

20 July 2025

India | Equity Research | Results update

Heritage Foods

Dairy

VAP sales hit by early monsoon; long-term drivers remain intact

Highlights: (1) In spite of unseasonal rains, the company reported strong revenue growth of 10.1% YoY. (2) EBITDA margin contracted to 6.5% in Q1FY26 vs 9.1% YoY due to revenue mix change partially led by early monsoon. (3) Value-added products' (VAP) contribution to total sales (ex- ghee and butter) increased by 550bps. (4) The company launched Heritage Livo 'Healthy-Living' with renewed flavoured milk range (fortified with vitamins A & D) and high-protein yogurt range, targeting health-conscious consumers. (5) It has continued to focus on new product development, brand-building activities and distribution network expansion. We cut FY26-27E earnings by 7-9% to factor in Q1FY26 result and mid-single digit inflation in milk procurement prices. With 17% stock price increase over past three months, we downgrade the stock to **HOLD** (from *Add*) with DCF-based TP of INR 490 (implied target P/E of 17.5x FY27E).

Q1FY26 result review

Heritage Foods (HFL) reported revenue of INR 11,368mn, up 10.1% YoY. EBITDA and PAT margins contracted 258bps and 310bps, respectively, due to change in revenue mix and inflation in milk procurement prices. Revenue mix was impacted by unseasonal rains. Milk procurement remained strong at 1.78mnpd (+9.9% YoY). Average milk procurement price increased by 4.7% to INR 43.3/ltr in Q1FY26.

Inflation in milk procurement prices largely offset by price hikes

Milk sales rose by 2.8% YoY to 1.16 mnpd in Q1FY26, driven by market expansion and strong brand momentum. Realisation increased to INR 56.4/ltr in Q1FY26 from INR 54.8/ltr in Q1FY25, up 2.9%, reflecting stable market positioning and pricing strength. As co-operatives have already raised milk selling prices, we believe Heritage has scope to hike prices to maintain margins.

Heritage Nutrivet Ltd continued its stellar performance

HFL's animal nutrition division maintained its impressive growth. In Q1FY26, revenue increased 26% YoY to INR 533mn. Pre-tax profit jumped 130% YoY to INR 66mn driven by improved operational efficiency. We believe strong growth of Heritage Nutrivet will help the company to build strong competitive advantages and strengthen the ties with the farmers.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	37,939	41,346	46,609	52,547
EBITDA	2,102	3,316	3,449	3,888
EBITDA Margin (%)	5.5	8.0	7.4	7.4
Net Profit	1,072	1,977	2,221	2,611
EPS (INR)	11.6	21.3	23.9	28.1
EPS % Chg YoY	84.3	84.4	12.4	17.6
P/E (x)	42.6	23.1	20.6	17.5
EV/EBITDA (x)	21.3	13.5	12.5	10.5
RoCE (%)	11.8	18.2	15.8	15.3
RoE (%)	14.0	22.2	20.8	20.4

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Market Data

Market Cap (INR)	46bn
Market Cap (USD)	531mn
Bloomberg Code	HTFL IN
Reuters Code	HEFI.BO
52-week Range (INR)	659 /352
Free Float (%)	46.0
ADTV-3M (mn) (USD)	2.5

Price Performance (%)	3m	6m	12m
Absolute	16.7	13.6	(8.2)
Relative to Sensex	12.6	6.9	(8.7)

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(2.4)	(4.8)
EBITDA	(6.8)	(7.3)
EPS	(7.8)	(8.7)

Previous Reports

19-05-2025: [Q4FY25 results review](#)

23-01-2025: [Q3FY25 results review](#)

Strategic actions for growth

The company is on track to complete its upcoming greenfield project for ice cream (INR 2,260mn capex) which is expected to be commissioned by the end of Q3FY26. HFL has acquired 44.4% additional stake in HNFPL, increasing its total holding to 94.4%. HNFPL has started supplying some value-added products to HFL now. We believe further capex into value-added products could deliver positive momentum and further reinforce the company's growth trajectory in rest of FY26E.

Growth in value-added products despite headwinds

VAP delivered a 5.5% increase in revenue YoY to INR 4,034mn. Despite adverse weather, most VAP categories grew on a YoY basis. VAP contribution (ex-fats) stood at 36.1% of total revenue. After ghee and butter consumer packs were included in VAP, its revenue surged to INR 4,540mn, marking 7.4% YoY growth. The segment contributed to 40.6% of Q1FY26 revenues.

Valuation

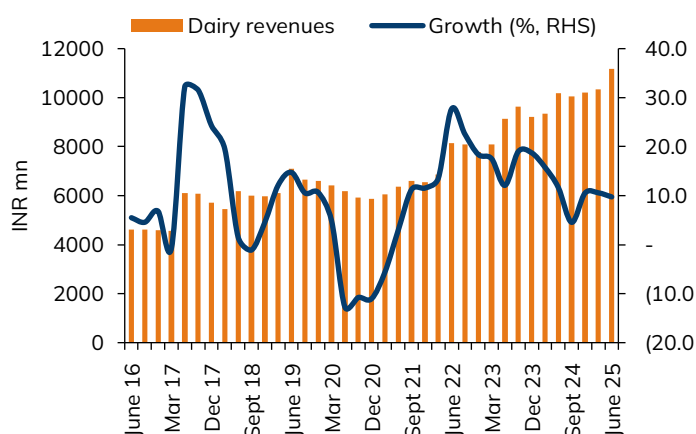
We model Heritage Foods to report revenue/PAT CAGR of 12.7%/14.9% over FY25–27E and RoCE to remain strong and above 15% over FY25–27E. Revise rating to **HOLD** with DCF-based TP of INR 490 (implied target P/E of 17.5x FY27E EPS).

Key risks: Higher competitive pressures and steep inflation in raw material prices, Stronger economic recovery than expected

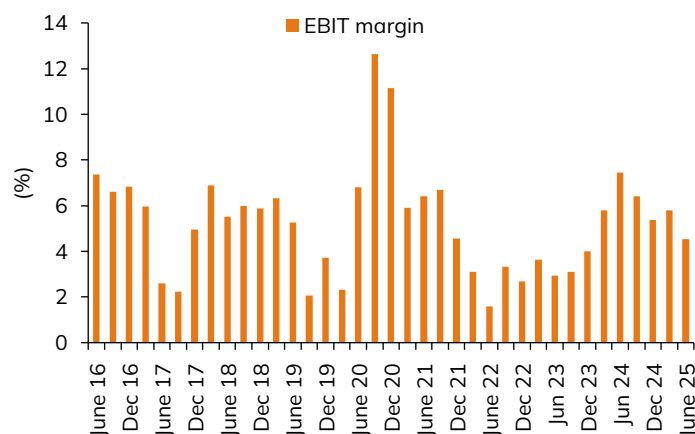
Exhibit 1: Q1FY26 consolidated result performance

Y/e March INR mn	Q1FY26	Q1FY25	YoY % chg.	Q4FY25	QoQ % chg.
Revenue	11,368	10,327	10.1	10,485	8.4
Expenditure					
Raw materials	8,661	7,694	12.6	7,816	10.8
% of revenue	76.2	74.5		74.6	
Employee cost	842	753	11.8	807	4.3
% of revenue	7.4	7.3		7.7	
Other expenditure	1,126	941	19.6	1,056	6.6
% of revenue	9.9	9.1		10.1	
Total expenditure	10,629	9,389	13.2	9,679	9.8
EBITDA	739	938	(21.2)	805	(8.3)
EBITDA margin	6.5	9.1	258.4	7.7	
Other income	53	56	(5.2)	65	(19.3)
PBDIT	792	994	(20.3)	871	(9.1)
Depreciation	187	166	12.4	178	4.9
PBIT	605	827	(26.9)	693	(12.7)
Interest	42	34	23.5	42	0.5
PBT	563	793	(29.1)	651	(13.5)
Prov. for tax	144	193	(25.6)	160	(10.0)
% of PBT	25.6	24.4		24.6	
PAT before MI/share of associates	419	600	(30.2)	491	(14.7)
Minority interest/Profit from associates	13	16	(15.5)	15.2	(13.9)
Adjusted PAT	405	584	(30.6)	475	(14.7)
Extra ordinary items	(3)	(3)	18.3	(99)	(96.9)
Reported PAT	402	582	(30.8)	377	6.8

Source: I-Sec research, Company data

Key performance highlights**Exhibit 2: Revenue and revenue growth**

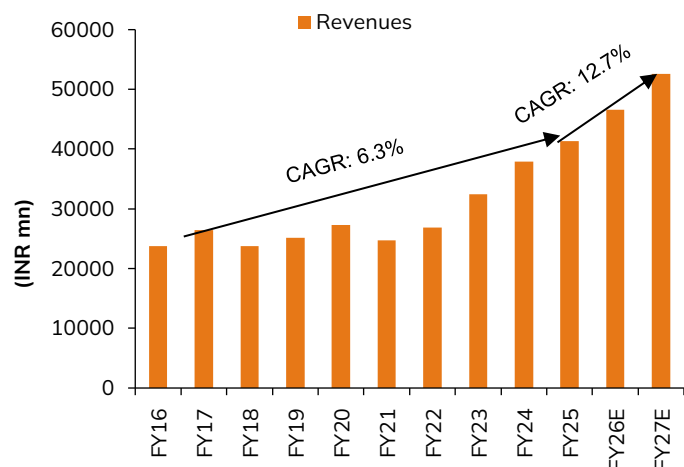
Source: I-Sec research, Company data

Exhibit 3: EBIT margin of dairy segment

Source: I-Sec research, Company data

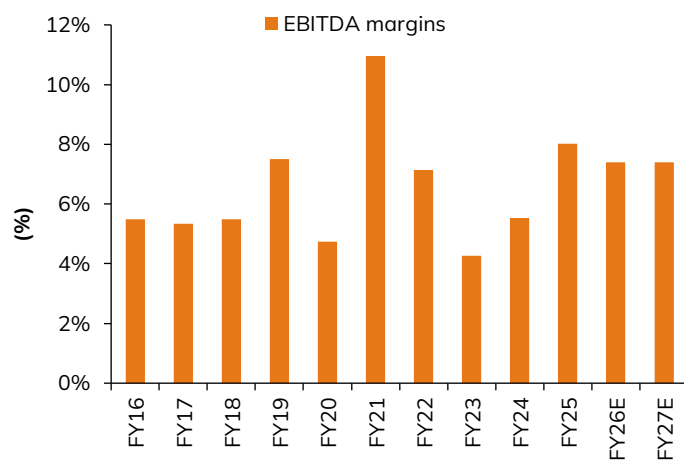
Key highlights – annual

Exhibit 4: Revenue growth trend



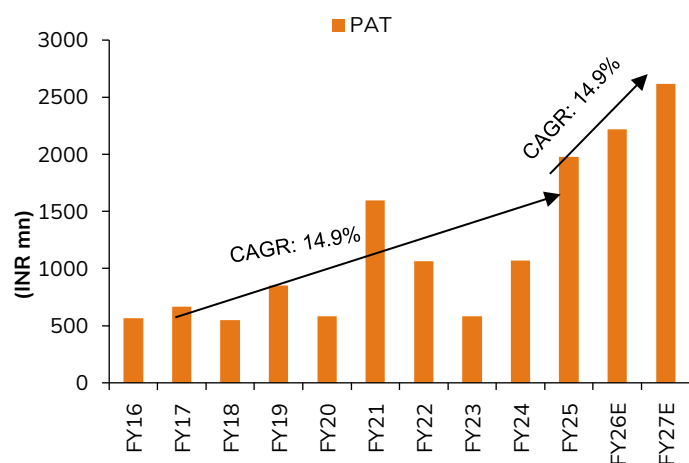
Source: I-Sec research, Company data

Exhibit 5: EBITDA margin trend



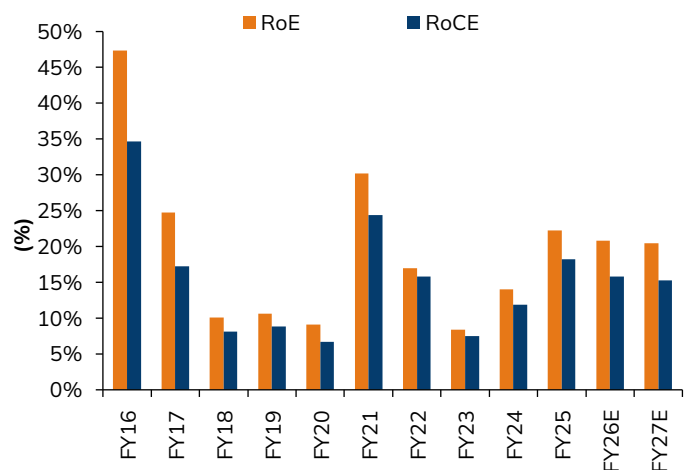
Source: I-Sec research, Company data

Exhibit 6: PAT growth trend



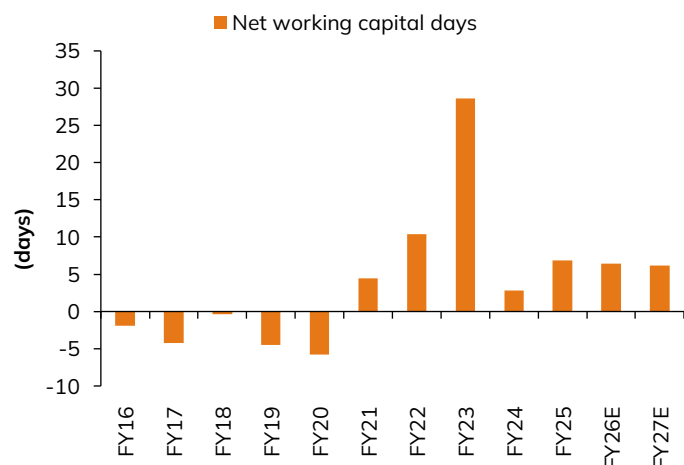
Source: I-Sec research, Company data

Exhibit 7: Return ratios trend



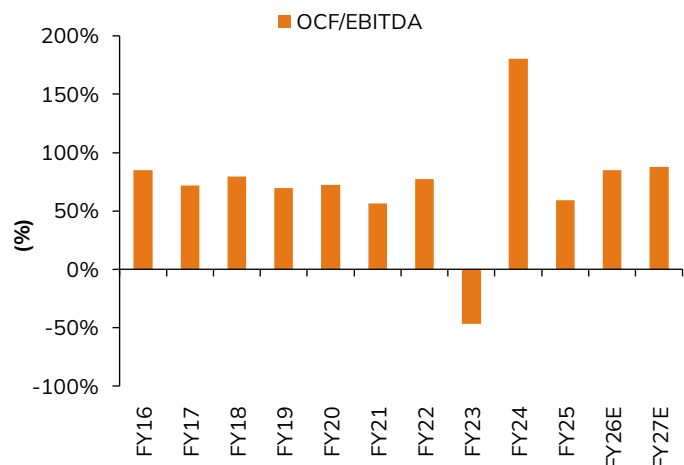
Source: I-Sec research, Company data

Exhibit 8: Net working capital days



Source: I-Sec research, Company data

Exhibit 9: FCF/PAT



Source: I-Sec research, Company data

Valuation

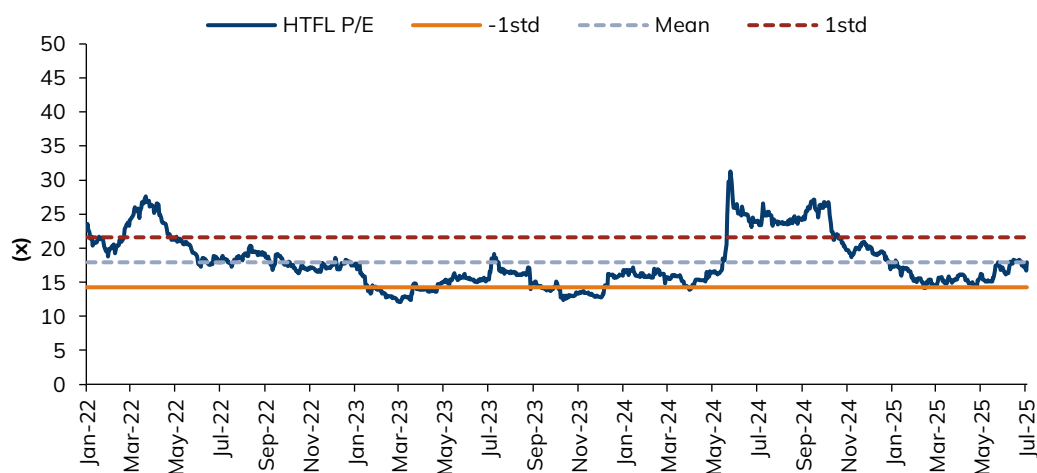
We model Heritage Foods to report revenue/PAT CAGR of 12.7%/14.9% over FY25–27E and RoCE to remain strong and above 15% over FY25–27E. Revise rating to **HOLD** (from *Add*) with DCF-based revised TP of INR 490 (implied target P/E of 17.5x FY27E EPS).

Exhibit 10: DCF-based valuation

Particulars	
Cost of Equity (%)	11.0%
Terminal growth rate (%)	4.0%
Discounted interim cash flows (INR mn)	18,664
Discounted terminal value (INR mn)	26,806
Total equity value (INR mn)	45,470
Value per share (INR)	490

Source: I-Sec research, Company data

Exhibit 11: Mean PE (x) and standard deviations



Source: I-Sec research, Company data

Risks

Sharp increase in input prices and/or competition

Any major increase in commodity prices and/or competitive intensity may result in a downside to our estimates.

Economic recovery

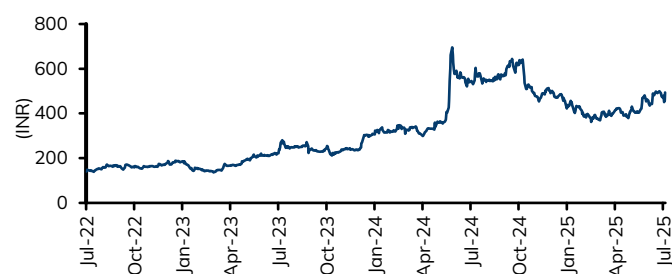
Stronger economic recovery than expected

Exhibit 12: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	41.3	41.3	41.3
Institutional investors	10.7	10.5	10.3
MFs and others	3.7	3.8	3.9
FIs/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.0
FIIIs	7.0	6.7	6.4
Others	48.0	48.2	48.4

Source: Bloomberg, I-Sec research

Exhibit 13: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	37,939	41,346	46,609	52,547
Operating Expenses	35,837	38,030	43,160	48,658
EBITDA	2,102	3,316	3,449	3,888
EBITDA Margin (%)	5.5	8.0	7.4	7.4
Depreciation & Amortization	608	696	754	844
EBIT	1,494	2,621	2,695	3,044
Interest expenditure	91	154	134	134
Other Non-operating Income	120	279	422	595
Recurring PBT	1,523	2,745	2,983	3,505
Profit / (Loss) from Associates	(65)	(69)	(10)	(10)
Less: Taxes	385	700	752	883
PAT	1,138	2,046	2,231	2,621
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	(17)	(107)	-	-
Net Income (Reported)	1,055	1,870	2,221	2,611
Net Income (Adjusted)	1,072	1,977	2,221	2,611

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	4,028	4,989	4,437	4,683
of which cash & cash eqv.	838	697	348	119
Total Current Liabilities & Provisions	2,894	3,512	3,263	3,678
Net Current Assets	1,134	1,478	1,174	1,005
Investments	1,614	2,439	4,439	6,639
Net Fixed Assets	6,968	7,476	8,402	8,657
ROU Assets	-	-	-	-
Capital Work-in-Progress	201	680	-	-
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	9,917	12,071	14,014	16,301
Liabilities				
Borrowings	1,574	2,065	2,065	2,065
Deferred Tax Liability	261	287	287	287
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	464	464	464	464
Reserves & Surplus	7,618	9,256	11,198	13,485
Total Net Worth	8,082	9,720	11,662	13,949
Minority Interest	-	-	-	-
Total Liabilities	9,917	12,071	14,014	16,301

Source Company data, I-Sec research

Exhibit 16: Quarterly trend

(INR mn, year ending March)

	Sep 24	Dec 24	Mar 25	Jun 25
Net Sales	10,195	10,339	10,485	11,368
% growth (YOY)	4.2	9.9	10.3	10.1
EBITDA	832	741	805	739
Margin %	8.2	7.2	7.7	6.5
Other Income	75	83	65	53
Extraordinaries	(3)	(3)	(99)	(3)
Adjusted Net Profit	486	431	475	405

Source Company data, I-Sec research

Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	3,792	1,965	2,929	3,396
Working Capital Changes	2,141	(544)	(46)	(59)
Capital Commitments	(1,233)	(1,764)	(1,000)	(1,100)
Free Cashflow	2,559	173	1,929	2,296
Other investing cashflow	(1,262)	(549)	(2,000)	(2,200)
Cashflow from Investing Activities	(2,495)	(2,314)	(3,000)	(3,300)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(403)	441	-	-
Dividend paid	(232)	(232)	(278)	(325)
Others	-	-	-	-
Cash flow from Financing Activities	(635)	209	(278)	(325)
Chg. in Cash & Bank balance	661	(140)	(349)	(229)
Closing cash & balance	825	645	348	119

Source Company data, I-Sec research

Exhibit 18: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	11.6	21.3	23.9	28.1
Adjusted EPS (Diluted)	11.6	21.3	23.9	28.1
Cash EPS	18.1	28.8	32.1	37.2
Dividend per share (DPS)	2.5	2.5	3.0	3.5
Book Value per share (BV)	87.1	104.7	125.7	150.3
Dividend Payout (%)	21.6	11.7	12.5	12.4
Growth (%)				
Net Sales	17.1	9.0	12.7	12.7
EBITDA	51.8	57.8	4.0	12.7
EPS (INR)	84.3	84.4	12.4	17.6
Valuation Ratios (x)				
P/E	42.6	23.1	20.6	17.5
P/CEPS	27.2	17.1	15.4	13.2
P/BV	5.7	4.7	3.9	3.3
EV / EBITDA	21.3	13.5	12.5	10.5
P / Sales	1.2	1.1	1.0	0.9
Dividend Yield (%)	0.5	0.5	0.6	0.7
Operating Ratios				
Gross Profit Margins (%)	20.7	25.0	21.3	21.3
EBITDA Margins (%)	5.5	8.0	7.4	7.4
Effective Tax Rate (%)	25.3	25.5	25.2	25.2
Net Profit Margins (%)	3.0	4.9	4.8	5.0
NWC / Total Assets (%)	3.0	6.5	5.9	5.4
Net Debt / Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Debt / EBITDA (x)	(0.4)	(0.3)	(0.8)	(1.2)
Profitability Ratios				
RoCE (%)	11.8	18.2	15.8	15.3
RoE (%)	14.0	22.2	20.8	20.4
RoIC (%)	14.1	24.6	22.9	25.0
Fixed Asset Turnover (x)	4.2	4.1	4.0	4.0
Inventory Turnover Days	27	33	27	27
Receivables Days	3	4	4	4
Payables Days	29	31	25	25

Source Company data, I-Sec research

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