



November 17, 2025

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 letters dated November 8, 2025 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 12, 2025 for discussion on financial and operational performance of the Company for Quarter and Half Year ended September 30, 2025.

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 Varma
Company Secretary &
Compliance Officer
FCS No: 10520

Encl: As above

Parag Milk Foods Ltd.

CIN: L15204PN1992PLC070209

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“Parag Milk Foods Limited
Q2 FY26 Earnings Conference Call”

November 12, 2025



MANAGEMENT: **MS. AKSHALI SHAH – EXECUTIVE DIRECTOR – PARAG MILK FOODS LIMITED**
MR. RAHUL KUMAR SRIVASTAVA – CHIEF OPERATING OFFICER – PARAG MILK FOODS LIMITED
MR. ANKIT JAIN – CHIEF STRATEGY OFFICER – PARAG MILK FOODS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY26 Earnings Conference Call of Parag Milk Foods Limited. 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, Investor Relations. Thank you, and over to you, sir.

Brian D'Penha:

Good day, good afternoon, everyone, and a warm welcome to the Quarter 2 FY 26 Earnings Call of Parag Milk Foods Limited. We are glad to have you all join this meeting. For the main meeting today, we have with us our Executive Director, Ms. Akshali Shah; Chief Operating Officer, Mr. Rahul Kumar Srivastav; our Chief Strategy Officer, Mr. Ankit Jain; and myself, Head of Investor Relations, Brian D'Penha. After the opening remarks conclude, we will commence with a Q&A session. While asking a question, request you to announce your name and organization.

For the purpose of completeness, I do want to read out our safe harbour statement. Certain statements in this meeting with regard to our future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements.

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

Akshali Shah:

Thank you, Brian. Good afternoon, everyone. It's wonderful to connect with you all again. I hope you and your families had a joyful festive season. As I speak to you today, I feel proud and energized by the remarkable progress we've made over the past 6 months. Q2 FY26 has truly been a milestone quarter.

For the first time in Parag's history, we've crossed INR1,000 crore quarterly revenue mark, reaching INR1,008 crores in revenue. That's a 16% year-on-year growth, backed by a solid 10% volume growth. Looking at the first half of this year, the story becomes even more encouraging. H1 FY26 revenue stood at INR1,859 crores, a 14% increase year-on-year. These numbers are not just financial metrics, they reflect our consistency, solid business fundamentals and most importantly, the trust consumers place in our brand every single day.

Our core categories, that is ghee, cheese and paneer continue to lead the way, growing by 14% in volume this quarter. Together, they now contribute to 59% of our total revenue, reaffirming the strength and the potential of our core category portfolio itself.

Our new age business, Pride of Cows and Avvatar together have grown by 79% year-on-year, and now contribute to 9% of our total turnover, up from 6% last year. Avvatar has continued its remarkable growth trajectory, expanding six-fold over the past three H1.

Building on this momentum, we have now entered the protein snacking segment with the launch of the Avvatar Protein Wafer Bar, an innovation that blends great taste and functional nutrition. This marks another step towards addressing protein deficiency through different formats of nutrition-rich products.

We continue to strategically expand Pride of Cows across key metros with Chandigarh being the latest addition to its growing footprint. The brand is also enhancing its availability across leading quick commerce platforms in multiple cities, bringing single-origin farm fresh milk closer to consumers who value high quality and authenticity.

Our brand-building initiative this quarter showcased the powerful impact marketing, digital storytelling, content marketing and consumer engagement across platforms. Gowardhan and Go Cheese continued their successful association with Kaun Banega Crorepati for the fourth consecutive year.

Gowardhan led the regional marketing conversations with powerful high-impact communication on powerful channels and popular channels like ABP Majha and TV9 Marathi. For Go Cheese, we also associated with a reality show called Super Dancer across television and OTT platforms.

Pride of Cows continued with the campaign on What's the Source? provoking the thought where does your milk really come from to address the origination and authenticity of the milk. This campaign was collaborated with fashion icons like Manish Malhotra and Falguni Shane Peacock. Avvatar Whey Protein energized the audience through its integration with Amazon Prime web series, Rise and Fall.

Moving on to the commodity cycle, which continued to face headwinds. The milk prices witnessed an inflation of around 16% year-on-year and were sequentially higher by around 2% during the quarter. The average milk price during the quarter inched up to INR 38 per litre. Despite this volatility, we have been successful in maintaining our EBITDA margins year-on-year.

During this quarter, the profitability on gross margin parameters improved year-on-year on account of better product mix and enhanced operational efficiencies. Sequentially, the gross margins were marginally down due to the gradual cost push.

Our absolute EBITDA grew by 16% year-on-year to INR 89 crores with margins at 8.9% versus 8.8% last year. The bottom line, that is PAT, grew by 56% year-on-year during the quarter. During the first half of the year, we generated INR 99 crores in operating cash flow, depicting a healthy cash flow momentum.

On the balance sheet front, we diligently optimized the capital structure. During this quarter, the FCCB issued to IFC in 2021 got converted into equity. You would also know during Q1, we had a fresh round of equity infusion as well.

As a result, our consolidated net debt reduced by INR125 crores from a consolidated net debt levels of INR 561 crores as on March 2025 to INR 436 crores as on September 2025. This deleveraging has strengthened our gearing ratios, bringing our net debt-to-EBITDA levels to 1.4x and net debt to equity to 0.4x.

Our continued efforts towards strengthening the capital structure has resulted in a strong financial position, supported by operating free cash flows and a well-managed working capital.

This quarter's performance reflects our team's dedication, whose efficiencies has driven strong growth and seamless execution. As a company, our focus remains very clear to evolve from a dairy FMCG business into a health and nutrition company.

Thank you for the patient listening. To sum up, Q2 FY26 has truly been a milestone quarter, one that not only marks a historic achievement with revenues crossing the INR1,000 crore mark, debt reduction of INR 125 crores and a PAT growth of 56%, but also a testimony to our belief on strong business fundamentals with deeper consumer connect and sustainable profitable growth.

Thank you. I would request now Brian to step in and open the forum for Q&A.

Brian D'Penha:

We will wait for a few minutes while the question queue assembles.

Moderator:

The first question is from the line of Sucrit D. Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit Patil:

Team, I have two forward-looking questions. First is looking beyond the near-term numbers, what is the bigger plan for Parag Milk as the dairy industry shifts towards premium nutrition and branded products?

How are you positioning Parag to build a lasting edge for something that goes beyond milk collection or cheese volumes and makes the company stronger and hard for your competitors to copy? Thank you. That's my first question. I'll ask the second question later.

Ankit Jain:

So, the first question with respect to the medium-term vision. See, we have already stated a vision of INR 10,000 crores a couple of months back where our Chairman stated the vision, and we are all working towards achieving that milestone. The short-term item like update on what is the outlook for the year, we do not per se give a specific number for the outlook for the year. However, we continue to stay to our vision of INR 10,000 crores.

In terms of copying entrants, etcetera, see, we are focusing a lot on the protein segment. If you look at our new age business it is now comprising about 9%. So entry barrier for a product like Pride of Cows, which is farm-to-home concept and with respect to having protein created in-house and instead of being only imported, these are some of the things which are definitely entry barriers. But additionally, we are looking at entering into building upon the protein segment. So that's why you see we have launched protein wafer bar in the snacking category.

Rahul Srivastava:

And one more point I would like to add with what Ankit has said that though we are basically focusing on new age product, which is primarily protein at various variant of protein category. But to give the best quality of protein products, we have to produce whey protein at our end, for which we have to produce more cheese so that we get the best quality of whey and then we can produce the whey protein.

So because of that, we have to continue growing in cheese category also, though this is also a growing category, and we are number two in that category. So we take the market share and

growth in that category so that we get the raw material for our protein products, which are very important for getting the good quality protein, which is our new age category, which is very focused in the coming future.

So we'll see a lot of protein products in coming quarters from Parag. But for that, we have to make more cheese so to get the raw material for protein, so that we have the best quality and best economical products for protein.

Sucrit Patil:

Understood. My second question is on margins and cost planning. When costs are going to rise or costs rise, like in milk collection, packaging or logistics, how do you make sure margins stay steady without slowing down growth? Is there any system that you will be putting into place that will help you keep the profit margin stable even when things sometimes get out of control? I would like to hear your view on this.

Ankit Jain:

As you see, in quarter 2, we had an inflation of 16% Y-o-Y, so a significant cost push. So we still have been able to maintain our EBITDA margins, and we have been able to pass on that cost push. There are a couple of items which supports this. Number one, the ability to pass on the cost push to the consumers, whereby you are able to charge more.

So the brand has the pricing power. Even though we are premium to a lot of our competition within branded cow ghee segment, we have still been able to deliver a strong 14% volume growth in the core categories. So this is one part.

The second is the improved product mix. As we see, the new age business has grown over a period of time from 2% to 3% to 6% to now 9%. Over a period of time, the new age business as the mix improves, the profitability, of course, improves.

The third is cost efficiencies. We all are working internally to look into each line item of the cost and improve. We have already taken basically a cost reduction agenda, and we are driving on to drive the cost efficiencies. So with this, we are pretty sure that we are able to maintain it, which we have demonstrated it.

And in the last 4 years, if you look at -- we have consistently improved our EBITDA margins, gross margins. So the journey continues, and we hope to keep a track on these businesses. I hope this answers.

Sucrit Patil:

Thank you for the guidance. May I know your good name for my record, please?

Ankit Jain:

Yes. My name is Ankit Jain.

Moderator:

We'll take the next question from the line of Anirudh K from Copper Capital. Please go ahead.

Anirudh K:

I had a couple of questions. One, and first of all, many, many congratulations on a fabulous quarter. I think crossing INR1,000 crores sales with such increase in new age business and the core categories is absolutely excellent. So congratulations to the entire team. My first question

is we've had on the core categories, we have had 14% volume growth and similar on the new age business, we have grown significantly there.

Could you kind of throw more color, especially on the core categories, is it because of the older distributors in terms of the general retail, and I'm new to the business. So same-store sales growth is higher, same-store distributor growth, right? Or is it like explosion of new distributors that we have appointed that has created this volume growth? It will be very helpful for us.

Ankit Jain:

Thank you for the appreciation. See, in the core categories, we believe fundamentally that there is enough potential in our core categories itself to gain the market share, to explore into the newer outlets, as well as to grow deeper where we are already existing. The growth of 14% across, it's a mix of a couple of products like ghee, cheese and paneer.

This 14% underlying volume growth is a result of overall growth. It is not one that it is a same-store growth or it is only a distribution expansion-led growth. It's a holistic growth for the entire core categories. Similarly, new age. While new age business in quarter 1 itself also was 9% as a share, now in quarter 2 also, the share remains.

Basically, there is a strong growth. You would have noticed there is a 79% growth during quarter 2 in new age business. So if the new age business is growing significantly over the base core categories, the percentage share improves.

Anirudh K:

Got it. Got it. Okay. Second question, sir, is we had an ambition of reaching double-digit EBITDA margins for the next couple of years. And I'm just confused, again, I'm new to the business. The other income, and I've read through a lot of quarter con calls, there's a lot of question on other income because it's primarily non-cash.

So when you say EBITDA is going to go double digit, is it core EBITDA as in the business EBITDA? Or is it including other income? And if management can confirm if core EBITDA will also reach double digits in the next couple of years?

Ankit Jain:

Yes. See, while we have given a guidance for the medium term to improve to get to double digits, we are stepping up gradually in terms of our EBITDA margins, and which we see now hovering around 8.9% in -- during quarter 2. And at a H1 level, it is around 8.3%. So when we talk of EBITDA, we are all talking of EBITDA with other income.

However, other income items are not only the non-cash items. There are other one-off items which continuously are there. Because many times, these other items are relating to items which are already part of other expenses at some or the other point of time. So hence, the other income is not a purely non-cash item, which I would like to highlight.

Anirudh K:

Got it, sir. So clarification is core EBITDA, we still don't know whether it will reach double-digit or not?

Ankit Jain:

See, EBITDA is a journey. While we are stepping up with EBITDA, the whole objective is how do we grow the EBITDA to double-digit first. See, we have to achieve first overall, and then we

will step it up on to teens. Now how much is with this, without this, we are not sharing. See, as a company, we look at EBITDA as earnings before interest, depreciation and tax.

So to that extent, I don't think we have a separate item on other income, etcetera, in terms of core. So, if we were to remove other income, if we were to remove other income in this quarter itself, on a consolidated basis, our EBITDA margin is 7.1% and versus 6.9% last year.

And if you were to look at the PAT growth, which is 56% as optically reported. If we were to exclude the other income completely, the PAT growth is 114%. So there will be one-off items. There will be certain items which are there, and it cannot be only non-cash. The idea over here of presenting you that over a medium term, we want to step up is how we aspire to grow our EBITDA margins, which could be mainly with product mix as well as scaling up the efficiencies.

Moderator: The next question is from the line of Debashish Neogi from Abaan Dubai. Please go ahead.

Debashish Neogi: First of all, congratulations for a very good set of number, and congratulations also for the detailed presentation. Okay. I have a strategic question for Akshali, Ankit and Rahul ji. Is Parag, the way we are placed is you have all the regional players where they are focused on the region, mainly South and their value-added contribution is very less.

Whereas our value-added contribution is very high, and we are a national player after Amul. Now Amul cannot play the premiumization game given the way, the structure is. And –you know it cannot play the premium game what we can play. Now my question is strategic is what Titan did to the jewellery industry two decades back and now still doing. In the next 10 years, do you see Parag doing the same?

And if your answer to this is yes, what are the strategic steps we are taking to do this? And in that, one of the most important thing is corporate governance. We had some checkered past, some checkered history. And the market doesn't seem to believe Parag management because for whatever reasons, I don't know to a fault.

So, my question is, can Parag play the jewellery what Titan did in the value-added product in the category because the conversion from unorganized to organized is a huge scope. The category size is very high, whether it is ghee, whether it is cheese, whether it is whey. So the question is to Akshali and Ankit, what we are doing?

Ankit Jain: Yes. See, when we talk of value-added product, if you were to exclude milk, the entire business portfolio is a value-added product when we have to look at the value-added perspective.

Debashish Neogi: I know that. I know that, yes.

Ankit Jain: Because the core category is ghee, cheese, paneer. Still there's a new age or - even ingredients, so to say, and other portfolio, which is curd, beverages, etcetera. So 90% of our portfolio is a value-added product business. However, the important element to keep in mind is that we still have 30%, which is a B2B business and 70% is B2C now. So as the mix of B2C improves, of

course, the margin between B2B and B2C varies to that extent. So that is how we see in terms of the margin.

Now coming to -- in terms of the management, I think we have fairly stable management. All the business heads are in place. We have Mr. Subhodeep Roy, I don't know whether we've introduced him last time. Mr. Subhodeep Roy joined as the Chief Business Officer during last quarter.

And overall, we have a detailed organization structure with Business Heads for general trade, modern trade, HoReCa, liquid milk, new age, and that too specifically Pride of Cows and Avvatar. So the business teams are fully loaded, power packed with professionals only. And same is for the support team, whether it is HR, IT or finance. So with that, I think we are well-poised.

Debashish Neogi:

I'm saying what about the corporate governance? Because there's been a lot of issues in the past, at least the market doesn't believe on corporate governance. So what we are doing on that because there has been a big write-off in the past, right? So market thinks that why can't -- it cannot happen in the future?

So do you think there's an adequate check and balance in place when it comes to corporate governance? And do you think we are -- my question is, you know, to Akshali. Can we play the jewellery what Titan did in that category? Can we attempt to do that? Is there a vision to do that? Or we are asking too much in the next one decade?

Akshali Shah:

Okay. Okay. So you're asking two questions, saying that first is on the corporate governance front, and we've had a write-off in the past. And of course, COVID was a onetime phenomenon, and this is almost 4 years back that we've actually taken a write-off. And if you see that the past 8, 9 quarters, you can see the consistency in our performance.

If you see, we've also done a lot. It's actually been a Parag 2.0 journey. The Board, we've had a new fresh Board. We've also appointed Deloitte as our internal auditors. And we've also strengthened our management. You've met people across. So we have Ankit who has joined in almost 2 years back.

We have Rahul ji who has joined, Subhodeep who's headed big FMCG revenues and now he's here. We also have somebody who's heading Avvatar separately and Pride of Cows separately. So on corporate governance front, we're all geared up for Parag 2.0.

Coming to your listing on the value creation and how do you see. So first, he explained the aspect that 90% of our revenues are coming from value-added products. But channel mix around B2C is around 70% and B2B is around 30%, if you've seen in the presentation.

Moving forward, there's also one segment that we are creating, which is of health and nutrition. And that's where we see that we are going from direct to consumers. You can see two D2C brands which are coming in from there. So that's also growing, which is almost growing by 80% year-on-year. And we see that as really, really big.

And we operate in categories like ghee, cheese, paneer, which are actually growing in double digits itself, right? So the category itself is growing really, really big. Plus in the dairy industry, you will see a big change that is happening from unorganized to organized. So there's a rapid change, which is happening saying that people prefer packaged dairy products because they believe in quality and consistency.

So that's another change that you will see in the industry, and we are gaining the most out of this. So in the future -- I think Rahul ji will be able to add better on the segment of how dairy is becoming from unorganized to organized then.

Rahul Srivastava: Yes. So that's a very -- the kind of addressable market, which is where we can count, there's very big shift from unorganized to organized, as you can see also. Like the simple example I give you about the paneer. 5 years back, the paneer market was there. Now it has multiplied.

Akshali Shah: Even dahi.

Rahul Srivastava: Even dahi, yes. We'll be talking about...

Akshali Shah: Yes. Nobody would have thought 10 years back, and actually buying dahi from outside for now.

Rahul Srivastava: So basically, you know, what we call is the competition is not between the players, but competition is between unorganized and organized. And the way the unorganized sector is shifting towards organized, this gives a very big platform to grow a dairy company like us, which have all the categories, products available with the best quality products as well as distribution with the proper branding, proper brands behind the products. So that's what, it's the strategical pillars what we are operating on. The market growth is there. We have brands, we have product quality and we have distribution.

Akshali Shah: I also believe we are a little one step ahead of the value-added piece. If you see that we've recently gotten into a protein snacking segment, and we have a huge lineup coming in, in the next 2 quarters in the protein snack segment, where you're selling 10 grams of protein and protein wafer bar, which is, again, a value add from a protein powder. You've gotten into a snacking piece. And there is a line of product that we have coming in, in the protein segment.

Similarly, what we did with ghee, we did a forward integration. We've launched sweets. We've launched kaju katli and peda and things like that, which is actually a forward integration. It's like a value addition for ghee as well. And our chikki as well with ghee. So that's also doing really, really well. So yes, I hope this answers your question.

Moderator: The next question is from the line of Darshan Shah from Trust Group. Please go ahead.

Darshan Shah: Couple of questions. One, in terms of regional salience between Northwest, East and South, how are your sales regionally? That is question number one. And could you share specific numbers in terms of what is the distribution growth? What is the throughput growth? And what's the growth across channels between GT, modern trade, e-commerce and B2B?

Ankit Jain:

So thanks for your question. But as you would know, we are not giving selective specific information. What we give is a dissection of our composition of the turnover in a standard format of defining into core categories, new age, etcetera. Geographical mix, there will be ups and downs.

There will be different mix for different products. So we do not share on a weighted average, what is the geographical mix or for that matter, a channel mix. We do share our B2B and B2C mix, which we have shared for the half year. It is 70% as B2C and 30% as B2B.

Darshan Shah:

Okay. Some salience of regional would have been helpful. But in that case, if you could just help me understand, you've seen a 16% growth in milk prices, but only a 6% price growth given that your value growth is 16% and volume is 10%. So price plus mix is 6%, but input costs have increased by 16%. So going forward, do you see that higher input cost impacting your margins considering the price hikes that you've taken are at 6%?

Ankit Jain:

First of all, I would like to clarify that on a weighted average basis, while 10% and 16% is the right number, but there is a mix of portfolio, which includes new age business, which doesn't get impacted much with the inflation. So what gets impacted is the core categories, and hence, you see a differential growth of 14% volume growth and 23% value growth in the core categories for the quarter.

Again, see, typically, like any other FMCG company, commodities fluctuation is a reality, and it will come and play every quarter. So it is our ability to manage the show given the brand pricing power, given the portfolio mix and identifying the opportunities to optimize on the cost, basically cost efficiencies.

So, all in all, I think we see that the brand has the pricing power. Today, we command almost close to 20% premium than one of our competition, which is again a leading player in branded cow ghee segment. So having said that, while commanding a premium, it is about our ability to pass on, on a timely basis.

So I think that is where we see that we are proactive in taking up calls. It may sound very, very hard at when we take such calls. But at the same time, our ability to forecast and properly pass it on, on a timely basis, is something you can see the demonstration during quarter 2 itself.

Darshan Shah:

In terms of your procurement, direct procurement versus aggregator procurement, if you could share that?

Moderator:

Mr. Shah, I would request you to kindly rejoin the queue. I'm sorry, sir. We can't take further questions, please. There are others who are waiting for their turn. Thank you. We'll take the next question from Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain:

Congratulations to the entire team at Parag for a wonderful set of numbers, including crossing the INR1,000 crores milestone. So, my question is with regards to the core categories. The previous participant did ask about, you know, the drivers or what led to basically the core categories growing, 14% volume and 23% value growth.

So going ahead, how do we look at this category, entire category, ghee and cheese where we have a very large market share with a tune of 22% and 35%. At the same time, paneer is there in the core category. So going ahead, sir, what kind of growth do we see in this category? Also given the situation where the GST cut has been implemented. So any of these products where do you feel the maximum benefit could come in and thereby that will be your focus area?

Ankit Jain:

See, with respect to core categories, we have distinctly identified the underlying volume growth because the commodity fluctuation today, it's an inflationary environment. Tomorrow, it may be deflationary. So the pricing will vary to that extent. So hence, to forecast that it will be a 23% growth always with a volume growth of 14%-odd or 15%-odd is not ever casting stone because value growth will differ.

Having said that, if we are growing in volumes, if we are growing on to keeping our share or rather increasing our share, I think that is more which is focused upon. In GST, of course, we had to pass on while there was a benefit on account of the rate reduction and specifically in most of our categories which we operate in. So we have passed on the benefit to consumers and reduce the prices.

Having said that, there are categories where even the GST has been made zero. So for example, a category like paneer, this gives an opportunity to again further deepen between the unorganized versus organized. So of course, in the medium to longer term, the GST relief will benefit the demand for the industry as such. We are believing that the good quality products, I think consumers are looking at and they're willing to spend actually.

So while they are maintaining their lifestyle, they are willing to spend that premium for a branded product. And hence, we foresee that the organized share is going to grow significantly higher than the unorganized sector.

Rahul Jain:

Sure. But any additional geography which is contributing to this volume growth in core categories and which could probably sustain going ahead?

Ankit Jain:

See, geographically, we are spread across. We have pan-India presence when it comes to ghee, cheese, paneer in terms of the core categories. In terms of new age, we are present pan-India for Avvatar. But however, for Pride of Cows only, we are present in eight cities. But most of our portfolio, barring Pride of Cows is available pan-India. We have 29 depots across the country, through which we cater to all the regional markets.

Moderator:

We'll take the next question from the line of Parikshit Gujrati from Shree Ventures. Please go ahead.

Parikshit Gujrati:

So, I had a question on the protein side that the whey protein market is highly competitive. So what is your strategy to establish your brand in this market? And also what kind of growth do you expect in this market in the next 2 to 3 years?

Ankit Jain:

See, protein is a growing market and whey, one of the fastest, I would say. It's growing at a very high pace. The, not I would say literacy, but the knowledge about deficiency of protein in an

Indian diet, the awareness of the consumers is increasing and the fitness quotient of consumers are increasing. So hence, the category is growing at a very, very fast pace. We created our brand a couple of years back, 4 years back maybe. Why? Because we were creating whey protein earlier, but we were supplying as a B2B player.

Now we saw an opportunity into the country whereby the whey protein is all imported into the country and no one knows the source, no one knows how much adulteration it has, etcetera, etcetera. So we found a niche that there is an opportunity whereby we will be able to create our own B2C brand instead of being only a B2B player. And that is where we created this brand Avvatar.

Parikshit Gujrati:

Okay.

Akshali Shah:

See, just to add to this, 80% of India is protein deficient. And as you mentioned that the awareness is becoming really, really high on what should be the protein intake. Looking at this, we see around in the next 3 to 4 years, around 20% of our portfolio would be coming from the health and nutrition business.

Moderator:

The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai:

My question is, you know, in the commentary, we talked about inflationary environment being persistent. But when we listen to the other dairy calls, they talked about the flush season leading to lower milk prices and hence, better margins going forward. So is it because of our geographical presence that our commentary is different? Any thoughts on that?

Ankit Jain:

See, what we have presented is the actual for the quarter. 16% inflation is actual for the quarter. We have not given a forward-looking statement. However, in the statement of our Executive Director, you will find in the media release that we see that the inflation is going to continue even post festive.

So it's been already 1.5 months post festive, in fact, post the quarter, sorry. We see the prices remaining stable to what it were, and we don't foresee as such, again, it is about a forecast, which we are not giving at this point of time. But the overall prices in the inflationary environment remains wherever it is.

Rahul Srivastava:

Yes, it is. forecast is stable, yes. Right now, this forecast is stable.

Dhwanil Desai:

Okay. Okay. Got it. Got it. And one thing that you alluded to.

Moderator:

Sir, may we request you to kindly rejoin the queue. Thank you. We'll take the next question from the line of Prit Nagersheth from Wealth Finvisor. Please go ahead.

Prit Nagersheth:

So, the question I wanted to better understand from you, Ankit, was the reference you made in your last call about how the margins, and I'm assuming including other income in it, how the combined margins on the EBITDA side would inch up to the low teens.

So say, right from the current 8.99% to low teens at 13%, 14%. And within the next, say, 24 months is the statement that was made. One is -- the first part is that, is that on track from your end? And how do you get there? If you could explain that, that would be of great help.

Ankit Jain:

Sorry, if you could repeat your question because I want to answer very specific. If you can elaborate, how do you get there? I could not get your question clearly.

Prit Nagersheth:

Sure. So my question is, how do you go from the current 8.9% EBITDA margins to low teens, to somewhere around 13%, 14% over the next 24 months based on the commentary you have made in your last call.

Ankit Jain:

Yes. See, that is again an aspiration. As you look at our EBITDA margins, we have inched up our EBITDA margins consistently from 5.5% to 7.5% to 8.5% and currently also at around 8.9% for the quarter. So we are stepping it up gradually through various ways and means. Of course, improved product portfolio mix, operational efficiencies are fundamental parameters to the same.

And the price premium index, which is the ability of the brand to charge the pricing to the consumer, of course, as well as the channel mix. Our channel mix has improved from 65% B2C to 70% B2C. So with all these efforts, and there is, of course, a conscious effort how to improve the margins to first double-digit and then to enter into teens. This is more of an aspirational or the visionary thing.

While we are working upon all this, we are not giving a specific forecast in which year we are going to have a double-digit margin or a teen margin. But as we move towards our target for INR10,000 crores, I think you will see more that as a reality rather than we commenting on when do we do it.

Moderator:

The next question is from the line of Resham Mehta from Green Edge Wealth. Please go ahead.

Resha Mehta:

Sir, just wanted to understand, so the ghee market is close to INR1 trillion or maybe a little bit more. How big would the cow ghee market be out of this?

Ankit Jain:

Yes. So, overall while -- hello?

Moderator:

Yes, sir. You are audible. Please proceed. Yes.

Ankit Jain:

Yes. So, when we are talking of this market size, this is a market size which has both organized segment as well as unorganized segment, right. When it comes to organised, when we talk about our market share, it is specific to the branded cow ghee segment, what we talk about, which is a very small subset of this market because in overall ghee market, there is a majority of portion which is a buffalo ghee or a mixed ghee versus only a cow ghee, and that too within the branded segment.

Resha Mehta:

No, no, which is fine. But all I'm trying to ask is that out of the almost over INR 1 trillion ghee market, both organized, unorganized put together, how big would the cow ghee market be?

Ankit Jain: Sorry, if you could repeat your question?

Resha Mehta: Yes. So, I'm saying the total market is close to over INR 1 trillion, which is both organized and unorganized put together. So out of this INR 1 trillion, how big is the cow ghee market, which includes both organized as well as unorganized.

Ankit Jain: Yes. So, it is around INR 6,000-7000odd crores when it comes to the pricing in the market.

Resha Mehta: Which is organized plus unorganized?

Ankit Jain: No, no. Only the organized market.

Resham Mehta: So cow ghee organized is INR 6,000 crores, then how big would be the overall cow ghee market? Any estimates?

Ankit Jain: For the unorganized one, we don't have the market share.

Akshali Shah: Because there are people who still bring milk at home, separate the cream and separate the butter milk.

Resha Mehta: Ma'am, your audio is low. Can you repeat that?

Akshali Shah: So very difficult to get the unorganized numbers because there are households which still get milk at home, separate the butter and separate the butter milk and then make ghee on their own. So that's a large portion as well. But now as I mentioned, it's rapidly changing in the coming time. So it's very difficult to get the unorganized.

Rahul Kumar Srivasta: Overall dairy category, whatever market is there, only 30% goes to organized. That is what is a bigger vacuum, which is creating a lot of market. So overall, I'm talking about Ghee in particular, it is difficult to tell.

Ankit Jain: Even the IMARC report, which we subscribe to, it only caters a bifurcation with respect to organized sector. Unorganized is something which is not very specific to be estimated. Very difficult to estimate actually.

Resha Mehta: And as per that report, how big is the organized ghee market overall, organized ghee market?

Ankit Jain: So, I told overall branded cow segment is close to around INR 6,000 to 7,000 odd crores.

Resha Mehta: No, no. I was asking the overall organized ghee market, buffalo plus cow plus mixed ghee, all put together as per that report.

Akshali Shah: We don't do buffalo, Resha.

Resha Mehta: Okay. Maybe I'll take this offline.

Moderator: Ms. Mehta, please rejoin for follow-ups. Thank you, ma'am. We'll take the next question from the line of Aditya Agrawal from Fin Avenue. Please go ahead.

Aditya Agrawal: Yes. Sir, in the past 3 years, like from March '23 to the current year, our growth in value-added segment, that is protein is mainly from price hike of our products as per our channel check. So can you guide us on the volume growth of Avvatar Protein in the past 3 years in the market, like the absolute volume growth?

And the strategy from here on for Avvatar Protein because I was getting the feedback that our proteins are almost priced at par with the imported brands such as ON. So why would a consumer prefer the likes of our brand as compared to the more known ones such as ON and Muscle Blaze?

Ankit Jain: While we are not giving a specific number, and we will not give, but I would say there is hardly any gap between the volume and value growth for Avvatar. So for Avvatar, I'm not sure what you're hearing. See, overall, because of the protein deficiency, the protein itself is very rarely available.

And hence, the protein market is inching up to that extent. So overall, our volume growth and value growth is almost in line. And your question was more on pricing. So we have discounted the price. Post GST, we have reduced the pricing. So this is a continuous way of working, specifically for brands like this.

As you rightly mentioned, with respect to ON, we have to look at the variants. See, if you look at variants, whether it is ON, Muscle Blaze or any other brand for that matter, we need to look into the composition and not directly just one fact because there's so much of complexity in this protein segment that what is the blend, what is the pure Isorich -- purity of the protein basically.

So based on that, that is why you see products which has been entered. So last year, we introduced Performance Whey into our basket. This quarter, we added Fuel Whey into our basket. So we have to tap each consumer segment, again, which is a beginner or which is looking for a low-cost protein versus pure protein consumer who wants Isorich or whey protein, isolate levels of protein. So it will vary. The pricing will vary according to the type of protein.

Moderator: We'll take the next question from the line of Harsh Shah from Seven Rivers Holdings. Please go ahead.

Harsh Shah: Congratulations for growing at a very fast pace. Sir, one question I had more on book keeping side. Sir, if I look at our FY 25 numbers, there is this INR100 crores of incentive that we have received, I guess, from the Maharashtra government. Now last year, our total EBITDA was INR 250 crores if we exclude the other income.

Out of that INR 100 crores was contributed by these incentives, which I believe is expected to go away next year. So how do we expect to fill this gap of this INR100-odd crores, which is like 100% flow-through to EBITDA. If that goes up by INR 100 crores, how do we expect to fill this gap?

Ankit Jain:

See, first of all, it is not equal to INR 100 crores. This is broadly around INR 85-odd crores. The milk subsidy is part of the milk costing because there was a specific circular from Maharashtra government and that too for a specific 4-5month window, whereby it was more of a compensation for the amount which we paid to the farmers. It's the accounting treatment that we have to recognize subsidy separately. That is why you see it as part of the operating revenues.

However, if you were to look at overall margin, we have been able to maintain the margin. And given the fact that these are state benefits, we cannot look that in isolation. So our pricing assumes these kind of benefits. So for example, when the GST rate reduction was announced, this is the impact on account of the state incentives, which are linked to pure SGST. So this is part of the pricing. That is one.

Having said that, this is more of a reimbursement in nature for the capital expenditure, which the company has already done. If we were to knock off the depreciation versus the income on account of it, hardly there will be INR 20 crores of additional impact versus INR 80-odd crores of impact.

Harsh Shah:

You mean once the incentive goes away, your depreciation will start to come down?

Ankit Jain:

Start to come down? See, it has been going on for the past 7 to 8 years. And various schemes which have been announced time and again and where we have to apply, we have to get the eligibility certificate and so there is a whole sort of process on getting these schemes. See, as a part of the revenue recognition, we have to accrue it. That is why we are accruing it.

Harsh Shah:

So, my question is, will this continue? No, no, this is just a follow-up. So will this INR 86 crores to INR90 crores of incentive income, will it continue for foreseeable future? I mean, will we keep on getting this incentive?

Ankit Jain:

Yes. So this incentive is going to continue for next 7 to 8 years. However, it will not be as high as this because there are two items to it. One is there is, of course, an incentive cap. Last year, we had an additional incentive of 1 more year. That is one point. So this year, overall number is supposed to come down. Additionally, with the change in the GST rates, this incentive is going to further come down.

Harsh Shah:

Okay. Okay, got it.

Ankit Jain:

What I mean to say is this is part of the pricing process.

Moderator:

The next question is from the line of Pranjal Mukhija from Growth sphere Ventures LLP. Please go ahead.

Pranjal Mukhija:

Congratulations on a great set of numbers. So I just have one question on the protein side. I just wanted to understand, I mean, how are we positioning ourselves here in this market in terms of -- like what is the strategy in terms of positioning and branding, especially now that the largest milk manufacturers is also stepping in the protein market. Yes, I just wanted to understand how we are positioning ourselves. Thank you.

- Ankit Jain:** You're talking of whey protein specifically or the overall protein segment, whereby in every product, we mentioned this is a protein because inherently, milk has protein and every product which is made from milk will have some of the other protein levels.
- Pranjal Mukhija:** The protein segment, the powder and the wafer bars, that particular segment.
- Ankit Jain:** You're talking about the whey protein segment, right?
- Pranjal Mukhija:** Right, right.
- Ankit Jain:** So in whey protein, I think we have answered this question earlier also. Protein is a market which is growing on a rapid pace. And we have found our space to, of course, tap into that and take the opportunity to lead into the protein segment because we are producing our own whey, we are producing our own protein.
- And there will be a differentiation between a protein which is imported into the country versus protein which is produced in the country. There are other players who are producing. That is okay, but it is about establishing the niche, establishing the purity of the protein.
- And having said that, it is not that we have just launched this brand 4, 5 years ago, and we have got the expertise in the protein. We are doing protein for maybe more than a decade. Previously, it was more of a B2B business, now it is B2C business.
- So we understand the kind of protein. In fact, as we move forward, we will have newer ways of protein, which, of course, we cannot say specifically, but the protein market itself is evolving as we talk. So you'll find various new products coming into our basket as we move along.
- Pranjal Mukhija:** So just rephrasing it. Amul entering the market will not impact us in any way?
- Ankit Jain:** No, no, no. Definitely no.
- Harsh Shah:** Okay. Okay. Thank you.
- Ankit Jain:** It might rather help in educating the customers.
- Akshali Shah:** And help in creating awareness, yes.
- Moderator:** Thank you, ma'am. We'll take the next question from the line of Vishal Agarwal from GV Capital. Please go ahead.
- Vishal Agarwal:** Sir, my question is that with respect to the vision that has been articulated by the management of around –INR 10,000 crores revenue in 3 to 5 years and the EBITDA margin of mid-teens. The question is, what are the key risks, key constraints and challenges that you see in achieving that?

Ankit Jain:

See, when we look at opportunity, of course, it comes along with challenges to combat with, then only we will be able to turn the opportunity into your favour. So what we see -- your question is very specific to the risk and the challenges. So I'm straight away moving on to the risk. The risk is procurement.

How do we have a stable procurement? How do we increase our procurement scale from today's 15 lakh litres to, say, 40 lakh litres over a period of time? How do we go into increasing our share of having BMCs versus the overall aggregator-based milk procurement. So these are things on the procurement side.

Same way, the opportunity exists in expanding our distribution network. Now how do we enter deep into the south? How do we enter more -- how do we penetrate more into northern geography, etcetera? So these are distribution-led drives, which we will be doing over a period of time.

Now the risk and challenge becomes is more about how do we execute. If we are able to execute well to our strategy, we will be home, right? So the core risk or challenge lies in executing -- I think, execution remains key and that is given for any organization, how do we execute well on to our strategy.

Vishal Agarwal:

Okay. Then in that case, sir, what is our right to win? This is a highly competitive market. You have Hatsun, Heritage, Dodla, you have Amul, you have some unorganized players. So in this segment, what is our right to win?

Ankit Jain:

So right to win is a great right to win, and that is where our fundamental belief into the business, which we operate in. So whether it is core categories to new age business to any other category which we operate in, we strongly believe that we have a significant right to win.

When it comes to branded cow ghee segment, today, our market share is only 22%. What if the market share increases significantly? Today, while we are present pan-India, but there is strong penetration, which can happen deep south or maybe a higher level of distribution even in north.

So even in core categories, we believe that there is a lot more to do. When it comes to cheese as a category, while we have a 35% market share and we are number two, but still in cheese, we are big in HoReCa. So there is a lot of -- there is a big consumer segment which we are focusing upon. And that's why you saw we entering into association with KBC or last year with Big Boss or maybe influencer-led campaigns, etcetera.

All the brand-building initiatives taken to grow even the consumer cheese. Initially or traditionally, we focus more on HoReCa and we gained the market share. And today, we are focusing on consumer cheese besides HoReCa since that is already there.

So in category like paneer, again, it is growing significantly with high adulteration in the unorganized market. So there is enough potential to grow the category itself, the organized share. So this is not only just the core categories.

If you look at the entire portfolio, whether it is new age business, we believe we have spoken more on Avvatar, you will know Pride of Cows, both these brands have immense potential to explode basically. So I'm again limiting on to this, but the other categories also are there, which is liquid milk, which is growing fast and which is catching up.

So if you look at our liquid milk share has broadly remained stable, which means the same is also growing. It helps in optimizing on our working capital. So all in all, all segments have to grow and has the potential to grow.

Having said that, with respect to competition, I'm not commenting to a specific name. You have named a few, but there are regional players, which are largely into the liquid milk or ice cream segment, etcetera, or maybe curd. These are their limited segment.

There is no one direct competition or a direct player which you can represent, which has a ghee, cheese or whey protein or a farm-to-home milk, etcetera. So we believe the fundamentals of the business and fundamental behind each brand is so strong that I don't think that we have any doubt even on our vision only.

Moderator: We'll take the last question for today, which is from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik Mutha: Congratulations on a very good set of numbers. So the question I had is we have generated a healthy INR 100 crores of cash flow, plus we have had INR 40 crores of fresh funds coming in. Despite that, if I look at your cash flow statement, we have only been able to repay INR 50 crores of debt.

Remaining, I believe, comes from conversion of FCCB. So just wanted to ask why were we not able to repay more debt, one? And an extension of the same question is what is our interest rate on the gross debt that we have, INR 480-odd crores?

Ankit Jain: INR 483 crores.

Naitik Mutha: Yes. I mean gross debt on that. What is the interest rate on the same?

Ankit Jain: Yes, sure. So first of all, if you look at the cash flow statement, while it is very clear, we are focused on the cash generation, which is INR 99 crores for the half year. The deployment, if you look at is largely gone into capital expenditure, which we have been able to fund ourselves. That is one. And secondly, the interest payout, which is there on the existing debt.

So all in all, that is why you see the delta is INR 125 crores, wherein FCCB component is around INR80-odd crores. We have been able to repay debt to best possible way. In fact, if you look at last year also, last full year, we generated almost more than INR 200 crores of operating cash flow, around INR 212 crores number, right? But still, we generated and we fuelled our own internal capital expenditure as well as the interest from our generated cash only.

So we have to steadily improve upon it. That is what we are focusing upon. And that was the message that, yes, it has reduced by INR 125 crores. Having said that, the weighted average cost for all our working capital loans is around 9.25% to 9.5%.

Naitik Mutha: 9.5%? But then, sir, if I look at our interest payments, that would be roughly INR 20 crores per quarter, which means INR 80 crores for the full year on INR 500 crores of debt. So I mean that's higher than the percentage you are mentioning, right?

Ankit Jain: So the interest component also factors interest from ROU, which is for the lease segment. And it also factors in receivable bill discounting, which is done to manage. So it is not corresponding directly to the gross debt.

Naitik Mutha: Right. So you're saying on this INR 500 crores, only -- hello?

Moderator: So this will be the last -- okay, please proceed.

Naitik Mutha: Yes. So what I'm trying to understand is on INR 500 crores, what would be the pure interest component that we are paying that you're saying would be less than INR 15 crores. And remaining INR 30 crores, if you can give me the breakup on lease -- interest on lease and bill discounting interest that you are paying, roughly?

Ankit Jain: Yes. Even if you look at last year number, it was close to INR 55 crores as a pure number. So this year, certainly, it should be lower than the same.

Moderator: Thank you, sir. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference back to Mr. Brian D'Penha for closing comments. Thank you, and over to you, sir.

Brian D'Penha: On behalf of Parag Milk Foods Limited, I would like to thank all of you for joining us. Have a nice evening.

Moderator: Thank you, members of the management.

Ankit Jain: Thank you all.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Parag Milk Foods Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.