep dive too much into each at a product level. These are weighted averages. Let's say, the realization in Hyderabad City is far higher than, let's say, rural Andhra, for example, I'm just making it up. And so if growth in rural markets are higher, then it will swing in a little different way as far as the net realization is concerned

Second is in terms of pack realization. Now even though our home packs are very highly profitable. In fact, actually, home packs are very profitable, but the net realization in a home pack is lower than, let's say, a single-serve pack at INR10 on a per liter basis. So the mix changing more towards home penetration, which is also profitable and long-term sustainable growth will also impact all of these things.

And also, there is also a timing issue, right, in terms of timing on when we might have taken up the prices. The main point to note is that because the raw milk prices were going up, we took significant price increases in ghee and paneer and curd. These are like between ghee, paneer and curd is about 90%+ percentage of everything we sell

So we took significant price increases in ghee, paneer and curd. And except in the case of ghee, we were able to sustain the volume growth in both curd and paneer. As far as ghee is concerned, you will see that the volume growth has been flat. But what you should also note is that ghee is also a lot festive dependent.

So the timing of Dasara, Diwali also matters. You will see that ghee volumes will have a bumper growth coming into Q3, and we're already seeing that in the first 15 days of this quarter. So my suggestion is that please don't use that graph to calibrate and calculate to that granularity. The general idea is that everything is growing.

Sidharth Jain: Understood. Just like you mentioned ghee. So out of the total fat sales, what would be the percentage of consumer packs and versus bulk?

Srideep Kesavan: 100%.



Sidharth Jain: 100% would be consumer packs?

Srideep Kesavan: Yes

Sidharth Jain: Okay. And one more question on how do you see this new competition from a large conglomerate entering the dairy space product by product, like first ice cream and now the drinkable space. And they have generally a tradition of going at extremely low prices. So how do you see that impacting our industry and our company in particular?

Srideep Kesavan: See, there is no very good estimate. But I think my estimate is about INR13 lakh crores to INR14 lakh crores, out of which only INR4.5 lakh crores or maybe this year, it would have expanded a little bit INR5 lakh crores, INR5.5 lakh crores is organized industry. And out of which the largest dairy player that we know, Amul is about INR75,000 crores to INR80,000 crores. So can you imagine how small all organized players like Heritage Foods is around INR5,000 crores.

So all of us have a big job to do, which is to convert from the whole unorganized trade to organized and more the merrier, frankly, actually, it helps accelerate the category growth. It helps drive market penetration. Even if I take a very simple example of retail penetration, while, let's say, biscuits, you might find Parle-G biscuits in some 10 million stores across India. Recently, I was reading that Amul has about 1 million stores penetration.

So you just imagine the kind of gap that we have as far as this category is concerned. There's humongous headroom for everyone to grow. And the third aspect that you need to look at is that our growth strategy is very highly differentiated, yes. And this is something that continuing shareholders already know. We are sharply focused on significant leadership position in curd, a significant leadership position in fresh categories, which is buttermilk.

The size of fresh category is humongous. There's no second word to it. And if I put in terms of packaged dairy, long shelf life and all of that, it is just a minor fraction of the fresh dairy category. So we see tremendous potential in fresh category dairy value-added products, whether it is curd, buttermilk, paneer, which are all highly profitable businesses for us and ghee. Ghee also, if you look at ghee as a category in India is about INR10,000 crores or something, but it is only some 18 to 20 percentage is organized.

So the opportunity size is INR50,000 crores. So we all have a lot of job to do. And the INR14 lakh crores dairy industry itself is growing at 4 or 5 percentage,

which means that every single year, the dairy industry is adding one Amul to the industry size. Right, INR75,000 crores to INR80,000 crores, that's opportunity size we are talking about.

And the fourth point I'll also speak about is that, see, in the last several years, we have continued to grow at a CAGR of 14 or 15 percentage. And we have achieved this CAGR without expanding geographic footprint, which means actually we are going deeper rather than going wider, unlike many of our competitors.

And this actually has significance because we have all the growth that we are getting is because of higher consumer love or bigger consumer love and better consumer traction. Our existing consumers are buying more and more of our products. And our household penetration is improving in the markets where we are operating. This also helps us significantly improve our overall brand portfolio.

Moderator: The next question comes from the line of Dradyumna Choudhary with Bow Head Investments.

Dradyumna Choudhary: First, to one of the participants, you spoke that even in Q3, there could be 11% Y-o-Y increase in milk procurement price, which would actually mean compared to Q2 of FY27, it would mean another INR3 increase in milk procurement price. Is that what we are looking at? Because that's quite a big jump.

Srideep Kesavan: See, Y-o-Y is one way to look at it. I encourage you to please look at the results from a sequential Q-o-Q basis also. See, in an inflationary situation, it's very important for investors to look at sequential basis as well. Sequentially, the company has expanded EBITDA by almost 1 percentage point, 98 basis points or something, right? And this is despite raw milk prices going up. For example, in Q1, raw milk prices were up about 7.5% or something. In Q2, raw milk prices are up 11%. Despite that, EBITDA expanded by 1 percentage point or 98 basis points.

So which means actually, we are exiting Q2 in a much stronger position. And whatever is the EBITDA now is not going to come down because the consumer prices have been increased, right? The only thing we are not willing to speculate is if the raw milk prices will come down in the flush as it usually does. If it comes down, well and good, actually, it is going to be tremendous. But if it doesn't come down, it's almost firm anyway for Q2, right?

Dradyumna Choudhary: So like in Q2, our milk procurement price was INR47.7 as per the PPT. So could this go to something like a INR50 plus in Q3 or that's way too high is what I was trying to understand. That's number one. And second, standing today, what do you see as the biggest reason for milk price increase? Is it still the delay in milk arrivals? Or is it mainly to do more with the feed cost increase that we are seeing? Because see, it's been around 8 quarters of milk price increase. So by now, ideally milk arrivals should be much better.

Srideep Kesavan: Sir, I think you are answering the questions yourself. Yes, we are also thinking similar way as in how long will it keep going up? Will it go to INR100 per liter run rate? I don't know, so we also expect that with such high prices, the farmers should produce more milk and prices should come down. But that said, we don't think it will go from INR47 to INR50 in a quarter and all of that.

If I could speak about last quarter, Q3 of last year, the average milk procurement prices was about INR45.55. So it's possible that we might see continued inflation in terms of what we have seen in Q2. But we are -- at this point in time, our consumer prices are at a much higher level than it was earlier. That's all I can say. And like you said, maybe the prices will come down because of higher production.

Moderator: The next question comes from the line of Rajat with iThought PMS.

Rajat: Sir, one clarification. You mentioned INR0.5 reduction in procurement price can increase the bottom line by 0.7%. So are you referring to the absolute number, like if we are doing INR100 crores, so we will see increase of INR7 crores you are referring to?

Srideep Kesavan: Yes. See, it's a very high-level calculation. I was saying, see, we are procuring about 1.8 million liters per day. So INR0.5 roughly translates to almost INR3 crores improvement in bottom line per month, right, at INR400 crores to INR450 crores of revenue. That's how we did the arithmetic. But life is a little more complex than that. But that is a simplistic way of calculating, right?

Rajat: Got it. I just wanted to make sure you're talking about absolute number or the margin percentage. Understood. And sir, do you plan to take any price hikes in Q3 or you will take a call later on?

J. Samba Murthy: Yes. Glad to just watch actually the market, how it behaves and also how we have discussed about procurement prices. Based on that, we'll take a call.

- Rajat:** Okay. And sir, one small thing that other thing was that the realizations hike that we took in the last quarter, in which months did we take them and by how much percentage?
- Moderator:** I'm sorry to interrupt, Mr. Rajat. I would request you to please come back in the queue for further questions.
- J. Samba Murthy:** Yes. See, we have taken up the prices in the month of July, August and September also. So like that, earlier, our CEO mentioned that some price hike also there took it up in the month of September, generally, which will also come in the month of Q3 also. So that is why we have taken all the months July in certain corporates to the market, August also, September also. I think I answered your question.
- Moderator:** The next question comes from the line of Resha Mehta with GreenEdge Wealth.
- Resha Mehta:** Congrats for a good volume growth. I have just one question. So there's an interesting slide in the presentation, which talks about the inflation in cow milk versus buffalo milk since April. So if I look at that slide, right, so the cow milk has been more inflationary versus the buffalo milk.
- So if you could just share your thoughts on this and how do you see this trending going ahead? And also if the slide only gives the trend from April onwards, but also if you could go back, let's say, 18 months and say that -- and talk about the trend of cow milk inflation versus buffalo milk inflation? And how do you all kind of think about it?
- Srideep Kesavan:** I'll just give a quick situation analysis of what's happening. See, number one, there is a widening supply-demand gap, right? So demand is going strong. The supply is not. Unfortunately, for the last 18 months, we are suffering for one reason or the other. As an earlier, it was some climate issue, then there was some other issue. Something or the other is happening and the supply is not really growing, right? And in the supply, actually, what is really affected is the buffalo milk supply.
- So technically speaking, ideally, the buffalo milk prices should go up, right, because buffalo milk supply is what is constrained and cow milk supply is reasonably growing. But we are also seeing a phenomenon of both farmers and producers as well as companies, brands switching more and more towards cow milk because cow milk on a solids basis is cheaper than buffalo milk. Protein is also lower, but the solids base is also it's slightly cheaper.

So people are switching to a cheaper cow milk alternative, both production side as well as buying side. Because of which, even though production volumes of cow milk is going up, cow milk is becoming dearer. Now cow milk actually, the total solids level price is almost getting closer to buffalo milk.

Now that's the kind of phenomenon we are seeing. This is one at a very macro level. Secondly, just earlier, I addressed that like Aavin, for example, took their prices from INR38 to INR41 to INR43, INR44 or something, some INR6 price increase. Aavin and all, Tamil Nadu, Southern Andhra, these are all Nandini. These are all cow milk belt actually. This is not the buffalo milk belt because buffalo milk is usually coastal Andhra or Telangana and all of that. So the significant inflationary trend we have seen also is in the hardcore cow milk. So it's a combination of these 2 factors that has actually driven both availability of milk upwards, but prices also upwards.

Moderator: The next question comes from the line of Madhur Rathi with Counter Cyclical Investments.

Madhur Rathi: Sir, I just wanted to understand how does the pricing pass-through happen for our -- the feed segment, considering that this is an El Niño year and the raw material prices have increased. So are we able to pass it on? Or we will expect to take the hit during this year as seen in H1 margins?

Brij Mohan: We have a strong quarter 2. Of course, we had a difficult quarter 1 due to the very, very high cost of the ingredients. But especially during the month of August and September, we had taken a very good price hike in all the verticals, including our integration as well as outside general trade market.

And we have seen that in our PBT as well as in EBITDA, we have grown significantly during quarter 2. So similar thought process is there that this will be passed on to the customers, the farmers when we are seeing the inflation in the ingredients during the quarter 3 and of course, in quarter 4 as well.

And we are looking towards that to strengthen our PBT during the rest of the year in H2. And we will be on top of the growth what we have taken in PBT during the month of August and September.

Moderator: The next question comes from the line of Rochwin Correia with KRIIS PMS.

- Rochwin Correia:** Sir, if you could provide me the contribution of curd, paneer and ice cream for the value-added products. So I wanted to know the contribution for the value-added products.
- Srideep Kesavan:** Yes. So see, at a very high level, I can say, this is at a very high level, right? Curd is roughly around INR320 crores kind of revenue. Paneer on an annualized basis will be about INR200 crores plus, It's growing on a quarterly basis, if it gives you a kind of sense. And ghee also, I think we are currently trending at around INR350 crores annualized basis.
- Moderator:** Our next question comes from the line of Dhwanil Desai with Turtle Capital.
- Dhwanil Desai:** So my question, sir, is that you indicated that the full impact of price hike is kind of will continue to play out in Q3 and onwards. So we are already at 5.6% margin. So if the price of milk remains stable, which we are expecting in the same range, do we expect margin improvement? And even with the higher milk prices, can we go to 7-odd percent over, let's say, next 2, 3, 4 quarters?
- Srideep Kesavan:** Yes. See, so we have moved from 4.6% to 5.6%. Our effort is to keep on growing, right? So our ability to absorb the costs are better. You must have seen in the P&L statement that the cost heads as a percentage of revenue has come down, whether it is like employee expenses as a percentage of revenue has come down by about 1%. Operating expenses has come down by about 0.6%. These are all aspects and freight also has come down by about 0.1%. So the only expense which is going up is the raw material as a percentage of revenue. So we are able to offset a lot of this raw material cost increase through better realizations from our product portfolio.
- And this journey is continuing. And as volumes continue to grow, then our operating leverage continues to improve as well, right? And that's what we are hoping. And we are hoping that even if, let's say, raw milk inflation continues at the current trend also, we will be relatively better off in terms of EBITDA because of the price increases we have taken. And if raw material comes down, then we will widen and the margins will go back to our steady-state levels.
- Moderator:** Our next question comes from the line of Sidharth Negandhi with CWC.
- Sidharth Negandhi:** Two questions. One, on a long-term basis, right, you've shown a 6% CAGR on milk procurement. Now considering that's the bottleneck to sales volume growth, right, do you believe that, that's adequate for you to maintain a mid-teens revenue value growth, right? That's question number one.

Question number two is on that Slide 9, which shows the price and volume change, right, if one were to instead of crossing it at minus 10%, cross it at 11%, right, which is where the milk price inflation was, then most of the large categories, which is milk, curd, buttermilk, would fall to the left, which would be lower than the procurement price increase, right? And I understand that's a function of a staggering between the increase in procurement cost versus the increase in consumer price, right? But do you believe that next quarter, most of it should be to the right if one had to draw that up?

And consequently, accordingly, should milk prices remain at the same levels as Q2 sequentially, is there enough confidence to see improved margins in Q3? The next question was on ice creams. If we look at your total value growth would be roughly about 30-odd percent, right? Considering that comes off a low base, what's the longer-term CAGR? And what's your assessment of your share in ice cream? And my last question is considering your endeavor to be a national brand, could you give us some understanding of salience in terms of South, West and other regions?

Srideep Kesavan: Yes. There were 4 questions actually you asked. I'll answer question 2, 3 and 4, and our Executive Director will answer the long-term vision of the company and how we are building it, right? Now I'll start with the last question. See, when we commissioned the ice cream factory, we said our vision is in the next 6 or 7 years, we want to get to INR500 crores of revenue.

Last year, we had clocked about INR110 crores. This year, our own ice creams is getting close to about INR200 crores, so INR170 crores, INR180 crores. So the traction will continue. You can do the math that in 5, 6 years to get to INR500 crores, and this is excluding Get-A-Way because that's a subsidiary company.

Sidharth Negandhi: So the last question actually was more on your regional salience, right? If you could give me an understanding

Srideep Kesavan: I answered that question. We are not expanding geographically as we speak. So we are going deeper is our strategy. That said, our brands are now spreading globally. We have entered 12 countries, mainly in Middle East and West Asia as well as Southeast Asia and Far East Asia. And we are doing reasonably well. Even though the revenues is just 0.5 percentage of our overall revenue, it is not a very big one.

But I see that growing over a period in time. But otherwise, we are actually going deeper, right? Your question on putting a line at 11 percentage and looking at

which products on the left side, which products on the right side, if milk procurement prices go up by 11%, you can't take up all products by 11% click and drag.

That doesn't work because I can't increase consumer milk prices by 11 percentage, right? You can imagine, it cannot go up by 11%, right? So that is the reason why we call the rest of the category value-added because of the value-added and the branding and all of that, we will have a better ability to take up prices in the remaining category.

So curd, for example, we have taken much higher price increases than milk, for example. I'm just giving an example. And even though the number here you are seeing is close to about 10% in curd, but actually in the premium versions of curd, whether it is Sampurna curd or all those variants, whether it is the top curd, which is the 1 kg, which is actually our fastest-growing segment of curd, there, we have taken prices upwards of 15% also.

So eventually, our overall weighted average, like we mentioned earlier, has gone up by about 8 percentage. And naturally, when you look at it, and that's the reason why you will see that milk, we will not be able to pass on as much price inflation as we will be able to do in value-added products, which is why our bottom line is suffering whenever there is a raw milk price increase. So the more and more value-added product contribution goes up, the better will be our ability to pass on to our consumers as much as raw milk inflation happens.

Brahmani Nara:

So I think when it comes to procurement, we are at a good stage to secure our procurement volumes. We have been in the past, and we are confident we will be in the future. We are extremely focused on empowering the farmer and a huge part of that is to double their incomes every few years.

So it's not just the transactional benefit that we offer to them of paying them accurately, paying them in time and always picking up the milk that they're supplying to us. But there's a lot more that we do. For instance, we supply subsidized cattle feed very conveniently to them so that the health of their animals improves, the productivity of their animals improves.

And I think the good part is that we've seen a significant increase in higher protein sort of concentrated feed and the outcome of which we're seeing in terms of the volumes that we procure from individual farmers. We also facilitate a lot of third-party lending to, like I said earlier, to meet with their working capital

requirements and also for them to increase their herd sizes, which is coming in very handy to these farmers, and it's all digitally managed.

So it's a very efficient process by which we do it. We actually focus on a lot of artificial insemination programs and awareness programs. So we have a huge team of about 400 procurement and veterinary personnel at the field level who work alongside with the farmers to focus on the animal health.

So in fact, I'm happy to say that our artificial insemination program is more successful than an average program. And we focus, encourage farmers to go with chromosome-sorted, sort of sex-sorted semen to be able to guarantee female calves. We also do a lot of social security programs with the farmers for themselves and for the animals as well.

So there is a lot of benefit that we offer to the farmer in the direction of doubling their income, which is also leading to Heritage as a company, securing our volumes with the farmer. We also are very digitally integrated, very transparent. So all payments happen online at the farmer level.

And we also have an integrated app called the VET+ app through which transactions real-time basis are recorded with the farmer, and they can also avail some of the services that I've mentioned through the app. So it's a very tight ecosystem through which we are able to deepen our relationship with farmers across the country.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question for today. I now hand the conference over to Dr. Rao for closing comments.

M. Sambasiva Rao: Thank you very much for your active participation and feedback. Looking forward to catch up in the next quarter. Thank you all. Wish you a happy festival season.

Moderator: Thank you, sir. On behalf of Heritage Foods Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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