November 11, 2026

Compliance Department, **BSE Limited** Phiroze Jeejeebhoy Tower, Dalal Street, Fort, Mumbai - 400 001	Compliance Department, **National Stock Exchange of India Ltd.** Exchange Plaza, Plot No. C/1, G-Block, Bandra Kurla Complex Bandra - (E), Mumbai - 400 051
Scrip Code: 539889	**NSE Symbol: PARAGMILK**

Dear Sir / Madam,

Sub: Transcript of Earnings Conference Call under Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

In continuation to our letter dated October 31, 2026 and November 2, 2026 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of the Earnings Conference Call held on Wednesday, November 4, 2026 for discussion on financial and operational performance of the Company for the quarter and half year ended September 30, 2026.

The aforementioned transcript is also available on Company's website i.e. www.paragmilkfoods.com.

You are requested to kindly take the same on records.

Thanking you.

For **Parag Milk Foods Limited**

Virendra Lalbahadur Varma

Digitally signed by Virendra Lalbahadur Varma
Date: 2026.11.11 21:32:38 +05'30'

Virendra Varma
Company Secretary &
Compliance Officer
FCS No: 10520

Encl: As above

“Parag Milk Foods Limited

Q2 FY27 Earnings Conference Call”

November 04, 2026

MANAGEMENT: **MS. AKSHALI SHAH – EXECUTIVE DIRECTOR**
MR. RAHUL KUMAR SRIVASTAVA – CHIEF OPERATING OFFICER
MR. RAKESH KOTHARI – CHIEF FINANCIAL OFFICER
MR. ANKIT JAIN – CHIEF STRATEGY OFFICER

Moderator: Ladies and gentlemen, good day, and welcome to Parag Milk Foods Limited Q2 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Brian D'Penha, Head of Investor Relations at Parag Milk Foods Limited. Thank you, and over to you.

Brian D'Penha: Good day, everyone, and welcome to the Q2 and H1 FY27 Earnings Call of Parag Milk Foods Limited. From the management, we have with us Ms. Akshali Shah, Executive Director; Mr. Rahul Kumar Srivastava, Chief Operating Officer; Mr. Rakesh Kothari, Chief Financial Officer; Mr. Ankit Jain, Chief Strategy Officer; and myself, Brian D'Penha, Head, Investor Relations.

Before we begin, please note that some statements on this call may be forward-looking and involve risks and uncertainties. Actual results may differ materially. The full disclaimer is in the earnings presentation shared with the stock exchanges. After the presentation concludes, we will commence with the Q&A session.

Just a couple of points to remember. While asking a question, we request you to announce your name and organization. We request that you limit your participation to one question at a time and rejoin the queue if you have additional questions.

I now hand over to Ms. Akshali Shah for opening remarks. Over to you, Akshali.

Akshali Shah: Thank you, Brian. A very good afternoon to all of you, and thank you for joining us today. I'm happy to connect with you once again with another strong quarter for Parag with highest ever revenue of INR1,241 crores. In the same quarter last year, we crossed INR1,000 crores for the first time ever.

And over the past 12 months, we have further added INR233 crores to that base, taking revenue growth to 23%. What is equally important is the quality of the growth. Volumes grew by 12% this quarter, which accounts to about half of the increase and the remainder came from pricing and product mix.

For the first half, the revenue grew by 18% to INR2,185 crores, supported by 8% volume growth. The quarter was, therefore, not as a one-off, but as the entire half of the year has moved to a higher level.

Let me take you through where the growth came from. Our Flagship Categories, that is ghee, cheese, paneer, curd remain the backbone of the business. They now make up to 63% of the revenue at INR778 crores and grew 20% in value with 7% growth in volume. Alongside that, our New Age business that is Pride of Cows and Avvatar has been scaling up rapidly. It grew 71% to INR154 crores, and it now contributes to 12% of our revenue, up from 9% a year ago.

Turning to the broader industry view. The Indian dairy sector continues to present attractive long-term opportunities, supported by a growing shift towards organized and branded dairy products. Consumers are increasingly prioritizing quality, safety, nutrition and product consistency.

Within this landscape, value-added dairy continues to emerge as an important growth driver, reflecting evolving consumption preference, increasing demand for differentiated products. For us, this evolving landscape presents an opportunity to build our strength, sharpen our focus on consumer needs and drive growth through differentiated product portfolios across our core and value-added categories.

Awareness of protein and its role in balanced diet has risen considerably. And consumers are increasingly seeking protein-rich products, lactose-free options and products with no added sugar, along with greater transparency on the origin of their food.

Growing concern about adulteration has sharpened this further. And the consumers are placing more trust in brands that they can rely on for purity and traceability. Parag is well placed to meet these needs. Our integrated business model that is from our own farm, our own procurement facilities gives us control over quality at every step and allows us to offer with assurance.

On the supply side, raw milk output is expected to grow by only 4% this year on account of weather condition and higher product cost. With demand growing faster than supply, the company's best placed to perform are those with sound procurement capabilities, differentiated product portfolios and the ability to price in a measured manner. This is where Parag is positioned, which then brings me to milk, the foundation of our business.

On an average, we procured 21 lakh litres of milk per day, which is about 5% more than a year ago. And our average price this quarter was about INR45 per litre, that is 18% higher than a year ago, when it was INR38 and about 7% higher than the sequential quarter.

It is insightful to look at the economics on per litre basis, wherein we see that as compared to last year, our milk cost has increased by about INR7 per litre, while the gross margin per litre has inched up from INR14 to INR17 per litre. This demonstrates our ability not only to navigate the cost push, but also improve the overall profitability with richer product mix.

The result is that our gross profit for the quarter grew by 24% to INR323 crores with our gross margins 26% versus 25.8% last year. The other expense grew mainly led by ASP spend and other variable expense. ASP spend was pulled up for brand-building initiatives, while overall ASP for the year is expected to be in range bound. During last year, there was a one-off item of reversal of forex MTM post the conversion of FCCB into equity.

Excluding the same, EBITDA for the quarter has reached INR101 crores with 37% growth year-on-year. EBITDA margin improved from 7.3% to 8.1% this quarter. PAT for the quarter grew to INR42 crores with a growth of 42% year-on-year despite the current tax impact in the current year.

Similarly, EBITDA for the half year has reached to INR170 crores with 23% growth year-on-year. EBITDA margin improved from 7.5% to current year 7.8%. PAT for the half year grew to INR64 crores with a growth of 12% year-on-year despite the current tax impact in the current year.

Talking about the operating cash profit, has increased from INR130 crores to INR161 crores during the half year before considering the changes in working capital. After considering the working capital usage, the net cash flow used in operating activities was tuned to INR84 crores.

Our net debt has grown from INR484 crores in March 2026 to INR678 crores. This was mainly driven by inflation, buildup in inventory. On a comparative basis of last September to current September, the inventory variance is largely because of inflation, but our inventory days remain stable.

The debt was mainly funded from working capital in form of ECLGS 5.0 scheme as approved by the union cabinet to support business liquidity and new working capital lender getting added to our consortium. We remain comfortable in optimal leveraging the balance sheet to support business growth and navigate the interest rate environment.

Our ability to absorb these costs rest on a strong value-added mix. We are investing to expand it further. To end this, our Board has approved a combined outlay of INR205 crores across paneer and cheese, 2 categories where demand for branded products is growing steadily.

In Paneer, we are increasing our capacity fourfold from 20 metric tons per day to 80 metric tons with an investment of about INR100 crores across both the plants, that is Manchar and Palamaner. This will cover both regular and high-protein paneer and is expected to be commissioned by June 2027. Paneer is one of our most in-demand categories and the expansion is significant and will give us the ability to grow the market.

In Cheese, we are doubling our capacity from 60 metric tons per day to 120 metric tons per day, backed by an investment of INR105 crores with a completion target of second quarter in FY28. The whey protein production accordingly will also double as we double our cheese production.

The availability of the raw material will also double. This will provide Go Cheese the headroom to sustain its growth, particularly in HoReCa business, which grew in double digits this quarter. Both expansions are being undertaken at the existing sites, allowing us to bring additional capacity on stream in orderly manner. These investments are aligned with the demand that we are seeing building over several years to come.

In another important step towards strengthening our integrated business model, our Board has approved the amalgamation of Bhagyalaxmi Dairy Farms, our wholly owned subsidiary with the company, subject to requisite approvals. We expect this to unlock operational synergies and enable us to be more utilization of capital and resources. Following the amalgamation, Pride of Cows will also benefit from the company's existing distribution network and effective go-to-market.

Together, these initiatives will strengthen our value-added dairy portfolio and protein offerings, enabling us to convert more of our milk into value-added products. They will support the growth of our Flagship brands, that is Gowardhan and Go Cheese as well as our New Age brands, Pride of Cows and Avvatar, while providing the capacity to widen distribution and introduce new products.

Turning to the performance of our categories. Demand continues to remain healthy. We are increasingly seeing product availability and capacity determining the pace at which we can serve the market.

Paneer recorded its strongest quarter in volumes, supported by continued shift from unorganized to branded products. Cheese improved over the previous quarter, led by our HoReCa business, which grew in double digits. Ghee also delivered a double-digit volume growth during the quarter with Gowardhan continuing to lead the branded cow segment with a market share of 22% and Go Cheese holds around 35% market share.

Our New Age business comprising of Pride of Cows and Avvatar continues to be an important growth driver. These are premium consumer-led brands, each built on distinguished position that is single origin purity of Pride of Cows and performance-led nutrition for Avvatar. The business grew 71% year-on-year and the contribution to our revenue has tripled over the last 3 years.

During the quarter, Pride of Cows unveiled its new identity inspired by the egret bird found on our own farm. This marks the brand's evolution into lifestyle offering with fresher appeal for younger health-conscious consumers. What remains unchanged, it is this foundation of one farm, one herd and single origin milk and consistent taste and its quality.

Avvatar, India's first and only 100% vegetarian whey protein brand has scaled up 27x in the first half from FY22. More than 75% of its revenues coming from quick commerce, e-commerce and its own website. Both brands reflect our broader strategy of building protein-rich health and nutrition portfolio with its own base as dairy.

This growth is being supported by a steady pipeline of product innovation. In Pride of Cows, we introduced lactose-free milk, addressing the growing demand of digestive wellness. In Avvatar, we have expanded into snacking category with popped chips in 2 flavours that is Magic Masala and Pudina offering 10 grams of protein in 30 grams packet, which is an excellent micro.

It is also introduced new Performance & Alpha Whey flavours. We've also introduced one more variant in whey protein with natural sweeteners and one more flavour in our cold coffee, which is Hazelnut, which offers around 15 grams of protein with no added sugar. These launches extend our presence across and more consumption occasion and allowing us to widen our consumer set, while remaining focused on our core positioning of health and nutrition.

We have also enhanced our closures this quarter to provide greater visibility into our regional mix and milk economics. Our 4 regions recorded high double-digit growth during the quarter

with South and West emerging as the fastest-growing markets. This reflects the wider reach of our brands and the opportunities we see across geographies.

Our brand investments during the quarter were designed around consumer engagement, market visibility and channel development. For mass reach and recall, Gowardhan was visible on Kaun Banega Crorepati Season 18 through the festive and regional programming during Ganesh Chaturti.

In trade, we focused on strengthening our relationship with our partners. We initiated the Go Cheese Golden Stretch Award inspired by the stretch of our Mozzarella Cheese, which we partnered with our HoReCa partners. Menu guidance to a lot of HoReCa partners and did some chef engagement, sampling activities across modern trade outlets. We also undertook a visibility campaign across our categories on quick commerce.

Pride of Cows is taking a new identity through our influencers and brand ambassadors with a larger festive campaign to follow. For our younger consumers, Avvatar partnered with India's Got Latent Season 2, which generated 336 million views on YouTube and more on Netflix.

The brand also did a massive campaign activity along with IndiGo Airlines. And we have done a lot of engagement campaigns through our influencer program. Our focus remains on translating this visibility and consumer engagement into sustained trials and more importantly, repeat purchases.

As we look ahead, we remain encouraged by the demand environment. The festive season together will widen and deepen our distribution should support our value-added categories in the second half of the year. The planned capacity addition in paneer, cheese and whey protein, you will see in FY27 and FY28. This will give us a strong support for our growth from midterm to long term.

Our strategy remains very clear, strengthen our Flagship categories, scale our New Age business and continue investing in innovative products, capacity and distribution expansion while maintaining financial discipline. Each of these priorities move us closer to our ambition of evolving into a healthy nutrition company. Building on our strong dairy foundation, we will continue to pursue this transition in a measured and a sustainable manner.

Thank you so much for your continued trust in Parag Milk Foods. We will now be happy to take questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take our first question from the line of Rahul Jain from Credence Wealth.

Rahul Jain: Am I audible?

Management: Yes.

Moderator: Can you speak a bit louder, please?

Rahul Jain: Congratulations on great set of numbers, entire team at Parag. And also thanks a lot for improving the presentation, specifically adding 2 slides with regards to sales per region and also the milk procurement unit economics.

And with regards to my question, ma'am, first of all, with regards to the core category growth where in quarter 1, we were around 2% negative in terms of volumes, which have bounced back to almost 7%. So how much of this is led by, say, the B2C festive stocking or even the institutional buying before the festival? And what is the sustainability of volume growth in the Flagship categories of ghee, cheese, paneer and curd? And this is my first question.

And the second question is with regard to the other expenses, which have grown to almost INR177 crores. You did allude to probably the higher marketing and brand building cost. So how much of these expenses included in INR177 crores for the current quarter which is kind of one-off or which will not recur on a quarter-on-quarter basis, just to understand on that.

Ankit Jain: Rahul, thank you for the question. Thank you for your feedback. Am I audible Rahul?

Rahul Jain: Yes, yes. Sure, sure.

Ankit Jain: Okay. So, with regards to your question on the volume growth on Flagship Categories, I think the quarter has done a reasonable number with respect to a 7% volume growth for the current quarter. In Q1, which is just the previous quarter, we discussed that there was a B2B element which we consciously chose not to take up.

And accordingly, the B2C segment has grown in double digits during last year's quarter as well. So similarly, in current quarter as well, the B2C has grown in double digits. But overall, the quarter has grown with a 7% volume growth for Flagship Categories.

The second question with respect to other expense. See, as Akshali mentioned in her speech, the brand investments are certain activities where we pull up and pull down based on the requirement. But overall, if you look at for the last couple of years, we have been able to manage it well and keep it in a range-bound manner within a certain yearly budgets.

So this quarter, we have definitely pulled up, and that's why you see a higher OE other expense largely on account of ASP. And plus the other expenditure also includes variable expenditure like power and fuel, supply chain, etc., which are purely variable in nature, which grows as the volume grows.

Rahul Jain: Just to clarify just to clarify, how much of this INR177 crores is not kind of recurring? And within that core category growth, how are the volumes going on in the current quarter and coming quarter?

Ankit Jain: So we can fairly assume, I'm just giving a broad guiding number. We can fairly assume that INR20 crores out of this is exceptional for the quarter for building brand, building initiatives, which may not be recurring. For the year as a whole, we will remain committed to the overall A&P budgets, which we have set.

Moderator: Next question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: Congratulations for an excellent set of results. So my first question is this quarter, we crossed the New Age business at INR150-odd crores, and we were thinking around INR550 crores, INR600-odd crores for New Age for this year. So how you guys are looking at New Age business for, let's say, FY27 second half and FY28? On the base of that, can we continue to grow at 40%, 50% in FY28? And if so, what are the drivers for that?

Ankit Jain: If you look at New Age business has continued a strong momentum growing quarter-on-quarter, we were at INR100 crores. Last quarter, we did INR118 crores. And this quarter, we have exceeded INR150 crores mark. So on an ARR basis, we are at more than INR600 crores now. We are well poised to grow New Age business because there are a lot of new products which has been launched during the quarter, and there will be many more products which we will be launching as we unfold the future.

Now besides this, we have given the overall guidance that by the time we reach over INR10,000 crores target or aspiration number, we will be having a New Age business contribution of around 25%. So we are well set to achieve those numbers, and this is reflecting pretty well where the New Age contribution. It is almost 12.5% now for this quarter. So it has improved from 10% to 12.5% within this financial year. Quarter 2 and Quarter 3 are very heavy on Flagship Categories because of the festive. But despite that, I think in absolute numbers, if you look at, they have grown from INR118 crores to INR154 crores sequentially. So the growth trajectory continues, and we believe that we will be able to achieve what we have committed.

Dhwanil Desai: Got it. And second question on margin. So I think we have done exceedingly well on the margin side despite this kind of inflation. So you also called out INR20 crores exceptional and I assume it is for Q2 or H1, if you can clarify that. And if it is for Q2, then we are already at 10% kind of EBITDA mark, is that understanding correct?

And so how should we look at the margin going forward? Are we already in double-digit trajectory and kind of will improve from here or you think that there is some product mix which has come into play this quarter, which has led to better margins?

Ankit Jain: See, overall, if you look at the margins have improved largely on account of, first, passing on the cost push very clearly and improving the gross margin profile on a per litre basis as well. So which flows down, of course, to bottom line, which is towards the EBITDA. Now coming to your question specifically, see, A&P is the expenditure which we continue to either push or pull based on the need for the brand and the support required for the business.

If you look at exceptional, I'm not clear about your question on the exceptional item, but I wanted to clarify that exceptional item in the base year quarter in EBITDA included a onetime reversal of FX MTM, which was reversed in Quarter 2 last year because the FCCBs on which we have done the mark-to-market got converted into equity and that MTM was no longer required, which sits in other income and hence flows to EBITDA as part of EBITDA, including other income.

What we have presented specifically is excluding this last year one-off item of INR16-odd crores, how is the growth across various parameters, whether in EBITDA, PBT or PAT. So with that perspective, I think if you look at the EBITDA, excluding the last year one-off, it has grown by 37% during the quarter on a consolidated basis, which is far higher than the top line growth, which includes volume as well as inflation. So this improves that overall, as the scale improves, I think the margin improves as we go forward.

Dhwanil Desai: Yes. My question was more related to the INR20 crores number that you talked about in an earlier participant's response on the other expense side, right? So I was referring to that number and not last year's exceptional income.

Ankit Jain: Sure. So to clarify on that, that INR20 crores number is nothing but increased A&P expenditure largely, which has come into this quarter over last year. So which if you look at for the past 3, 4 years, our A&P has been confining towards INR130 crores to INR150-odd crores for the year as a whole as a brand investment.

We are looking at continuing the same similar trajectory, barring some inflation, but we'll be in range bound according to what we have been doing in the past couple of years. This quarter, we had high A&P versus the previous quarter, which is what I told to the previous participant, I think Rahul for INR20 crores as the additional spend during the current quarter.

Moderator: Next question is from the line of Viraj Mehta from Enigma.

Viraj Mehta: Akshali and team, brilliant performance. I just had one question on the core category. In spite of such price increases that you have taken in core category, volume growth, which was kind of lacklustre in core category for the last couple of quarters kind of seems to have rebounded in spite of Navratri being delayed from Q2 to Q3.

So then is it fair to assume that consumer has taken in that price increase, whatever was there and now that even Amul and other brands have increased their prices significantly, we should continue to see high single-digit to low double-digit volume growth going forward from now onwards for foreseeable future, next 4 to 6 quarters?

Akshali Shah: So of course, we had actually taken 2 price increases during the quarter, and we don't see any price increase happening anytime soon in our core categories. But moving forward, in the coming quarters, we'll see a high single-digit volume growth in our core categories, especially in paneer and ghee.

Viraj Mehta: Right. And my last question is regarding the new capacity...

Moderator: Viraj, I request you to join back the queue, please, as we have participants waiting in the queue.

Akshali Shah: It's okay. Continue, Viraj.

Viraj Mehta: Sure. Just one last thing on capacity. You talked about paneer capacity coming on stream and cheese capacity coming on stream. A, if you can talk about by when will the paneer capacity

come on stream? And let's say, if it comes on stream by March is what our understanding is, what do you think the utilization could be of paneer capacity next year?

Rahul Srivastava: See we are adding Paneer capacity almost 4x from 20 tonnes to 80 metric tons. And the way the market is going and the way we have our distribution in place, I would say that immediately after getting the capacities done, I think we'll be able to use about 80% immediately. That's what we have anticipated. And after that, we'll work on another capacity expansion.

Viraj Mehta: Sure. So sir, that would mean paneer itself would add INR500 crores to your top line in core category next year? If it comes in March. If it gets delayed a little lesser, but INR500 crores, INR600 crores incremental will come from paneer?

Rahul Srivastava: Yes. Paneer, we are saying about June '27.

Moderator: Next question is from the line of Prit Nagersheth from Wealth Finvisor.

Prit Nagersheth: Yes, sorry. So I joined the call a little bit late. So if you don't mind, could you please give me a sense of what are you expecting the milk price to be for this coming quarter, the procurement price, which was, I think, INR45 listed in the presentation. What would that become or what is expected to be in quarter 3, sir?

Rahul Srivastava: So even right now, it is INR46.50 per litre, what we have informed. And normally, traditionally, when the flush season comes during winter, the prices are softening. But this year, because of the very deficient rains and drought situation, there may not be a softening of the prices in quarter 3. That's what we are anticipating. So whatever price we have today, it will be continuing for quarter 3 and will be more clear maybe towards December.

Prit Nagersheth: **Got it.** Okay. So you mentioned that there is not going to be any further price increases for this quarter given the price hikes already undertaken. Is my understanding correct?

Rahul Srivastava: See, normally, there is some softening of the prices after October when the Diwali is over and the winter takes place and then the natural regions of milk production goes up and there is some softening of the prices across India during which is what we call it flush season.

But this year, because of the less water availability and all this thing and there is some inflation maybe in the cutting feed prices and the availability of the green fodder, there may not be softening of the prices. So obviously, I don't see any increase, but there is no softening.

Moderator: Next question is from the line of Rupal Ratnavat from Arthos Finserv.

Rupal Ratnawat: Congratulations team for an excellent quarter. Just wanted to know about gross margins. Maybe Q3 would be a full quarter of where we'd be seeing a price hike impact of whey and the new categories. So can we expect a further increase, maybe a notch upwards for coming quarters?

Ankit Jain: If your question is specifically on gross margins, we pretty much cover mainly largely due to inflation and portfolio mix. If you look at last couple of quarters, our margins have been fairly

stable, barring a few bps here and there. And we continue to have a stable gross margins at least for the coming quarter.

Rupal Ratnawat: But more or less, my question was regarding –New Age business because our New Age businesses are increasing faster, they are getting a bigger share in the revenues and probably they are on higher side of the margins. So can we see an impact going forward is my question?

Ankit Jain: Okay. See, your question was specifically for quarter 3, but quarter 2 and quarter 3 are very heavy for Flagship Categories, and that's where I gave you overall guidance on the blended margin for the company as a whole. But in the medium term, certainly, as the New Age product portfolio mix improves from here on also, they are going to add to the bottom line and they are going to add to the improved gross margin profile of the company.

Rupal Ratnawat: I understand.

Ankit Jain: Certainly, there is no doubt on that. But inflation also, there is a parallel 2 things which are running. One is the improved share in the New Age business and the second is the inflation, which is kind of what we see as the blended portfolio.

Even the milk prices, as Rahul ji, he in the previous question just mentioned, that while quarter 2 average was INR45 a litre, today, current prices are also at INR46.5 a litre and which we do not foresee bring it down. So the inflationary pressure continues, but we have been able to navigate it so far, and we are very confident that we will be able to navigate these kind of costs.

Rupal Ratnawat: Understood. And if I may ask, are we still disclosing our margin profile category-wise?

Ankit Jain: I think we have explained it in the past as well. We have to look at margin as an overall blended portfolio because see, finally, ultimately, all the products get derived from milk. So we have to look at the margin for cheese and whey together. And same way for ghee and the SMP of the milk protein concentrate in tandem.

So overall, it is a refinery approach where the cost is milk and from milk, we derive multiple products. So it is layering in different form. Hence, the blended portfolio will give you a better aspect rather than giving segregation basis the allocation of the cost between a cheese and whey example.

Moderator: We'll take our next question from the line of Sudhir Bheda from Bheda Family Office.

Sudhir Bheda: Heartly congratulations to you and all of your team for posting outstanding numbers. I have 2 questions. Like one is about the high working capital. If we -- am I audible, first of all?

Akshali Shah: Yes, we can hear you.

Moderator: Go ahead.

Sudhir Bheda: Yes. So working capital is very high, particularly on the inventory side as compared to the peers. If we compare with the peers, the level is high. So your take on that first. And second, we have grown like 18% in H1. So the similar kind of growth we envisage or growth would be higher backed by festive seasons are coming. And the outlook for next year, growth outlook and margin?

Rakesh Kothari: Thanks for your question. So regarding the inventory, if you see it in the number of days, it is almost consistent if you compare with the previous quarters also. And it is also a conscious call to increase a little bit of inventory because of the festive season and the inflationary pressure. So this is more of a strategic call to increase inventory. But this is again momentary. And as the quarter progresses, this will stabilize.

Sudhir Bheda: But sir, compared with the other peers, it's even the number of days are higher. So can you throw some light on that? Inventory I'm talking about. Even if we compare with the peers, the inventory level and the number of days are still high?

Rakesh Kothari: Yes. This again depends a lot on the product mix. So cheese, for example, takes a lot of time to come to market. So it has a 90-day period in terms of storage at the plant itself. So product mix makes a lot of difference.

So you cannot compare apple-to-apple with our peers because things can change as per the product mix.

Sudhir Bheda: And growth outlook for the H2 and next year and margin?

Ankit Jain: Yes. See, while we do not quote a particular number with respect to what is the year going to be turning at and what is the next year. But immediately, as you see and as you have seen in H1, I think the growth trajectory continues. We have the strong brands, which has the capability to grow very fast and New Age business is growing super-fast, even growing faster than Flagship Categories.

So the momentum continues. We are very confident that the momentum is going to increase only rather than slow down on the momentum per se despite inflationary pressures. Since your question includes margin, so that's why I'm saying we are heading with inflationary pressure together with the growth momentum.

So we have to look at a balanced approach. Overall, for the year, I think the quarter performance is going to give you a good guidance for how the year is going to get unfolded. And similarly, for next year, see, we say that we have to progress towards our INR10,000 crores mission.

So it is a progressive number where we will be progressing it very fast and scale up with New Age business and new product portfolio besides growing through the strength of our distribution and deepening and widening our distribution, as Akshali shared in her commentary in the opening remarks. I would like not to give a particular number for the year, what should we target at.

Moderator: We'll take our next question from the line of Parth Bhavsar from Investec India.

Parth Bhavsar: Congratulations on a good set of numbers. Sir, I had a question on milk procurement prices into Q3 and Q4. So there are cooperatives in Tamil Nadu and Karnataka who have indicated price hikes of around INR8 per litre of which INR7 would be passed on to farmers. So how does this put us into a position like how do we see procurement cost increasing into Q3 and Q4?

Rahul Srivastava: So as I told you that in the Q3, there will not be any softening of the prices. But answer to your question on the South, where recently KMF has increased the price for selling as well as the procurement price also for the farmers. Not in Tamil Nadu. So we have to still see whether Tamil Nadu has some reaction on that and Andhra Pradesh.

So as on date, only KMF has increased the price, this Karnataka government. And they basically do it after 3, 4, 5 years. So basically, it's their style of working to increase the selling price as well as procurement price at once after 3, 4, 5 years based on their government decision.

So we have yet to see that whether we have to respond to that price in the field or not. But as of date, there may be possibility that there will be some increase in the price in the South itself, which is not very big for us. As far as rest of the South is concerned, I don't see any much increase in the price like Maharashtra or nearby areas. Karnataka, just 2 days back they have increased.

Parth Bhavsar: Sir, one question related to this. What would be a our milk procurement from the South as a percentage?

Rahul Srivastava: Is if we take the total and then... it is 20% to 25% of South.

Moderator: We'll take our next question from the line of Naitik Mutha from NV Alpha Fund.

Naitik Mutha: Congratulations on a very good set of numbers. Sir, my question is when I look at our cash flow statement for the first half, you generated negative cash flow and bulk of it is coming from inventory, which you earlier alluded to is because of the festive that we have built up.

So 2 questions regarding this is, one, do we expect to be cash flow positive by the year end as this inventory settles down? Two, there was some other liability item this is attributing to negative INR90 crores in the cash flow from operations. So just wanted to understand what that line will be exactly.

Ankit Jain: See, the cash flow, if you look at the operating cash profit has increased from INR130 crores last year to INR171 crores this half between the 2 halves I'm comparing. The working capital has increased largely due to inflationary reasons. And the inflation has been very high.

And if you look at Y-o-Y variance even the September position last year versus September position current year, the inventory in quantitative terms would be very, very thin on a same basis marginally. So it is primarily the inflation is one of the reason.

Having said that, we believe that by year-end, we should be able to take up this because the inventory position is more of a seasonal buildup and it comes down as the season passes. So hence, for the year as a whole, despite inflationary environment, I believe we should be in positive zone.

Naitik Mutha: Right. Got it. And sir, my second question is, will we see a similar reduction in our debt also by year-end? I mean the INR200 crores debt that we have additionally taken because of inventory should that also go up? Should we expect that to go by the year end?

Ankit Jain: See, the debt position, while it has been consumed currently largely in the working capital. But I do not foresee the debt position going down substantially because we are any which is heading towards our investment. We have already announced the exceptional investment of INR200 crores, more than INR200 crores besides there are certain other regular capital investments.

So considering the capital investment, because capital investment doesn't happen in just 1 month or overnight. It takes time to build up. So by the time we unfold the year and we close the year, the capital investments will take up the debt profile. So I don't think debt levels should materially come down.

Naitik Mutha: But they won't increase materially either. Is that fair assumption?

Ankit Jain: Unless there is a fast tracking on the capital expenditure, I don't think because so far, if you look at for the past 3 years, we have been funding all the capital expenditure from our internal accruals, and that's where we have not seen a significant increase in the net debt.

This year, the net debt has increased again because of the inflation in the inventory cycle, and we are on a growth path, and we need to invest ahead of demand, considering the demand already there we are investing. So it will be in similar range and may marginally increase as well.

Moderator: We'll take our next question from the line of Debashish Neogi from Abaan Dubai.

Debashish Neogi: Am I audible?

Moderator: The audio was not clear. Can you use your handset mode, please?

Debashish Neogi: Am I audible now?

Moderator: Your voice is sounding muffled. Start asking the question, I'll let you know if it is not clear?

Debashish Neogi: Am I audible now?

Moderator: A little better.

Ankit Jain: Yes.

Debashish Neogi: First of all, congratulations for a brilliant set of numbers…

Akshali Shah: Your voice is coming very muffled. Can you...

Moderator: Yes, it is still sounding muffled, Debashish. Can you use the handset mode, please?

Debashish Neogi: Yes. Is it better now? Hello?

Moderator: Management team, are you able to hear?

Ankit Jain: Yes, it is still breaking.

Debashish Neogi: Yes. Is it better now?

Rakesh Kothari: Yes. Go ahead, we'll try and answer. If we can hear you.

Debashish Neogi: First of all, congratulations for a brilliant set of numbers and the disclosures are top class. And what Akshali said in the beginning, that speech was very detailed. My question to Akshali is, in terms of what went well if you have to pick up one thing for this quarter, what it would be? Is it you are seeing a great amount of conversion happening from unorganized paneer to organized paneer because of the crack down or is it something else?

Akshali Shah: I believe you asked what went right, right, this quarter?

Debashish Neogi: Correct. Correct.

Akshali Shah: Okay. It was little muffled. So just to give you probably a couple of things, but just to reiterate, one is the entire awareness on adulteration, traceability of the product, the source of the product, which actually created demand for branded quality and consistent products. So the demand was good. The environment for demand was really good.

Plant, I think especially in paneer, we were competing with analogue paneer or probably analogue substitute of paneer, which now there's a lot of clarity there. And we are more competing with cheaper substitutes. So that created demand environment for the dairy products.

Plus our New Age products actually have done exceptionally well, which gives us great gross margins and it has helped us in pushing the gross margins. So both Avvatar and Pride of Cows have done exceptionally well with 71% growth there in both value also we have grown and volume also we have grown there.

Plus just to give you, our ability to price and navigate the cost push has further helped because of the brand building activities that we've been doing. We have now powerful 4 brands and we're investing in all of them and all of them are doing exceptionally well. So I think these are the things which actually works really well for this quarter and in the coming quarters to come.

Debashish Neogi: Ankit, what is the area of organized and unorganized splits of paneer and what is the scope of conversion rate in terms of category?

Akshali Shah: I'll ask Rahul-ji to answer this.

Rahul Srivastava: Yes, it's very interesting data what we have. Paneer the total consumption in India is about 4 million kilo per day. And out of that, the majority of the paneer is consumed in the HoReCa segment and all the out-of-home consumption. In that segment, 70% to 80% is analogue paneer or what we call unorganized sector, which is now slowly, slowly states are now converting into their laws to not to use analogue paneer and use real paneer.

So it will take some time because it needs a lot of capacities and availability of the milk and the pricing power and all. But this is a huge conversion. We're talking about 70% of the total paneer is under unorganized sector. So even if it is converting by 10%, 20% per year, it will be very huge potential for the branded companies to sell paneer.

Debashish Neogi: Rahul, that is the reason strategically we are expanding partially, right?

Akshali Shah: Your voice is muffled again.

Rahul Srivastava: Yes, that's the reason we are strategically expanding.

Akshali Shah: Yes, as he said it is one of the biggest reason to do that, yes.

Moderator: Next question is from the line of Sidharth Negandhi from CWC.

Sidharth Negandhi: Congrats on a brilliant set of numbers. If I look at your milk procurement price hike, that's 18%, your effective price hike, which is the difference between value and volume is 11%. So what were the levers that helped slightly improve the gross margin? Is it the B2B, B2C mix? And if so, could you give us the B2B and B2C salience and growth in this quarter?

And the second is a clarification on the cheese plant like the previous participant had asked, will the cheese plant also come at one shot in FY28? If so, in which quarter? Or is it a phased increase in the capacity?

Ankit Jain: With respect to the gross margin improvement, if you look at milk prices, while it increased by INR7 per litre Y-o-Y, you see gross margin have improved from INR14 to INR17 on a per litre basis, which demonstrates that while the gross margins have improved despite there is a deflation. And on a per litre basis, the same has increased.

Your question was with respect to the inflation percentage on the 23% versus the 12% volume growth, so 11%. We have to look at the product portfolio mix together. If you look at the portfolio increase, the significant portion lies in the Flagship Categories, whereby you see the volume growth is 7%, but the value growth is 20%. So there is a 13% delta there.

But there is another segment which has grown exceptionally well this quarter is the ingredients business and largely on account of the products like milk protein concentrate and lactose. So the quality of the earnings have improved because now we are focusing on a value-added ingredient

business besides focusing on the other business, which is from a B2B perspective. That's what I'm saying.

Our overall mix for B2B and B2C has remained broadly stable with 70% as B2C and 30% B2B. But the earnings have improved in both B2B as well as B2C because B2B, we have reduced on the skimmed milk production, and we have improvised on producing through milk protein concentrate as well as higher capacity in lactose.

Sidharth Negandhi: Got it. And on the cheese capacity, could you clarify when next year will it come? Or is it a phased increase? And what sort of capacity utilization do you expect in FY28 and FY29 and so on?

Akshali Shah: So this will be a phased increase. So from 60, we'll go to first 80, 100 and 120. 120, we have given a guidance of Q2 FY28. I think that's the guidance that we've given. And it will be in a phased manner. So as we speak, I think we'll be at somewhere around by next month or 1.5 months, we'll be at 80 metric tons and then 100 and 120.

Sidharth Negandhi: Okay. And what sort of capacity utilization should one expect, say, when you are at 120 metric tons in the next year?

Ankit Jain: By the time we complete the capacity expansion, which will be in the second half of the next year, there will be a sort of cheese needs certain aging, etc. So overall, the full-fledged expansion will be visible in next to next year. However, as Akshali just mentioned that we are soon going to increase from 60 to 80. So the visibility on account of the same will start reflecting. So it is in a phased manner. And any capacity expansion, we can fairly assume 80% utilization as a fair assumption.

Moderator: We'll take our next question from the line of Riya Mehta from Aequitas Investments.

Riya Mehta: Sir, first question was in regards to cheese. I think you were mentioning to the earlier participant that cheese would be aged, etc. So just wanted to understand if I want to take from a ramping up perspective, how much would be FY28 and how much would be FY29?

Rahul Srivastava: As Akshali just told that we are going to expand the capacity in phases. So 60 becomes 80, then 80 to 100, 100 to 120. This will take, say, about 1.5 years to do that. And accordingly, we will be pushing our sales to use the capacity what we have increased.

Do you have any other question on this?

Riya Mehta: Yes. Just additional follow-up. While with our incremental in cheese capacity, what kind of margins are we anticipating these are high working capital products and going forward with our newer capacity will not be utilized on a full basis? So are we expecting any margin decline because of the newer capacity addition?

Ankit Jain: See while the capacity will definitely give turnover and they will be adding to the bottom line in terms of margin as a percentage, when we double the capacity for cheese, we will get double of the whey.

So we have to look at the margin profile together at a blended portfolio and not only cheese as one portfolio. So with that thing in mind, I think our blended gross margins today stands how it was between 26%, 27%, which will continue. There is no dilution on account of increased capacity expansion.

Riya Mehta: Got it. And in terms of incremental newer brands coming for whey, etc., I just wanted to understand, do we anticipate any incremental budget for advertisement and spend?

Ankit Jain: Yes, advertisement budgets have been created at a brand level, and we work with a tight budget. And that's where you see in the past 3 years, we have been able to maintain in a range-bound manner between INR130 crores to INR150 crores for the year as a whole and for the company as a whole. So we continue to remain strict to it, barring certain inflation, which we can see, which is all across.

But overall, the quality of spend will get improved. And you would see that there are a lot of tie-ups which we have had, including celebrity endorsements also, which have been multiplied. So again, ASP is something which will go on an every quarter basis because there are dynamic calls which are taken for the business for every month on an everyday basis.

Riya Mehta: Right. Coming to competition, I think Milky Mist also announced a very big chunk of capacity addition for paneer and cheese they're going from 100 to 350 and cheese also there almost reaching our capacity. Do you think there is enough market for such large capacity to be absorbed? Where do you see this incremental demand coming from or do you see any price war happening for some point.

Rahul Srivastava: I just explained in the previous question that there is 80% of the total paneer market is organized, and we sell about 4 million kilo cheese per day. So it's a huge scope for all the players those who want to enter into the good quality branded cheese market, paneer market in India.

So I don't see any price war and all this things. It's only the ability to sell the brand, which we have and the distribution is very important. I think we are having edge on these 2 parameters.

Moderator: Next question is from the line of Parikshit Gupta from Fair Value Capital.

Parikshit Gupta: Congratulations to the entire management for a wonderful quarter. My first question, while the expansion of the New Age portfolio is appreciated, are there any plans for new products in the Flagship brands? For example, say, regular everyday curd or even butter milk. I ask this because one of our peers in Telangana has been able to leverage the shift from making at home versus buying it from outside and the scale and unit economics both are super healthy.

Given our revenue split in the West as well as North being our largest markets, both markets also have a healthy demand on the curd and related products. So all in all, I just wanted to ask

for any plans in expansion in the non-New Age business portfolio in the Flagship Categories, please?

Rahul Srivastava: Very nice question. I think we always give a priority and focus to expand our existing Flagship Category also and a lot of innovation pipeline products are there, whether it's in cheese or even in paneer or in the product like curd and maybe yogurt. So there will be products coming in future.

And incidentally, we are selling all the products. Like we sell curd in mainly western part of the country, Maharashtra as well as the South also, but there will be more and more products, especially in evolving category like yogurt and third.

So this will be there. So what I need to say that there will be various products under the Flagship Category also. That is not only the New Age business. We have a lot of products in pipeline on that.

Parikshit Gupta: Understood. My second question, one of the other participants also mentioned competition from other brands. So this is specifically for the more premium products, which would cover the Pride of Cows and the Avvatar portfolio. Let's say, for example, the Greek yogurt or even the protein drink, how are we ensuring consistent shelf space with retailers?

I know it's been a recent addition to the portfolio. So I also wanted to understand how the acceptance and the performance has been. So if you could please shed some light on this?

Akshali Shah: So just to give you on Pride of Cows, I think the concept is completely different. The whole concept is from farm to home. And we don't see any competition per se in a category like this. They're very, very niche, and it's a very different concept as a whole because you're selling a single origin milk. And we trace even the food that the cow eats, then the soil health on where we grow the fodder for the cow. So it's completely different.

And it's a little more premium than what is available in the market because this actually goes to consumers who are extremely health conscious and are extremely conscious about what they're putting in their body, and they want to know this traceability and every source of water what is the food that they're consuming. So Pride of Cows is a completely different story.

But now coming to Avvatar, I think we already have the head start because the raw material, which is whey protein comes from cheese, and we are the only manufacturers of whey protein in India. Rest everything else is imported. So it's already given us a good head start, and it's a well-established brand.

We were just reading recent reports, on online platforms we already hold around 15% market share in the whey protein categories. So this has given us a good head start. The whole ecosystem of completely integrated business model has helped us in creating and creating a niche and creating our own space in the consumers' mind.

Parikshit Gupta: No, absolutely. This is...

Moderator: Parikshit, I request you to join back the queue, please...

Akshali Shah: No, let him finish.

Moderator: Please go ahead.

Parikshit Gupta: All right. So this is appreciated. What I also wanted to understand was, like, for example, if I'm going into the premium store and I'm looking at protein drinks. So there is Epigamia, there is Yogabar, which was recently acquired by ITC and there is absolutely the Avvatar protein drink. So how are we making sure that the retailers choose Avvatar products instead of adding more of Epigamia or Yogabar on their shelves?

Akshali Shah: Okay. Firstly, as I mentioned before, I'll just say that, firstly, the manufacturing facility and the complete ecosystem that we have is not really there in the competition with anybody. And the whey protein raw material is very crucial. You need big cheese capabilities to actually manufacture whey protein or invest in a whey protein plant, yes.

So the byproduct of cheese and whey protein, which gives us an added advantage in pricing as well. And hence, we're able to do a lot of marketing and trade activities where everybody else is probably paying some amount of import duty or are buying from external sources and then selling it.

Here, we manufacture our own raw material. I think this is one of the most added advantage. Plus a lot of the players are in plant protein, and we are the only ones which actually do whey protein. So that is also one of the moat for us to be in the market.

Moderator: Next question is from the line of Saurabh Beria from Sameeksha Capital.

Saurabh Beria: So my question was largely on the brand Avvatar and whey protein. So I see a lot of unorganized players being in this space, a lot of startups are there. So from counter point of view...

Moderator: I'm sorry you're sounding muffled. Saurabh, you're sounding muffled. Could you repeat the question, please? Saurabh, we are unable to hear you.

Ankit Jain: I think he is disconnected.

Moderator: No, I still can't see his connection. Saurabh, I request you to check your connection, please and join back the queue. Thank you.

Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Rakesh Kothari, CFO, for closing comments. Over to you.

Rakesh Kothari: Yes. Thank you. On behalf of Parag Milk Foods Limited, thank you all for joining us today. With the spirit of Diwali symbolizing light, growth and new beginnings, we thank you for being part of our journey. Wishing you and your families a very happy Diwali and a prosperous new year ahead. Have a wonderful evening.

Moderator: Thank you, members of the management team. On behalf of Parag Milk Foods Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.