

We initiate coverage on Parag Milk with BUY and DCF-based Mar-27E TP of Rs250 (implied P/E of 15x). Strong backend capabilities and brand portfolio enable Parag to scale up front-end capabilities and accelerate growth. Driven by sustained focus on top-line growth and a strengthened front end, we expect the mid-teens revenue growth to sustain, consistent with the past four-year trend. With recent GST cuts in value-added dairy and ongoing category formalization, Parag is well positioned to capture the growth opportunity by leveraging i) its strong brand portfolio, ii) 33 years of sector expertise driving innovation, and iii) steady expansion of its distribution network. Given Parag's medium-term focus on the topline (largely B2C) and recent inflation in milk prices, we expect EBITDA margin to see moderate expansion of ~40bps over FY25-28E. Earnings CAGR is likely to be ~23% over FY25-28E. Limited capex should enable cash flow to be directed toward debt reduction, lifting ROCE to 18% in FY28E (vs 14% in FY25) and lowering net debt-to-equity to 0.1x in FY28E (vs 0.6x in FY25).

Deep dairy expertise and brand portfolio align with consumer evolution

Established in 1992 in the post-liberalization era, Parag Milk focuses on cow milk-based value-added categories. It has built strong brand equity through its two marquee brands—*Gowardhan* (traditional dairy products) and *Go* (modern dairy formats). Following rising consumer preference for health and nutrition, Parag has developed a new-age business vertical with brands *Pride of Cows* (premium dairy with single-farm sourcing) and *Avvatar* (protein-focused offerings for health-conscious consumers).

Enhanced focus on topline to drive mid-teens revenue CAGR

Parag is likely to benefit from the GST rate cut which should create opportunities for product innovation. Leveraging its deep expertise in dairy, we expect Parag to scale up presence in value-added segments. Amid widespread protein deficiency in India, Parag is aptly placed to address the protein needs of the vegetarian population. The core segment (61% of revenue in 9MFY26), comprising paneer, ghee, and cheese, should benefit from category formalization and expanding penetration, aiding >15% growth ahead. Further, its new-age businesses (6% of revenue) are gaining relevance and are well placed to deliver 50% revenue CAGR ahead. The Liquid Milk segment (~10% of revenue) is likely to witness a high single-digit growth, while the Ingredients (17% of revenue) segment could see decline in revenue contribution due to reduced SMP sales. However, we expect the impact on profit to be limited as the company continues to add differentiated value-added offerings, especially pharma ingredients.

Steady premiumization to aid margin; control on working capital key for ROCE

Parag has a weak margin (FY25: 7.4%) and high WC needs (63 days for FY25); but we see improvements ahead, on greater thrust on D2C. We initiate with BUY; TP of Rs250. Key risks to our call: i) sharp RM volatility, ii) inability to address the consumption trend.

| | |
|-----------------------|--------|
| Target Price – 12M | Mar-27 |
| Change in TP (%) | NA |
| Current Reco. | BUY |
| Previous Reco. | NA |
| Upside/(Downside) (%) | 25.6 |

| Stock Data | PARAG IN |
|-------------------------|----------|
| 52-week High (Rs) | 377 |
| 52-week Low (Rs) | 142 |
| Shares outstanding (mn) | 125.1 |
| Market-cap (Rs bn) | 25 |
| Market-cap (USD mn) | 266 |
| Net-debt, FY26E (Rs mn) | 4,570.8 |
| ADTV-3M (mn shares) | 1.1 |
| ADTV-3M (Rs mn) | 197.8 |
| ADTV-3M (USD mn) | 2.1 |
| Free float (%) | 58.3 |
| Nifty-50 | 23,114.5 |
| INR/USD | 93.7 |

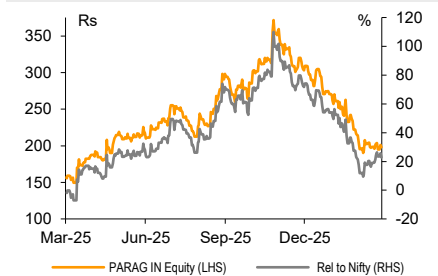
Shareholding, Dec-25

| | |
|---------------|---------|
| Promoters (%) | 40.7 |
| FPIs/MFs (%) | 9.3/6.2 |

Price Performance

| (%) | 1M | 3M | 12M |
|---------------|------|--------|------|
| Absolute | 1.9 | (35.6) | 27.9 |
| Rel. to Nifty | 12.7 | (27.7) | 28.4 |

1-Year share price trend (Rs)



Parag Milk Foods: Financial Snapshot (Consolidated)

| Y/E March (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---------------------|--------|--------|--------|--------|--------|
| Revenue | 31,387 | 34,322 | 38,854 | 45,712 | 53,169 |
| EBITDA | 2,005 | 2,527 | 2,658 | 3,359 | 4,174 |
| Adj. PAT | 906 | 1,188 | 1,381 | 1,837 | 2,225 |
| Adj. EPS (Rs) | 7.6 | 10.0 | 11.1 | 13.7 | 16.6 |
| EBITDA margin (%) | 6.4 | 7.4 | 6.8 | 7.3 | 7.8 |
| EBITDA growth (%) | 69.4 | 26.0 | 5.2 | 26.4 | 24.3 |
| Adj. EPS growth (%) | 50.0 | 31.1 | 10.9 | 24.1 | 21.1 |
| RoE (%) | 10.5 | 12.3 | 12.1 | 13.0 | 13.5 |
| RoIC (%) | 11.2 | 11.5 | 11.0 | 12.8 | 13.4 |
| P/E (x) | 26.2 | 20.0 | 18.0 | 14.5 | 12.0 |
| EV/EBITDA (x) | 14.3 | 11.4 | 10.8 | 8.6 | 6.9 |
| P/B (x) | 2.6 | 2.3 | 2.0 | 1.7 | 1.5 |
| FCFF yield (%) | 0.6 | 1.6 | 2.2 | 2.8 | 4.3 |

Source: Company, Emkay Research

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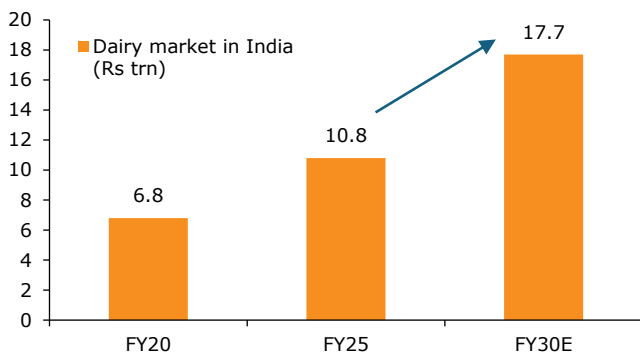
This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Indian dairy an attractive opportunity

We expect the pace of formalization to accelerate on the back of favorable regulatory settings and rising adulteration concerns across markets. Post-Covid, protein has gained prominence among Indians, with dairy remaining a key source, particularly for the vegetarian population. Additionally, with internet bridging the gap in the consumption trend, dairy players are better placed to capitalize on product innovation. The Indian dairy industry is estimated at Rs10.8trn (~65% marketable surplus from farmers), with 38% of the market being formal, equally divided between private players and cooperatives. Traditional value-added products remain the dominant segment, followed by liquid milk. We expect the value-added product segment to maintain double-digit growth, backed by strong consumer adoption of packaged offerings amid increasing adulteration and recent tax reduction. Emerging value-added segments are likely to see faster growth, aligning with evolved consumer needs. As such, listed dairy players are focusing on building capabilities, with higher capex and working capital requirements to address growing consumer segments.

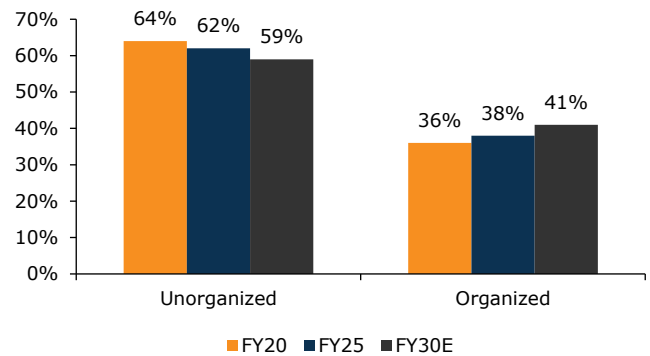
Dairy industry poised for healthy growth ahead

Exhibit 1: Indian dairy industry – Likely to sustain ~10% revenue CAGR over the next five years; a similar trend was seen over the past five years



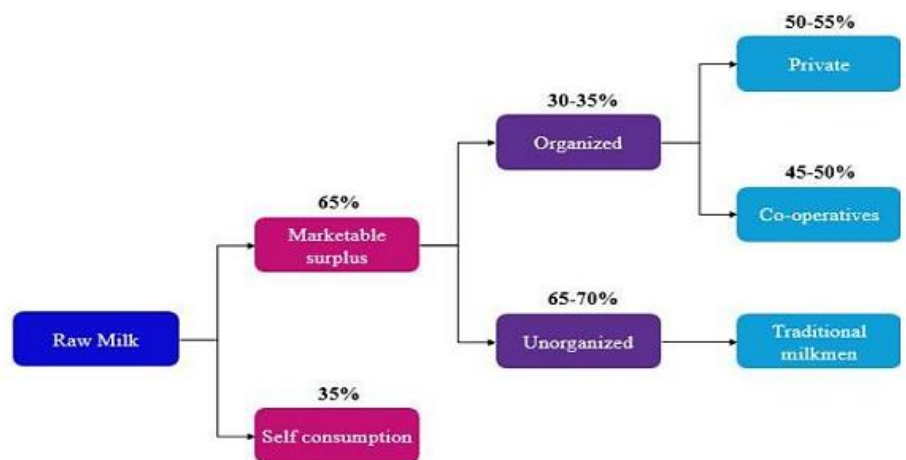
Source: 1Lattice Analysis, Emkay Research

Exhibit 2: Indian dairy industry – Likely to sustain formalization; pace to accelerate with rising costs, changing consumer preferences, and growing demand for packaged value-added dairy products



Source: 1Lattice Analysis, Emkay Research

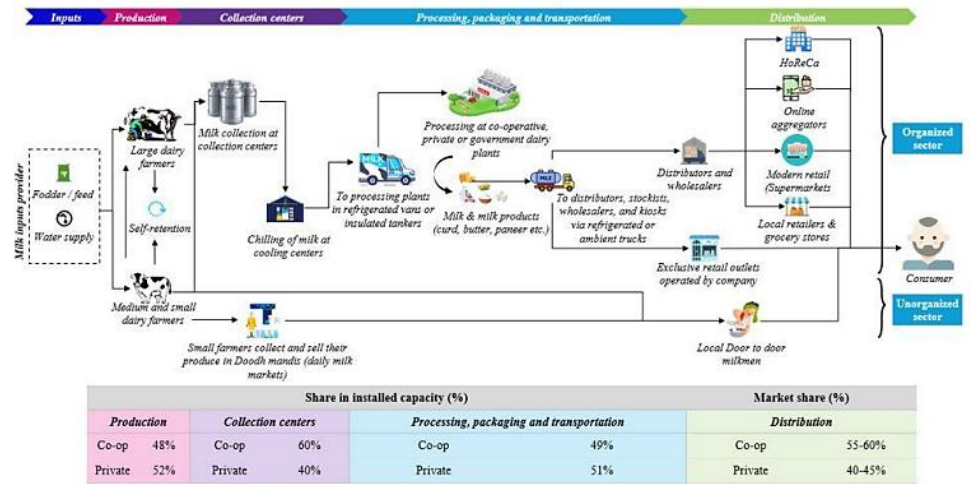
Exhibit 3: Of the total milk supplies, ~11% is being processed by private organized players



Source: 1Lattice Analysis, Emkay Research

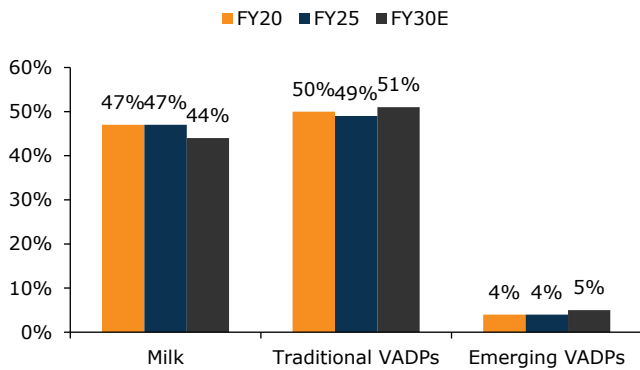
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Exhibit 4: The Indian dairy supply chain



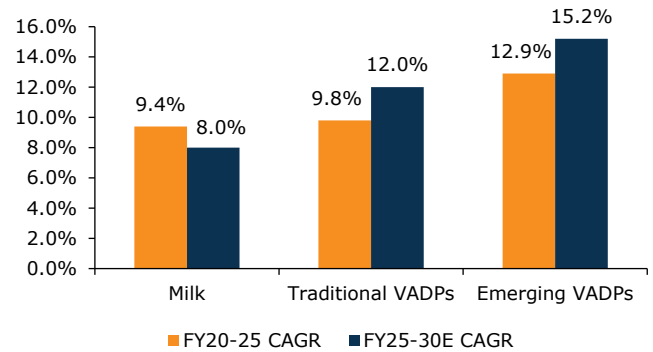
Source: 1Lattice Analysis, Emkay Research

Exhibit 5: Indian dairy is likely to see a faster shift to VADPs



Source: 1Lattice Analysis, Emkay Research
 Traditional VADPs: Butter, ghee, paneer, curd, buttermilk, lassi
 Emerging VADPs: Cheese, yogurt, probiotic dairy products, UHT milk, cream

Exhibit 6: Emerging VADPs CAGR expected at 15% and traditional VADPs CAGR expected at 12%, over the next five years









Source: 1Lattice Analysis, Emkay Research

Exhibit 7: Growth forecast healthy across traditional and emerging VADPs; large corporates focusing on driving salience of high-margin categories

| | Overall category size (Rs bn) | Organized share | CAGR (FY25-30P) | Margin |
|------------------------------------|-------------------------------|-----------------|-----------------|--------|
| Traditional VADP | | | | |
| Ghee | 1,065 | 25% | 12% | 12% |
| Khoa | 1,059 | 2% | 27% | 12% |
| Paneer | 846 | 5% | 20% | 12% |
| Curd | 758 | 10% | 17% | 10% |
| Dairy sweets | 503 | 45% | 11% | NA |
| Ice-cream | 283 | 75% | 14% | 37% |
| Buttermilk and lassi | 256 | 25% | 23% | 13% |
| Skimmed milk powder | 181 | 100% | 3% | 15% |
| Butter | 88 | 25% | 13% | 14% |
| Milkshake | 73 | 100% | 15% | 15% |
| Emerging VADP | | | | |
| Cheese | 85 | 100% | 19% | 20% |
| Whey and whey products | 85 | 100% | 15% | 22% |
| Plain, flavored, and frozen yogurt | 13 | 100% | 18% | 22% |







Source: 1Lattice Analysis, Emkay Research

Exhibit 8: The rising trend is driven by a health-conscious lifestyle, premiumization, convenience, and better availability

| Growth drivers for VADPs | |
|---|--|
|  Rising health and nutrition awareness | <ul style="list-style-type: none"> As people become more health-conscious, the demand for nutritious, low-fat, and protein-rich foods is driving the growth of VADPs Consumers are increasingly opting for products that help them achieve their health goals, including VADPs like whey protein, yogurt, paneer, curd, probiotic drinks, etc. |
|  Innovation and premiumization | <ul style="list-style-type: none"> As disposable incomes rise, there's a growing preference for premium and gourmet products, with consumers willing to invest in innovative, high-quality dairy options This trend includes items like artisanal cheese, A2 butters, organic paneer, and organic A2 ghee, along with new product innovations in flavors and variations |
|  Convenience and ready-to-eat options | <ul style="list-style-type: none"> As lifestyles get busier, people have less time to cook, so they are increasingly opting for ready-to-eat options This shift has led to a rise in demand for packaged dairy products like flavored milk, yogurt, lassi, and buttermilk, which offer convenience and nutrition for busy, on-the-go consumers |
|  Technological advancements | <ul style="list-style-type: none"> As technological advancements are integrated into production processes, innovations such as automated machinery and improved packaging techniques are enhancing the efficiency, shelf life, and overall quality of dairy products These innovations are helping to improve the accessibility and freshness of dairy products, driving growth in categories such as flavored milk, paneer, curd, and skimmed milk powder |
|  Distribution and accessibility | <ul style="list-style-type: none"> Improving cold storage and transportation systems is helping dairy products stay fresh and reach more people, making it easier for customers to find products like khoa, flavored milk, and ice cream Accelerated growth of quick-commerce and e-commerce platforms supports rapid delivery, catering specifically to urban consumers who value convenience, freshness, and doorstep accessibility |
|  Cultural and seasonal significance | <ul style="list-style-type: none"> Dairy products like khoa, lassi, curd, buttermilk, and ghee are deeply rooted in Indian culture and traditions These products are especially popular during festivals and celebrations when people enjoy making and sharing dairy-based sweets and drinks. This cultural connection keeps the demand for these products strong throughout the year, with a peak during festive seasons |






Source: 1Lattice Analysis, Emkay Research

Exhibit 9: Key growth drivers for the dairy industry

| Growth drivers | Description |
|--|--|
|  Urbanization & changing lifestyles | <ul style="list-style-type: none"> Demand for value-added dairy products (VADPs) such as paneer, cheese, curd, buttermilk, ghee, butter, and ice cream is being driven by the growth of the urban population and middle class, as well as the increasing number of nuclear families Urbanization, lifestyle changes & rising health consciousness is boosting the market for pro-biotic and fortified milk foods |
|  Rising preference for packaged dairy products | <ul style="list-style-type: none"> Preference for packaged dairy products is driven by rising disposable incomes and increasing number of working women Packaged dairy products offers superior hygiene, ease of storage, consistent quality, and easy availability, making it a preferred choice for consumers. Milk pouches are particularly popular due to their cost-effectiveness |
|  Advancement in dairy supply | <ul style="list-style-type: none"> Enhanced packaging, longer shelf-life, and better quality are driving the penetration of processed milk products Improvements in cold storage, transportation, and supply chain infrastructure are enabling companies to reach more towns and villages, increasing the availability and consumption of processed dairy products |
|  New supply channels | <ul style="list-style-type: none"> Quick commerce platforms are enabling faster deliveries and facilitating consumption on demand This shift towards immediate gratification and the convenience of obtaining fresh products swiftly has led to an increase in both impulse buys and the overall consumption of dairy products |
|  Government initiatives and support | <ul style="list-style-type: none"> Government initiatives like the National Dairy Plan & the White Revolution have contributed to the growth of dairy sector, with milk production increasing from ~21M tonnes in 1970 to ~239M tonnes in 2024, growing at a CAGR of ~5% Priority sector lending status, better access to credit, and various policy reforms have encouraged farmers to adopt better yielding cross-bred cows, enhancing milk production |
|  Protein-focused consumption | <ul style="list-style-type: none"> Rising awareness around protein intake is driving demand for dairy-based protein sources such as paneer, milk, curd, and yogurt, especially among fitness-conscious and young urban consumers |

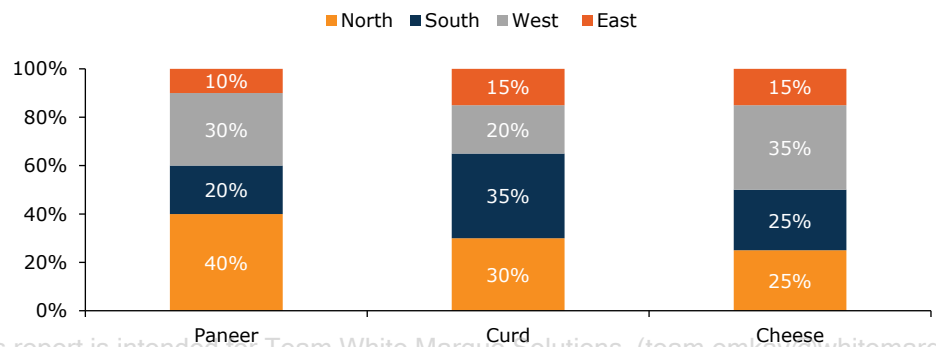
Source: 1Lattice Analysis, Emkay Research

Exhibit 10: Key challenges for the dairy industry

| Challenges | Description |
|---|---|
|  Volatility in milk procurement costs | <ul style="list-style-type: none"> The cost of procuring milk is inherently unstable, influenced by factors such as feed and fodder prices, which fluctuate due to weather conditions, crop yields, and market demand These fluctuations make dairy pricing unpredictable. In contrast, products like cheese and yogurt maintain more stable prices due to their longer shelf lives and premium positioning |
|  Milk supply seasonality | <ul style="list-style-type: none"> Seasonal fluctuations in milk production can lead to periods of surplus and deficit, complicating inventory and pricing strategies This seasonal variability challenges processors to stabilize supply and demand. VADPs, processed and stored during peak times, are less affected by these swings. |
|  Dominance of co-operatives | <ul style="list-style-type: none"> Cooperatives control a significant portion of the market, often resulting in limited competition and higher barriers for new entrants This dominance can restrict pricing and innovation. However, VADPs offer niches that smaller producers can exploit, mitigating cooperative influence |
|  Shorter shelf life | <ul style="list-style-type: none"> Liquid milk has a shorter shelf life compared to many other food products, necessitating careful handling to maintain freshness The quick spoilage potential underscores the importance of robust logistics strategies within the dairy industry to prevent significant financial losses |
|  Low margins on liquid milk | <ul style="list-style-type: none"> The liquid milk market is highly competitive with numerous players, including local dairy farms and large corporations, driving liquid milk prices down, squeezing profit margins as it's the most sold item Consumers are highly price-sensitive when purchasing liquid milk, limiting producers' ability to increase prices. VADPs, positioned as premium offerings, face less price sensitivity and allow for better margin expansion |

Source: 1Lattice Analysis, Emkay Research

Exhibit 11: VADPs driven by strong regional preferences; paneer is popular in the north, while cheese is favored in the west, with the south consuming curd more than other regions



Source: 1Lattice Analysis, Emkay Research

Exhibit 12: Regional dairy players gaining scale pan-India; with multiple players operating without profitability, consolidation is a possible scenario ahead



Source: 1Lattice Analysis, Emkay Research

Industry is well poised for rapid formalization

Indian dairy players commenced their journey with liquid milk, with the initial thrust on building sourcing capabilities and gradually entering the value-added segments. A closer look at the revenue stream suggests a visible concentration of curd and ghee in value-added segments, where consumers have moved from home-based curd and adopted packaged curd (Rs760bn category; 10% organized) and ghee (~Rs1trn category; 25% organized). Paneer is next in line, where long-shelf-life products are seeing faster consumer adoption, though the share of organized continues to be at ~5% (~Rs850bn category).

Exhibit 13: Indian value-added dairy segments – Category size, growth expectations, and margin profile

| Category | Overall category size (Rs bn) | Organized share | FY25 - Organized category size (Rs bn) | CAGR (FY25-30P) | Margin |
|------------------------------------|-------------------------------|-----------------|--|-----------------|--------|
| Ghee | 1,065 | 25% | 266 | 12% | 12% |
| Khoa | 1,059 | 2% | 21 | 27% | 12% |
| Paneer | 846 | 5% | 41 | 20% | 12% |
| Curd | 758 | 10% | 72 | 17% | 10% |
| Dairy sweets | 503 | 45% | 226 | 11% | NA |
| Ice-cream | 283 | 75% | 212 | 14% | 37% |
| Buttermilk and lassi | 256 | 25% | 64 | 23% | 13% |
| Skimmed milk powder | 181 | 100% | 181 | 3% | 15% |
| Butter | 88 | 25% | 21 | 13% | 14% |
| Whey and Whey products | 85 | 100% | 85 | 15% | 22% |
| Cheese | 85 | 100% | 85 | 19% | 20% |
| Milkshake | 73 | 100% | 8 | 15% | 15% |
| Plain, flavored, and frozen yogurt | 13 | 100% | 13 | 18% | 22% |
| RTE/RTC | 143 | 90% | 129 | 18% | 30-40% |

Source: 1Lattice Analysis, Emkay Research

Under the recent GST rate revision, paneer has seen a duty revision to nil, while butter, cheese, and ghee are now taxed at 5%. The industry is likely to experience rapid formalization ahead, as the tax arbitrage for regional unorganized players reduces. In light of this, there is a fair opportunity for large, organized players to benefit from formalization.

With only 23% of the raw milk supply handled by organized players (35% of the marketable surplus milk), we expect a structural long-term growth opportunity for dairy players. Of the organized supplies, only half of the supplies are with private players.

Exhibit 14: Value-added categories with GST rates

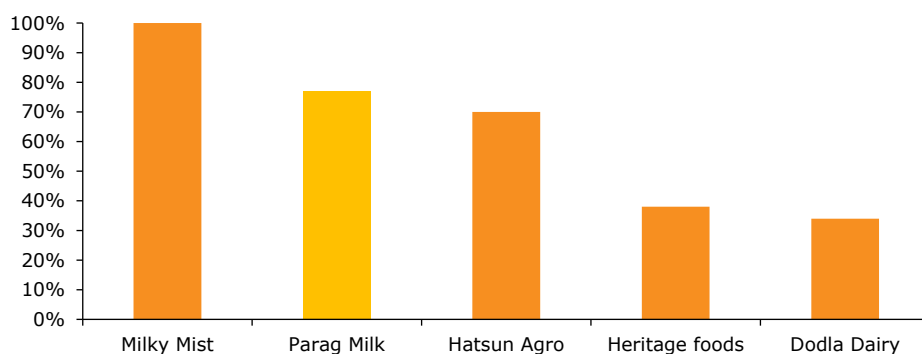
| Category | Old GST rate | GST rate wef 22-Sep-25 |
|------------------------|--------------|------------------------|
| Ghee | 12% | 5% |
| Ice-cream | 18% | 5% |
| Dairy-based drinkables | 18% or 12% | 5% |
| Curd | Nil | Nil |
| Paneer | 12% | 5% |

Source: Emkay Research

Shift from milk to value-added dairy products gains momentum

With consumers increasingly focusing on health needs, protein has gained attention post-Covid, with Indians adopting multiple dairy categories. We have seen rapid growth in emerging segments such as milk-based beverages (chaas, lassi, flavored milk), cheese, whey products, and yogurt. These categories are likely to witness mid-teens to sub-20% growth over the next five years. Such categories also produce better margin profile. Ice-cream, ~Rs285bn worth category, is likely to see mid-teens growth ahead—margins in this segment are higher compared with other dairy categories (at >30%). The biggest factor for brands is to create a positioning in the segment and enhance visibility. Brands that have established themselves are seeing faster growth and able to enjoy better margins. Product pricing and margin are largely dependent on brand recall among consumers. Sensing the growth opportunity and margin potential, large dairy players are now focusing on branding and creating capacities.

Exhibit 15: Value-added dairy revenue mix for Indian dairy companies



Source: Company, Emkay Research; *Note: We have excluded ingredients and the 'others' segment for Parag Milk

Listed dairy players are expanding the mix of VAP in their portfolio

Among the five listed dairy players, Hatsun Agro has created a sizable revenue of Rs87bn, while the other four players have near-similar revenue of ~Rs35-40bn each. Across players, we have seen a gradual shift in revenue, from milk to value-added dairy products. While the data for Hatsun is not available, we assume share of VAP at >70%; for Parag Milk, it is 77% (with B2B salience of 30%) and for Dodla and Heritage, it is 35-40%. Milky Mist is an outlier, with its 100% focus on value-added segments. Milky Mist's focus on the fast-growing VAP segment is reflective of above 30% revenue CAGR over the past three years. On the back of its portfolio thrust, the company has industry-leading gross margin of ~34%, which helps it clock an improved EBITDA margin of 13%. Among peers, Hatsun has seen a relatively modest

11% revenue CAGR over the past three years, while others have witnessed high-teens revenue CAGR in the same period (for Parag Milk, we have considered four-year CAGR).

VAP thrust requires high capex and working capital

A closer look at the financials of listed dairy players clearly indicates that VAP products require capacity build-up, which calls for higher capex needs. Additionally, VAP products have longer shelf life and do not require regional production, with players preferring integrated facilities. This explains why Milky Mist and Hatsun have a relatively higher net block. From the distribution perspective, players need to hold inventory and operate with higher number of receivable days, which requires higher working capital. Milky Mist and Hatsun have relatively higher working capital requirements at 40-42 days vs requirement of 10-15 days for peers, except for Parag Milk, which has higher working capital needs of 63 days.

Higher funding needs keep returns low for VAP-heavy players

For Parag, with debt of Rs6bn, net debt-to-equity stands at 0.6x. Milky Mist's net debt-to-equity at 4x is a factor of debt at Rs13bn and equity at Rs3bn. Hatsun has a relatively leveraged balance sheet with debt of Rs21bn and net debt-to-equity at 1.2x. Dodla and Heritage have a net cash position. Returns on capital employed for Milky Mist (at ~10%), Hatsun (~13%), and Parag Milk (14%) lag those of Dodla Dairy (at 23%) and Heritage Foods (at 24%). Overall, based on these financials, we conclude that balancing the sales mix would be crucial for the returns profile. With VAP expansion accelerating, players are building capabilities, though the returns profile is likely to remain weak during the build-up stage.

Exhibit 16: Except Hatsun, all dairy players offer aggressive discounts

| (Rs bn) | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | |
|---|----------------|-------|-------|----------------|------|------|------------------|------|------|----------------|------|------|----------------|------|------|
| | Milky Mist | | | Hatsun Agro | | | Parag Milk Foods | | | Dodla Dairy | | | Heritage Foods | | |
| Contracted price | 14.5 | 20.0 | 25.7 | 72.5 | 80.3 | 87.4 | 29.5 | 32.5 | 35.4 | 28.4 | 31.6 | 37.7 | 33.7 | 39.4 | 42.9 |
| Discount/rebate | 0.6 | 1.9 | 2.4 | 0.2 | 0.5 | 0.6 | 1.0 | 1.7 | 2.1 | 0.3 | 0.4 | 0.5 | 1.3 | 1.4 | 1.5 |
| Discount/rebate as a % of sale of product | 4.2% | 10.4% | 10.2% | 0.3% | 0.7% | 0.7% | 3.4% | 5.4% | 6.3% | 1.1% | 1.2% | 1.3% | 4.0% | 3.7% | 3.6% |
| Revenue from sale of product | 13.9 | 18.1 | 23.3 | 72.3 | 79.7 | 86.8 | 28.6 | 30.8 | 33.3 | 28.1 | 31.3 | 37.2 | 32.4 | 38.0 | 41.4 |

Source: Company, Emkay Research

Exhibit 17: Parag is dependent on third-party logistics

| (Rs mn) | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | |
|---------------------|----------------|------|------|----------------|-------|-------|------------------|-------|-------|----------------|-------|-------|----------------|-------|-------|
| | Milky Mist | | | Hatsun Agro | | | Parag Milk Foods | | | Dodla Dairy | | | Heritage Foods | | |
| A&P spends | 164 | 206 | 711 | 1,381 | 1,569 | 1,837 | 743 | 1,305 | 1,344 | 98 | 142 | 344 | 2 | 2 | 2 |
| - as a % of revenue | 1.2% | 1.1% | 3.0% | 1.9% | 2.0% | 2.1% | 2.6% | 4.2% | 3.9% | 0.3% | 0.5% | 0.9% | 0.0% | 0.0% | 0.0% |
| Logistic costs | 503 | 655 | 815 | 2,791 | 2,803 | 3,009 | 871 | 978 | 1,219 | 2,060 | 2,384 | 2,560 | 945 | 1,058 | 1,232 |
| - as a % of revenue | 3.6% | 3.6% | 3.5% | 3.9% | 3.5% | 3.5% | 3.0% | 3.1% | 3.6% | 7.3% | 7.6% | 6.9% | 2.9% | 2.8% | 3.0% |

Source: Company, Emkay Research

Exhibit 18: Capital employed across peers

| (Rs bn) | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | | FY23 FY24 FY25 | | |
|------------------|----------------|------|------|----------------|------|------|------------------|------|------|----------------|------|------|----------------|------|------|
| | Milky Mist | | | Hatsun Agro | | | Parag Milk Foods | | | Dodla Dairy | | | Heritage Foods | | |
| Equity | 2.6 | 2.8 | 3.3 | 14.4 | 15.7 | 17.2 | 8.1 | 9.1 | 10.2 | 9.7 | 11.4 | 14.1 | 7.3 | 8.1 | 9.7 |
| Gross debt | 8.0 | 10.4 | 13.8 | 14.5 | 22.7 | 21.0 | 5.9 | 5.8 | 6.2 | 0.2 | 0.3 | 0.3 | 1.3 | 0.9 | 1.4 |
| Capital employed | 11.6 | 14.3 | 18.4 | 32.3 | 42.1 | 42.3 | 14.1 | 15.3 | 16.9 | 10.4 | 12.2 | 14.9 | 9.4 | 9.9 | 12.1 |
| Net profit | 0.27 | 0.19 | 0.46 | 1.66 | 2.67 | 2.79 | 0.53 | 0.91 | 1.19 | 1.22 | 1.67 | 2.60 | 0.66 | 1.13 | 2.04 |

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

Balancing return with growth aspirations is crucial

Exhibit 19: Peer comparison (based on data for FY25)

| (Rs mn) | Milky Mist | Hatsun Agro | Dodla Dairy | Heritage Foods | Parag Milk |
|--------------------|---------------|---------------|---------------|----------------|---------------|
| Promoter holding | 98.1% | 73.4% | 58.9% | 41.5% | 42.6% |
| Revenue | 23,495 | 86,998 | 37,201 | 41,346 | 34,322 |
| - Milk | 0% | NA | 66% | 62% | 23% |
| - VAP | 100% | NA | 34% | 38% | 77% |
| EBITDA | 3,051 | 10,101 | 3,808 | 3,310 | 2,527 |
| Adj PAT | 461 | 2,788 | 2,599 | 2,039 | 1,188 |
| OCF | 3,149 | 14,502 | 3,887 | 2,139 | 2,120 |
| FCF | -2,316 | 8,051 | 2,809 | 423 | 872 |
| B2B revenue | 6% | 0% | 4% | 0% | 30% |
| No of distributors | 3,062 | NA | 2,190 | NA | 4,500 |
| Revenue – 3Y CAGR | 34% | 11% | 18% | 16% | 17% |
| EBITDA – 3Y CAGR | 25% | 12% | 22% | 20% | 20% |
| Adj PAT -3Y CAGR | 24% | 4% | 25% | 22% | 55% |

Source: Company, 1Lattice Analysis, Emkay Research

Exhibit 20: Peer comparison (based on data for FY25)

| | Milky Mist | Hatsun Agro | Dodla Dairy | Heritage Foods | Parag Milk |
|---|--------------|--------------|--------------|----------------|-------------|
| Gross margin | 33.9% | 30.7% | 27.4% | 31.3% | 25.8% |
| EBITDA margin | 13.0% | 11.6% | 10.2% | 8.0% | 7.4% |
| EBIT margin | 7.2% | 6.2% | 8.2% | 6.3% | 5.4% |
| PBT margin | 3.7% | 4.3% | 9.6% | 6.6% | 3.9% |
| Adj PAT margin | 2.0% | 3.2% | 7.0% | 4.9% | 3.5% |
| Net block (Rs mn) | 15,778 | 35,580 | 7,623 | 8,155 | 5,969 |
| Gross debt (Rs mn) | 13,764 | 20,965 | 288 | 1,364 | 6,155 |
| Gross debt-to-equity (x) | 4.2 | 1.2 | 0.0 | 0.1 | 0.6 |
| Net debt (Rs mn) | 13,555 | 20,255 | -7,036 | -1,195 | 5,904 |
| Net debt-to-equity (x) | 4.1 | 1.2 | -0.5 | -0.1 | 0.6 |
| Net Working Capital days# (no of) | 40 | 42 | 13 | 16 | 63 |
| Return on Equity (RoE) ^ | 15% | 17% | 20% | 21% | 12% |
| Return on capital employed (ROCE) ^^ | 10% | 13% | 23% | 24% | 14% |

Source: Company, 1Lattice Analysis, Emkay Research

^ RoE = Adj PAT/average equity

^^RoCE = EBIT/average capital employed; capital employed = equity + long-term debt + short-term debt + non-current liabilities

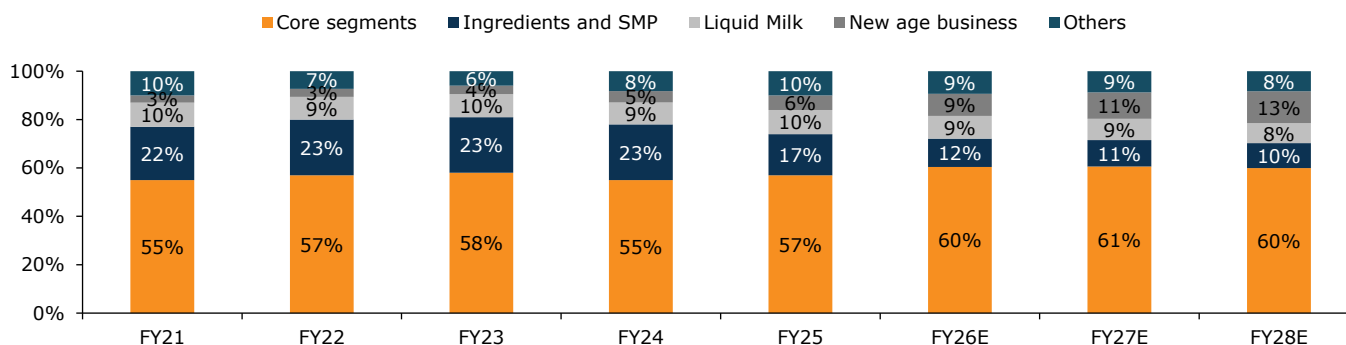
Net working capital requirement is based on revenue

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Parag set for mid-teens revenue CAGR

Parag is focused on enhancing its top-line outlook through its thrust on i) strengthening front-end under the new sales head, ii) rising salience of the B2C cheese business (from B2B heavy business), iii) addressing protein needs of the Indian population under brand *Avvatar*, iv) leveraging premium dairy under brand *Pride of Cows*, and v) expanding innovation base, with focus on differentiated high-value-added offerings both in B2C and B2B. While the company segments its business into core, new age, ingredient, liquid milk, and others, we see fair aggression across segments.

Exhibit 21: Business mix is likely to be stable, with a shift in revenue toward new-age businesses



Source: Company, Emkay Research

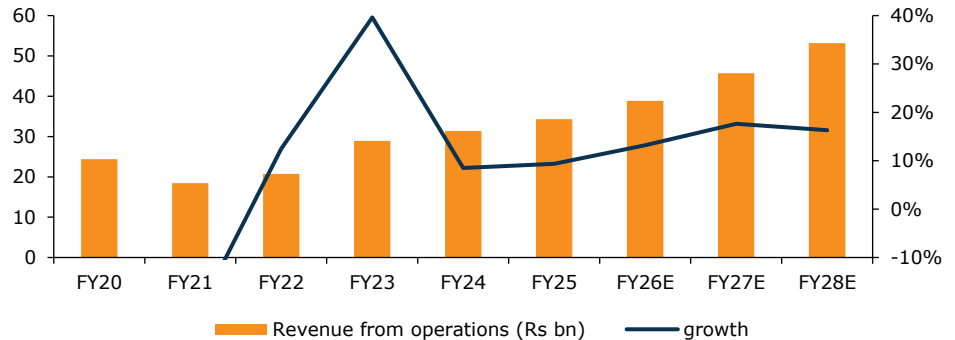
- Core segment:** In this segment, focus is on paneer, cheese, and ghee, which are witnessing rapid formalization and are likely to evolve into a branded play. With strong brands such as *Gowardhan* and *Go*, Parag is well placed to deliver 18% revenue CAGR over the next three years (FY25-28E).
- New-age business:** The segment focuses on addressing protein needs of youth under the *Avvatar* brand and leveraging premiumization opportunity under brand *Pride of Cows*. Strong growth in protein is driven by rising consumption and increasing focus on health and fitness, with Parag leveraging this trend by increasing product categories in this segment. We expect ~50% topline CAGR over FY25-28E.
- Liquid Milk:** We expect the segment to remain at ~9% levels, given the sourcing needs. FY26 has been muted for liquid milk, given weak seasonality. With the expectation of a normal monsoon in FY27, we anticipate growth to improve. The company would look to balance growth in the segment, in line with company growth.
- Ingredients:** The segment focuses on enhancing value-added offerings and trim SMP, which is a low-margin commodity proposition. Going ahead, we expect flat revenue over the next three years, where we expect salience of SMP to come down and value-added dairy by-products to go up. This is likely to help Parag enhance its margins in the segment.
- Other segments:** These comprise relevant but small segments such as curd, yogurt, butter milk, lassi, sweets, animal feeds, etc., which we view as a scalable opportunity. With the gradual addition of new revenue categories, the segment has seen a revenue CAGR of ~41% over the past couple of years. In FY26, the company experienced a seasonal impact on its revenue in Q2, with revenue contracting 24% YoY. Adjusted for Q2, growth has been healthy at ~30%. We expect a 9% revenue CAGR over FY25-28E.

Parag Milk Foods today stands at a structurally differentiated position within the Indian dairy universe, built on its 100% cow milk sourcing, leadership in value-added categories, and integrated cheese-whey platform. Unlike traditional dairy players largely anchored to commoditized liquid milk, Parag's business model is increasingly centered on protein-led, branded and premium segments, where pricing power, brand loyalty and scalability are structurally higher. The company's long-standing cow milk procurement ecosystem,

integrated processing capabilities, and difficult-to-replicate whey monetization create durable competitive advantages that underpin long-term value creation.

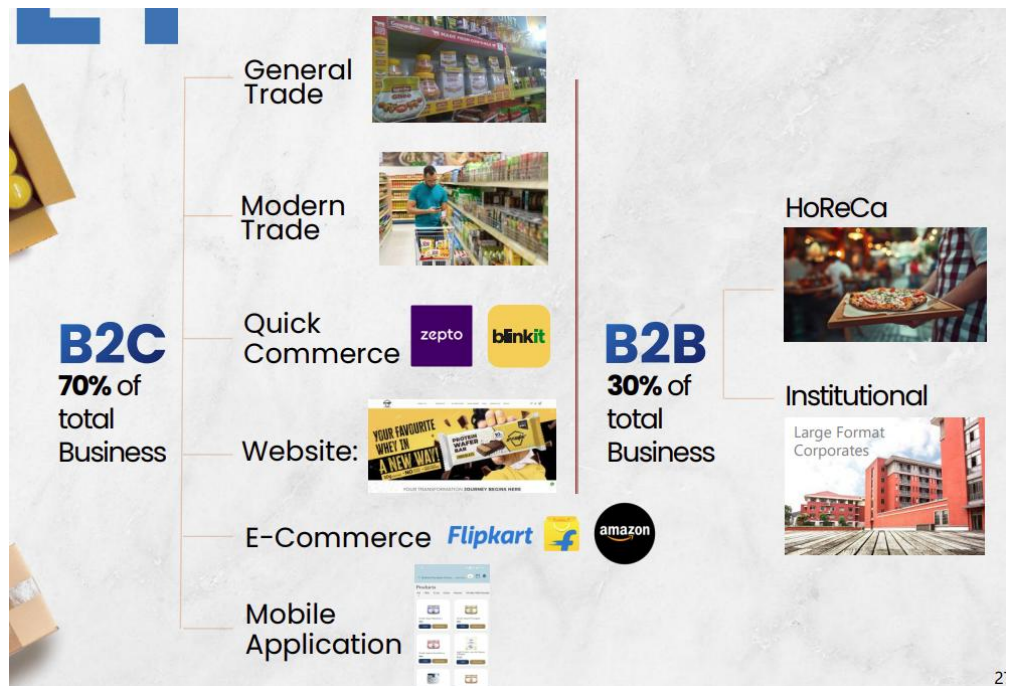
The company aspires for a Rs100bn revenue in 4-5 years (implies ~24% CAGR) led by the steady growth in core categories and a significant shift in mix toward the new-age business (~25% vs 9% as of 9MFY26), thereby diluting the share of ingredients/SMP and others.

Exhibit 22: Parag’s topline to be led by growing demand for packaged dairy products



Source: Company, Emkay Research

Exhibit 23: Parag Milk has a stronger presence in the B2C segment, which has higher margins; despite its significant presence in the B2B business, it stands to directly benefit from expansion in QSR



Source: Company, Emkay Research

While Parag already enjoys a dominant presence in the HoReCa (Hotels, Restaurants, and Catering) segment, a key strategic initiative now is to aggressively grow consumer-facing cheese sales. The company is leveraging its established institutional dominance to capture a larger share of the household market, focusing on increasing penetration in the North and South regions of India. The brand specifically targets modern families, young working couples, and urban households with active children, focusing on convenience and modern dietary preferences.

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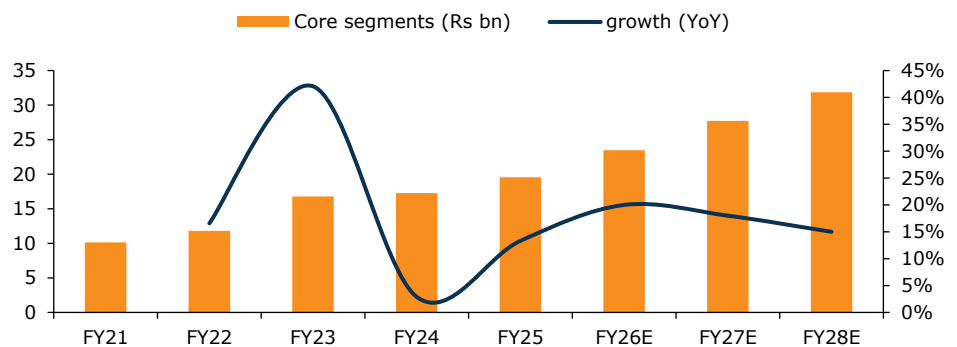
Parag has created premium positioning and pull in ghee

Ghee is a high-contribution segment for the business, with the core category business expected to deliver a healthy CAGR of ~18% over FY25-28E. The company exports *Gowardhan* ghee and, given the strong brand recall among the targeted diaspora there, Parag does not need to incur marketing expenses.

Gowardhan brand, owned by Parag Milk Foods, commands ~22% market share in the branded cow ghee segment, per IMRA data. This positions it among the clear leaders in a category otherwise dominated by cooperatives such as Amul and regionally entrenched players such as Mother Dairy and Karnataka Milk Federation (Nandini).

The critical distinction, however, lies in ownership structure and operating philosophy. While cooperatives prioritize farmer payouts and market stability, Parag operates as a private FMCG-style enterprise with a sharper focus on brand equity, premium positioning and margin optimization. This strategic difference is central to understanding *Gowardhan's* moat.

Exhibit 24: Core segments likely to see ~18% revenue CAGR



Source: Company, Emkay Research

Parag follows the **barbell strategy** in ghee:

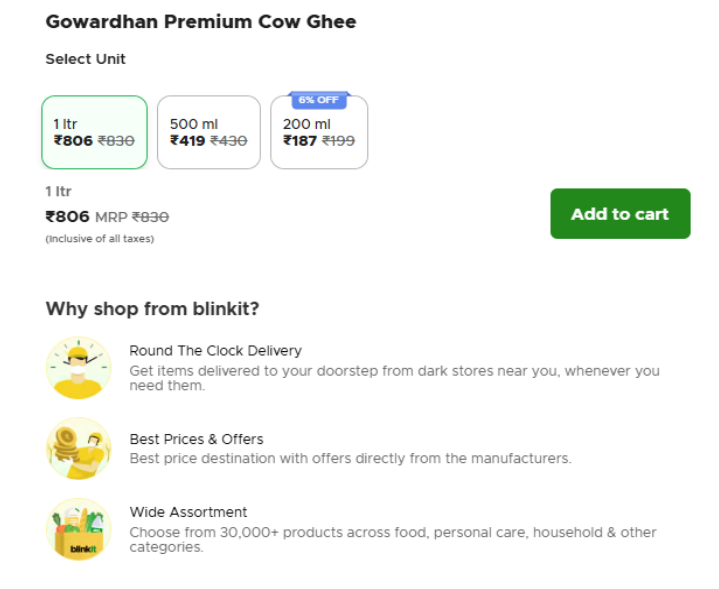
- **Gowardhan Ghee** caters to the large, organized mass-premium segment and is priced at ~Rs830/ltr, commanding a ~Rs185/ltr premium over *Amul*. The brand benefits from strong recall, wide distribution, and consistent brand investments (A&P ~4%), including long-running associations with KBC and Bigg Boss.

Exhibit 25: *Pride of Cows* ghee sells at a premium



Source: Emkay Research

Exhibit 26: *Gowardhan Ghee* is still at a premium to other brands



Source: Emkay Research

- *Pride of Cows* Ghee sits at the extreme premium end, priced at ~Rs2,500/ltr, and is sourced from single-origin milk from the Bhagyalakshmi farm. This positioning targets health-conscious, affluent consumers seeking traceability, purity, and superior nutritional quality.

This dual positioning allows Parag to address **both volume-led growth and value-led margin expansion**, without brand dilution.

Exhibit 27: Premiumization is led by a single-origin journey



Source: Company, Emkay Research

Ghee is a wide segment with a high share of unorganized

The Indian ghee category represents one of the most culturally embedded and economically resilient food segments in the country. Industry estimates place the total ghee market at Rs3.5–4trn, making it one of the largest value pools within Indian packaged foods. The ghee market remains meaningfully under-formalized, with a substantial share still controlled by loose and local players.

The structural shift from loose to branded ghee has accelerated over the past decade, driven by rising food safety awareness, concerns around adulteration, premiumization of diets, urbanization, and the expansion of modern retail and quick commerce. Within the branded segment, cow ghee has been the fastest-growing subcategory, benefiting from its health positioning and religious usage. It is within this branded cow ghee sub-segment that Gowardhan has established itself as a dominant franchise.

Industry penetration and growth runway provide a long-term opportunity

Despite India's position as the world's largest ghee-consuming nation, per-household penetration of branded cow ghee remains significantly below potential, particularly outside metros. A substantial share of rural and semi-urban households continues to rely on loose or locally sourced variants.

The opportunity, therefore, is not demand creation but formalization and premiumization. Rising disposable income, smaller household sizes, and increasing digital grocery penetration are accelerating conversion. Quick commerce has become particularly relevant for replenishment categories such as ghee, where smaller SKUs and higher frequency baskets favor organized players. Within this context, Gowardhan's expansion strategy appears calibrated toward both premium growth and mass penetration.

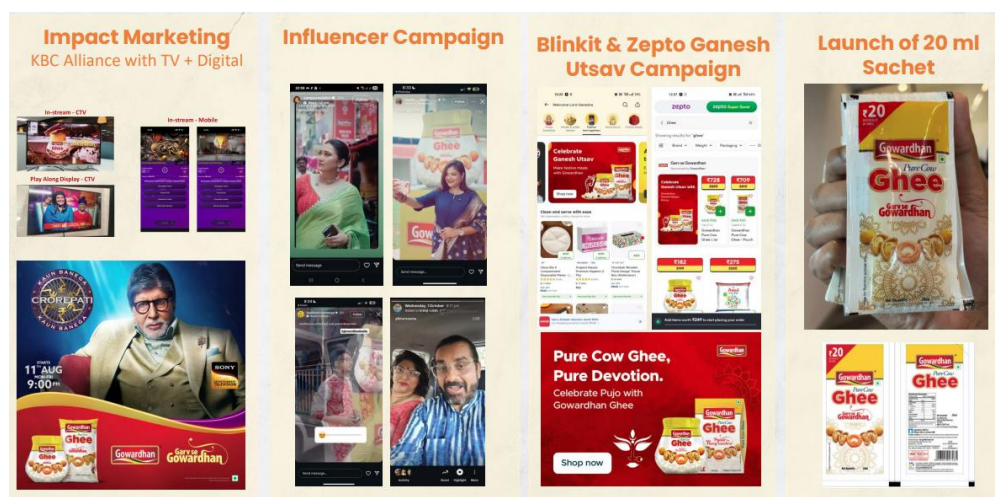
Cooperative scale-up vs FMCG discipline

While Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF) retains scale leadership, its cooperative mandate prioritizes farmer payouts and affordability. Regional cooperatives, such as *Karnataka Milk Federation*, focus on stronghold geographies. Parag’s *Gowardhan* differentiation lies in national brand-building intensity, premium pricing discipline, and portfolio laddering. The company’s private ownership structure allows sharp focus on gross margin expansion and mix improvement.

Digital-first consumer scrutiny of food brands has intensified in recent years. Influencer commentary, including reviews by FoodPharmer on packaged foods, has increasingly shaped urban purchasing decisions. While influencer narratives can amplify transparency discussions, *Gowardhan* operates within the regulated organized dairy framework and positions itself strongly on purity and compliance standards.

Gowardhan’s ghee franchise sits at the intersection of three durable themes: i) formalization of a fragmented category, ii) premiumization of dairy fats, and iii) structural integration across the fat value chain. The company’s ability to sustain a pricing premium over GCMMF without material share erosion indicates genuine brand equity rather than distribution arbitrage. Manufacturing capacity headroom supports incremental growth without disproportionate capital deployment. The dual-brand architecture enhances price laddering, while sachetization expands the penetration funnel.

Exhibit 28: Strong push to the *Gowardhan* brand, leveraging all relevant opportunities



Source: Company, Emkay Research

Product Strategy: Balancing premiumization and penetration

The recent introduction of 20 ml sachets represents a thoughtful structural move rather than a tactical SKU extension. At an accessible ~Rs20 price point, sachets enable low-risk trial, rural penetration, temple usage occasions and impulse purchase in modern retail. Importantly, this format expands the addressable consumer base without diluting the core brand’s premium positioning in larger packs. In dairy fats, sachetization often precedes durable brand adoption.

Parallely, the launch of *Gowardhan Swarna Ghee* reflects geographic customization. Southern markets historically exhibit different flavor, aroma and fat preferences. Manufacturing from the Palamner plant enables logistical efficiency while tailoring organoleptic characteristics for the region. This indicates strategic depth, not merely distribution expansion but sensory adaptation.

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

Exhibit 29: Gowardhan ghee offerings



Source: Company, Emkay Research

Exhibit 30: Gowardhan ghee at Rs20, an SKU to drive penetration



Source: Company, Emkay Research

Dual-brand architecture: Premium laddering without cannibalization

Parag's two-brand structure within ghee — *Gowardhan* and *Pride of Cows* — reflects deliberate price laddering. *Gowardhan* operates as the mainstream premium brand with pan-India distribution and broad accessibility. *Pride of Cows*, in contrast, is positioned as a farm-to-home, single-origin ultra-premium proposition, available in select urban centers at materially higher price points (~Rs2,500/kg).

This segmentation achieves three objectives. It captures multiple income cohorts, enhances the premium halo of the parent dairy franchise, and protects *Gowardhan* from down-trading risks. The existence of a super-premium anchor often strengthens consumer perception of the core brand's quality credentials.

Capturing value through forward integration into sweets

An under-analyzed element of the strategy is forward integration into sweets and traditional formats such as chikki and packaged sweets. By utilizing in-house ghee as a key ingredient, Parag enhances margin capture across the value chain.

India's packaged sweets segment, estimated at ~Rs80bn and growing, remains fragmented and ripe for branded disruption. Integrating backward into ghee and forward into sweets provides structural fat monetization benefits. In a milk business where fat economics determine profitability, such adjacencies can materially enhance return ratios.

Gowardhan's market share durability underpinned by four structural advantages

- **Vertically integrated dairy model:** First, the company operates a vertically integrated dairy model. Parag's milk-handling capacity stands at ~3.4mn liter per day across its key facilities at Manchar (Maharashtra) and Palamner (Andhra Pradesh). Cream extracted from milk balancing operations feeds into butter and subsequently ghee production, allowing efficient fat monetization. This integrated structure provides flexibility in managing milk fat volatility and optimizing realizations across categories such as cheese, butter and ghee. In dairy, fat management discipline often separates structurally profitable players from commodity processors.
- **Meaningful manufacturing scale and infrastructure:** The Manchar facility serves as the core hub for ghee manufacturing, with aggregate ghee and cheese production capacity of ~110 metric ton per day. Importantly, current milk processing volumes remain below installed capacity, implying that incremental ghee growth does not require significant near-term capital expenditure.

- Brand investment intensity differentiates *Gowardhan* from cooperatives:** Parag spends ~4% of revenue on advertising and promotions — materially higher than most cooperative peers. Visibility across mass platforms such as Kaun Banega Crorepati and Bigg Boss has strengthened recall in North and West India, where concerns about adulteration have catalyzed migration to trusted packaged brands. In categories built on purity perception, brand reinforcement compounds over time.
- Pricing power has been demonstrably sustained:** *Gowardhan* ghee typically trades at a premium to *Amul* ghee in retail markets. While *Amul* cow ghee retails at ~Rs645/ltr in many channels, *Gowardhan* is often positioned closer to Rs830/ltr, implying a premium of ~20-25%. This differential has been maintained without meaningful volume erosion, signalling brand strength rather than discount-led growth. At the upper extreme of Parag's portfolio, *Pride of Cows* ghee retails near Rs2,500/kg, underscoring pricing headroom within the broader ghee architecture.

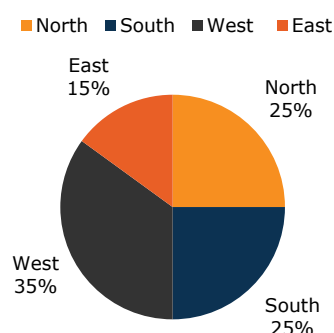
Cheese: B2C scale-up key for growth and margin

The cheese business is a core category segment for Parag Milk Foods. The company has a stronghold in the HoReCa segment in cheese, with ~55% market share (B2B). The company's focus is to drive B2C salience, with improving household consumption. Parag has initiated multiple brand-building activities where it has partnered with Big Boss, digital advertising featuring Farah Khan, as well as Buy One, Get One (BOGO) offers for its cheese blocks and slices. Additionally, Parag uses entirely cow milk, which is better suited for cheese processing.

India's cheese market remains significantly underpenetrated relative to global benchmarks. Industry estimates place the Indian cheese market in the range of Rs60–70bn, delivering mid-to-high teens CAGR, albeit from a low base. Per capita cheese consumption in India remains a fraction of developed markets, reflecting its positioning as a semi-urban and urban discretionary product rather than a staple.

However, structural consumption drivers are strengthening amid increasing westernization of diets, QSR proliferation, growth of modern retail, rising household refrigeration, and the spread of quick commerce. The category today mirrors the stage paneer was at two decades ago—not yet a daily staple but gradually moving toward higher household consumption frequency. Within this context, *Go Cheese*—owned by Parag Milk Foods—has emerged as the #2 player in the Indian cheese market after GCMF's *Amul*.

Exhibit 31: Cheese consumption split across regions in India



Source: 1Lattice Analysis, Emkay Research

To challenge *Amul* for category leadership, Parag must execute across four vectors: i) expand milk procurement to support higher cheese volumes, given the 10:1 conversion ratio, ii) increase retail penetration to improve blended margins, iii) continue institutional dominance to ensure plant utilization, and iv) invest in innovation (formats, flavors, snacking variants) to increase consumption frequency.

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions.com). Unlike ghee, cheese leadership cannot be built purely on distribution. It requires manufacturing precision, cold-chain investments and sustained brand education. *Go Cheese* represents a high-potential but capital-intensive growth vertical. It benefits from: i)

manufacturing scale at Manchar plant, ii) strong HoReCa relationship, iii) integrated milk sourcing, iv) brand-building investments, and v) whey monetization optionality. However, returns are sensitive to milk prices, working capital cycles, and retail mix. If household penetration doubles over the next decade, scaled private players, such as Parag, stand to benefit disproportionately.

Go Cheese's rise to the second position is the result of three deliberate strategic pillars:

- **Early institutional focus:** Parag invested in cheese manufacturing capabilities well before the category became fashionable. This early capacity build-out enabled the company to supply large-format customers when QSR and organized food service began expanding.
- **HoReCa penetration:** *Go Cheese* has strong presence in hotels, restaurants, and catering (HoReCa). Institutional customers prioritize consistency, supply reliability, and cost competitiveness – areas where scale players outperform fragmented producers. *Go* built long-term relationships with institutional buyers, which anchored volume growth even before household penetration accelerated.
- **Brand-led push into retail:** Unlike various B2B-focused dairy processors, Parag invested behind the *Go* brand, positioning it as a youth-oriented, modern cheese proposition. This dual-channel presence (B2B plus retail) allowed scale aggregation and brand visibility simultaneously.

HoReCa leadership for Parag

Go Cheese holds the leadership position in HoReCa, where volumes are stable and repeat-driven. However, B2B margins are structurally thinner than retail margins due to bulk pricing and tender-based procurement models. The B2B cheese segment is faced with moderate entry barriers: i) significant milk procurement scale required, ii) high working capital due to credit cycles in HoReCa, iii) cold-chain logistics capability, and iv) quality consistency and certifications requirements. B2B gives the company consistent cashflows and some of the major clientele for this segment are Jubilant Foodworks, Mondelez, and Nestlé.

While there is no regulatory moat, economic and operational scale create practical barriers to entry. Smaller dairy players struggle to consistently supply large institutional clients at competitive rates while maintaining quality. Parag's presence in both B2B and B2C provides an advantage. Institutional volumes ensure capacity utilization, while retail packs drive margin expansion.

Manufacturing capabilities: Scale as a structural advantage

Parag operates one of India's largest private cheese manufacturing facilities at Manchar, Maharashtra. The plant has an installed cheese production capacity of ~80 metric tonnes per day. Along with ghee production lines, the integrated facility allows efficient fat balancing across dairy categories.

Cheese manufacturing is materially more complex than ghee processing. It requires controlled fermentation, temperature management, ageing infrastructure, and specialized packaging lines. The Manchar facility includes automated processing systems and cold-chain infrastructure, which together create meaningful entry barriers for smaller private players. A crucial economic parameter in cheese production is milk conversion efficiency. Around 10ltr of milk is required to produce 1kg of cheese. This high milk intensity makes procurement scale indispensable. Cheese expansion, therefore, necessitates robust milk sourcing networks and working capital discipline.

Parag's milk handling capacity of ~3.4mn ltr per day supports this upstream requirement. The ability to divert milk between liquid, ghee, and cheese based on fat economics allows portfolio optimization.

Whey Advantage – A structural by-product benefit

Whey is a by-product generated during cheese production. High-quality whey has nutritional and industrial applications, including protein supplements, bakery products, and infant nutrition. Parag's integrated cheese operations generate quality whey as a natural derivative

of production. Some smaller processors substitute or fortify with yeast-based alternatives, which are cheaper but inferior in quality and nutritional profile.

The availability of genuine whey gives Parag optionality in value-added dairy proteins and health nutrition categories. This creates an economic hedge where whey monetization can partially offset cheese manufacturing costs, enhancing overall plant economics.

Repositioning cheese, from a niche product to a mass-affluent essential

While institutional volumes have built Parag's foundation, the company's strategic focus now appears oriented toward increasing retail household penetration. Cheese in India is transitioning from an occasional indulgence product to a cooking ingredient. Sliced cheese, cheese cubes, spreads, and mozzarella are increasingly used in home-made sandwiches, parathas, and fusion dishes.

Parag targets its products replicating the journey of 'paneer' – from a festive or restaurant product to a household staple. Though cheese is some time away from such an achievement, demographic shifts and rising income levels support this trajectory. Also, brand-building efforts have supported this transition. Visibility through sponsorships and advertising across platforms such as 'Kaun Banega Crorepati' and 'Bigg Boss' has reinforced Go's mainstream journey.

Exhibit 32: B2C activations for Go's cheese offering

Source: Company, Emkay Research

Pride of Cows extension into cheese

Under its ultra-premium dairy brand *Pride of Cows*, Parag also offers premium cheese variants. This premium laddering mirrors its ghee strategy. By anchoring the portfolio with a super-premium offering, the company strengthens perception of quality and farm-level traceability. It also allows participation in high-income urban consumption pockets without diluting Go brand's broader accessibility positioning.

Paneer formalization to help Parag gain scale

Paneer is a core category product of the company, although its contribution is lower as against that of ghee and cheese. Paneer is a growing segment for Parag. We believe there are two factors behind this—availability and adulteration. The availability issue is resolved by the QCom channel; the adulteration issue has pushed buyers toward branded paneer, which makes Parag a beneficiary. We see a huge shift from the unorganized channel to the organized.

Paneer is one of the most widely consumed dairy-based protein products in India and serves as a key component of vegetarian diets. Unlike cheese, paneer has deep cultural integration across North, West, and increasingly South India (category developed by South Indian dairy companies), with usage spanning household cooking, restaurants, and catering. Industry estimates place the Indian paneer market in the range of Rs300-400bn, making it significantly

larger than the cheese category by value. However, the market remains partially unorganized, with a meaningful portion historically dominated by local dairies and sweet shops.

For Parag, paneer may not be the primary profit engine, but it strengthens portfolio breadth, reinforces dairy credentials, and enhances consumer touchpoints across meal occasions. As adulteration concerns persist and quick commerce deepens penetration, organized paneer brands such as *Gowardhan* are positioned to benefit from sustained migration away from local, unbranded supply chains.

From availability at a local ‘halwai’ shop to becoming a branded pack, paneer is seeing fast formalization

Per capita paneer consumption remains uneven across regions, with North India accounting for a disproportionate share. Nevertheless, urbanization, rising awareness of protein consumption and QSR proliferation are expanding its footprint nationally. A decade ago, paneer consumption in India was predominantly local and fresh. Households often purchased paneer from neighborhood dairies or halwais, trusting proximity over packaging. The unorganized ecosystem thrived due to paneer’s easy availability and affordability.

However, recurring concerns around adulteration altered consumer behavior materially. Instances of starch blending, use of synthetic milk, improper storage, and non-standardized fat content began eroding trust in loose paneer. Media coverage and food safety awareness campaigns amplified concerns regarding hygiene and contamination risks.

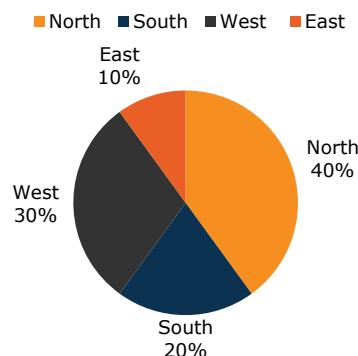
Paneer is particularly vulnerable to adulteration because it is moisture-heavy and highly perishable, and its purity is difficult for consumers to assess visually. Unlike ghee, which has a longer shelf life, paneer requires strict cold-chain management. This structural vulnerability created an opportunity for organized brands to build trust.

Over the past decade, two major barriers to the shift toward branded products availability and the trust have been addressed. As a result, the paneer category has seen a gradual but meaningful shift from unorganized to organized formats, especially in Tier 1 and Tier 2 cities.

- **Availability:** Historically, branded paneer was difficult to access outside large supermarkets. The rise of modern retail, improved refrigeration infrastructure in kirana stores, and the emergence of quick commerce platforms have addressed the distribution gap. Consumers can now receive branded paneer within minutes, reducing dependence on neighborhood dairies.
- **Trust:** Organized players emphasize quality control, standardized fat content, hygienic packaging and FSSAI compliance. Brand trust has increasingly replaced proximity as the primary purchase driver in urban markets.

While the organized share of paneer remains lower than that of ghee, it continues to expand steadily. Cooperative players such as Amul and Mother Dairy remain prominent in the branded paneer category, while Parag Milk Foods, a private player, has strengthened its presence through the *Gowardhan* brand.

Exhibit 33: Paneer consumption across regions in India



Source: 1Lattice Analysis, Emkay Research

This report is prepared by White Marquee Solutions (team.emkay@whitemarquesolutions.com)

Contribution within Parag's portfolio is on the rise

Within Parag Milk Foods' overall portfolio, paneer remains a smaller revenue contributor relative to ghee and cheese. Ghee and cheese benefit from longer shelf life, higher pricing power and better margin visibility. Paneer, by contrast, is a high-velocity, lower-margin, perishable product with significant cold-chain requirements. However, paneer plays a strategic role as it helps monetize milk solids, improves brand visibility in daily consumption, and strengthens distribution presence in refrigerated sections. In the dairy category, shelf presence across multiple product formats increases bargaining power with retailers.

Gowardhan brand equity driving growth in the paneer segment

Gowardhan paneer is positioned as a hygienically processed, vacuum-packed product that offers consistent texture and fat content. The brand leverages its established equity in ghee to signal purity and trust. For consumers transitioning from local paneer, the value proposition centers on three assurances: i) absence of adulterants, ii) standardized taste and softness, and iii) reliable cold-chain handling.

With the expansion of quick commerce platforms, branded paneer is increasingly shifting from a planned supermarket purchase to a convenience buy. This behavioral shift benefits established brands with distribution reach.

Premium differentiation under *Pride of Cows*

Under *Pride of Cows* brand, Parag also offers premium paneer variants. *Pride of Cows* is positioned around single-origin, farm-sourced milk with traceability and higher quality standards. The premium paneer offering caters to affluent urban consumers willing to pay for perceived farm-level authenticity. This mirrors Parag's dual-brand strategy in ghee and cheese, creating a price ladder without diluting the mainstream positioning of the *Gowardhan* brand.

Quick commerce, a structural catalyst

The rise of quick commerce has materially altered paneer economics. Previously, perishability limited geographic reach; however, the dark-store model and last-mile cold-chain now enable rapid delivery within micro-markets. This reduces inventory risk at the retailer level and supports smaller pack sizes. It also encourages higher purchase frequency, which is critical for penetration expansion. Availability is no longer a bottleneck in urban centers. The competitive landscape has shifted toward brand trust and price-value perception.

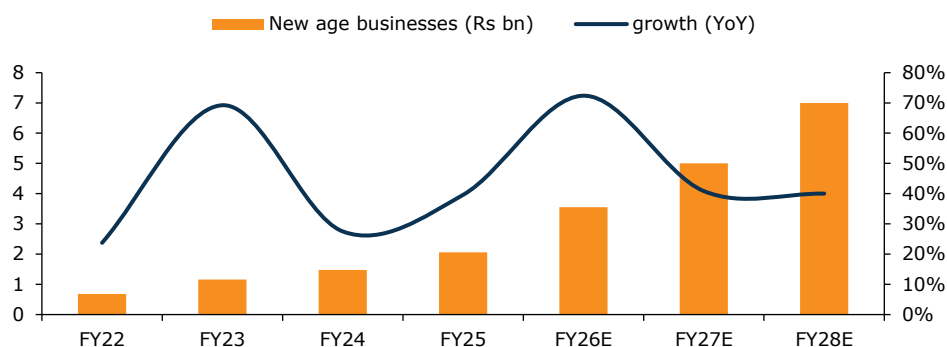
New-age businesses – *Avvatar* and *Pride of Cows*

The new-age business accounted for ~9% of the company's topline as of 9MFY26, which we expect to expand to 13% by FY28E, on the back of healthy growth. The company has set an aspiration to enhance the mix to ~20% over the medium term. Rapid growth in protein consumption, driven by rising health and fitness awareness, is being leveraged by Parag through expansion of its product categories in this segment. Recently, the company introduced a protein bar, which has gained traction and now contributes ~8% to the *Avvatar* brand. The *Pride of Cows* brand is also scaling up, with presence across eight cities and portfolio expansion into paneer, ghee, curd, and yogurts, which was earlier limited to liquid milk.

We expect ~50% topline CAGR for the segment over FY25-28E. For FY26E, we expect +70% revenue growth; however, on a scaled-up base, growth is likely to moderate. That said, enhanced execution (with expanding presence and innovation) and faster adoption of protein formats support healthy growth for the *Avvatar* brand. Brand *Pride of Cows* is likely to see healthy growth ahead, given that affluent consumers increasingly seek differentiated offerings. Within the new-age business, the *Avvatar* brand has a higher share than the *Pride of Cows* brand, which is a relatively higher-margin brand and therefore accretive to the business.

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Exhibit 34: The new-age business is a focus area for the company



Source: Company, Emkay Research

Parag Milk has positioned the protein needs of India under its new-age business. Within this, the focus is on addressing the protein needs of youth under the *Avvatar* brand while leveraging premiumization opportunities under the *Pride of Cows* brand. The *Avvatar* brand provides Parag exposure to a high-growth, high-margin category distinct from traditional dairy commoditization, while *Pride of Cows* reinforces premium positioning and farm-level traceability. The new-age businesses reflect Parag’s effort to evolve from a conventional dairy processor into a vertically integrated nutrition company aligned with emerging consumer health priorities.

Exhibit 35: New-age business strategy

PRIDE OF COWS
MILK FULL OF LOVE

ROUTE TO MARKET
Direct to Consumers
E-Commerce
Organized Trade Channels

INCREASING PRODUCT PORTFOLIO
Ghee | Milk | Curd | Paneer |
Greek Yogurt | Fresh Cheese

DIRECT CONSUMER BASE 1Lakh+

GROWTH STRATEGY
More points of sale,
more products

Now present across **8 Cities**
Mumbai, Pune, Delhi
Ahmedabad, Surat
Bengaluru, Vadodara
& Chandigarh

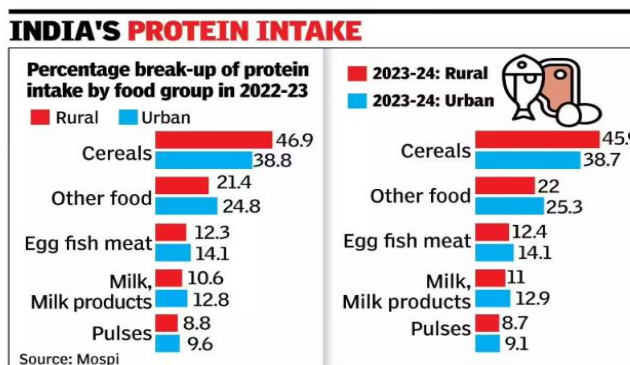
© 2022. All Rights Reserved | Parag Milk Foods

Source: Company, Emkay Research

The proteinization of Indian diets driving new-age business growth

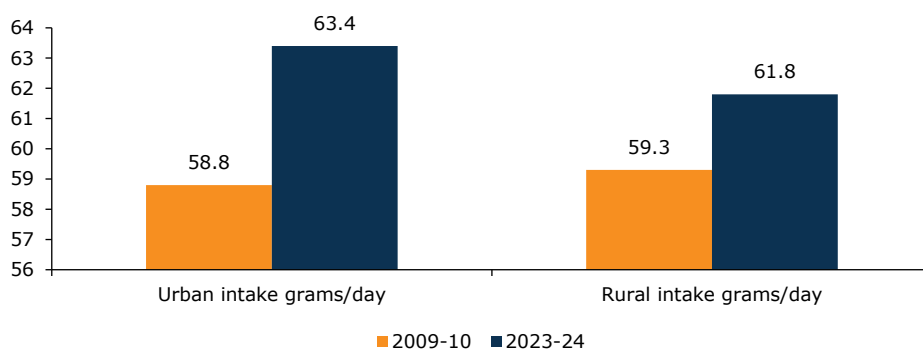
India is at the cusp of a structural shift toward higher protein consumption. Historically, Indian diets have been carbohydrate-heavy, with per capita protein intake below global averages. However, rising health awareness, increasing gym penetration, social media influence, and shifts in urban lifestyle have accelerated demand for protein supplementation.

Exhibit 36: Sources of protein intake have remained largely similar across both urban and rural population



Source: Media, Emkay Research

Exhibit 37: India is consuming more protein vs a decade ago (8% increase in urban consumption and marginal increase in rural consumption)



Source: Emkay Research

Sports nutrition and whey protein have seen rapid scale-up

The sports nutrition and whey protein segment in India is estimated at Rs30-40bn and growing at high double digits. What began as a niche bodybuilding category has now broadened to include recreational fitness consumers, working professionals, women, and older demographics seeking preventive health solutions.

This shift from being known as a 'bodybuilding supplement' to becoming a 'daily protein nutrition' is redefining the opportunity set. It is within this expanding addressable market that Parag Milk Foods has positioned *Avvatar* as a differentiated, vertically integrated brand.

Avvatar – From gym supplement to lifestyle protein brand

Brand *Avvatar* was launched as a farm-to-shaker protein proposition, emphasizing traceability and purity. Unlike legacy gym-focused brands, the *Avvatar* brand positions itself around "fresh whey" derived using milk directly sourced from India.

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Exhibit 38: Avvatar brand expanding its portfolio with protein bar segment incubation



Source: Company, Emkay Research

Exhibit 39: Brand Avvatar’s product offerings



Source: Company, Emkay Research

The portfolio has expanded rapidly covering whey protein concentrate, whey protein isolate, mass gainers, flavored variants, sachet packs, and functional blends. Such breadth of SKUs enables price segmentation, flavor innovation, and channel customization.

Exhibit 40: Avvatar is taking whey protein mainstream

FOR THE ONES WHO ARE **READY TO TRANSFORM**

Ideal for all fitness and wellness enthusiasts striving for peak performance.



Sports Athletes



Fitness Enthusiasts



Bodybuilder



Endurance Runners



Cyclists

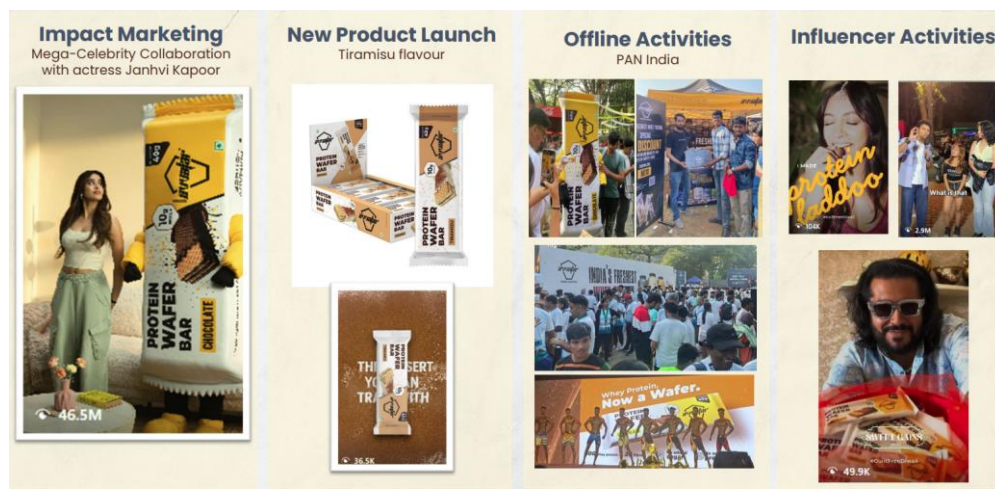


Beginners

Source: Company, Emkay Research

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Exhibit 41: Connecting with the target audience with apt formats and marketing initiatives



Source: Company, Emkay Research

Importantly, Parag is attempting to reshape consumer perception of protein consumption. Historically, they were associated almost exclusively with male gym-goers. The Avvatar brand’s communication increasingly focuses on broader use cases: i) daily protein supplementation for working professionals, ii) women’s fitness, iii) immunity and recovery, and iv) performance. By reframing protein as a daily nutritional requirement rather than a bodybuilding product, Parag is expanding the addressable market beyond hardcore fitness enthusiasts.

Whey is a natural by-product of cheese

Whey protein is derived from whey, the liquid by-product generated during cheese production. Cheese manufacturing requires ~10ltr of milk to produce 1kg of cheese. During this process, whey emerges as a high-protein derivative. Most Indian whey protein brands rely on imported whey concentrates or isolates, typically sourced from the United States or Europe. These imports introduce currency risk, supply chain volatility, and quality traceability challenges.

Parag, by contrast, generates whey internally as a direct by-product of its cheese operations at Manchar. This integrated model provides several structural advantages: control over the raw material quality, no dependency on imports, supply consistency, and traceability from farm to finished protein.

Recognizing the protein opportunity, Parag expanded cheese plant capabilities not only to scale cheese volumes but also to enhance whey recovery and processing infrastructure. This backward integration makes Parag one of the few — arguably the only large Indian brand — producing whey protein from its own domestic milk ecosystem rather than relying predominantly on imports.

The company highlights its technical expertise in the whey segment, built over years of supplying whey as a B2B player vs now leveraging it in B2C. The proximity of its cheese and whey plants allows it to utilize fresh produce, the usage of cow milk, which ensures consistency and a higher fat-to-protein ratio, and various modes of filtration to refine the quality. Other cooperative players also operate cheese and whey plants; however, they have not achieved success, which the company attributes to its superior know-how.

The strategic logic is clear: cheese drives whey; whey drives protein supplements; protein supplements deliver structurally higher margins

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Exhibit 42: An industry-level comparative for the whey protein market

| Company | Bright lifecare | Glanbia performance | Parag Milk | Fitshit Health Solutions |
|----------------------|-----------------|---------------------|------------|--------------------------|
| Brands | Muscleblaze | ON | Avvatar | Whole truth |
| FY24 revenue (Rs bn) | 8.3 | 4.2 | 1.1 | 0.9 |
| Market share | ~25% | ~12-15% | ~8-9% | ~6% |

Source: Company, Emkay Research

Import dependency vs domestic integration for Parag

The Indian whey market is crowded with brands, however, most of them operate as marketing and distribution platforms rather than integrated dairy processors. Raw whey concentrate is typically imported in bulk and then packaged domestically. Among the active players, the key ones include Glanbia, Arla, and Fonterra, whose products are largely imported from New Zealand and Europe.

Exhibit 43: Brand Avvatar is benchmarked with global players



Source: Company, Emkay Research

This creates three vulnerabilities: currency exposure, quality inconsistency across batches and limited supply-chain control. Brand Avvatar’s differentiation lies in its integrated sourcing. The brand markets its protein as originating from fresh cow’s milk processed at Parag’s own facilities. This farm-level integration enhances credibility in a category where adulteration concerns have historically been high. While multinational nutrition brands compete aggressively, few possess upstream dairy infrastructure in India. Parag’s dairy DNA becomes a competitive moat in a category otherwise dominated by asset-light players.

Pride of Cows is a premium urban dairy play for Parag Milk

Parallel to the Avvatar brand, brand *Pride of Cows* represents Parag’s ultra-premium, subscription-based dairy model. Positioned around farm-fresh, single-origin milk with traceability, brand *Pride of Cows* targets affluent urban consumers. The brand operates on a direct-to-consumer subscription framework in select metropolitan markets, ensuring freshness and supply control. Its portfolio spans milk, ghee, paneer, and cheese, reinforcing the premium halo across Parag’s dairy architecture.

While smaller in scale compared with core dairy categories, brand *Pride of Cows* serves as a premium margin enhancer, brand-building showcase of quality, and testing ground for high-end dairy innovation. The brand also strengthens Parag’s credibility in protein and health segments by reinforcing upstream farm-level control.

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Exhibit 44: Brand *Pride of Cows* looking to drive consumer penetration with focus on brand building and portfolio enhancements



Source: Company, Emkay Research

Single-origin premium dairy built on farm-level integration

Brand *Pride of Cows* represents a structurally differentiated play within the Indian dairy – positioned not merely as a premium milk brand, but as a single-origin, fully integrated farm-to-home proposition. The brand is anchored in control over sourcing, animal health, technology, packaging, and last-mile delivery. Brand *Pride of Cows* has a dedicated farm for its cows and maintains ~2,000 acres of land exclusively for growing feed for captive consumption. Milk has a much higher salience for this brand, and quick commerce is now leading the VAP sales. The cost of milk at the Bhagalakshmi farm is much higher when compared with procurement prices from farmers, led by the use of high-quality fodder and maintenance of these cows. We believe the liquid milk sales should grow on a healthy pace led by the introduction of quick-commerce channel, which was initially driven by just D2C and modern trade. Earlier, milk was supplied on an invitation basis; however, with the availability of surplus milk, the brand has extended into value-added products.

Exhibit 45: Brand *Pride of Cows* has expanded into multiple categories, given strong brand recall



Source: Company, Emkay Research

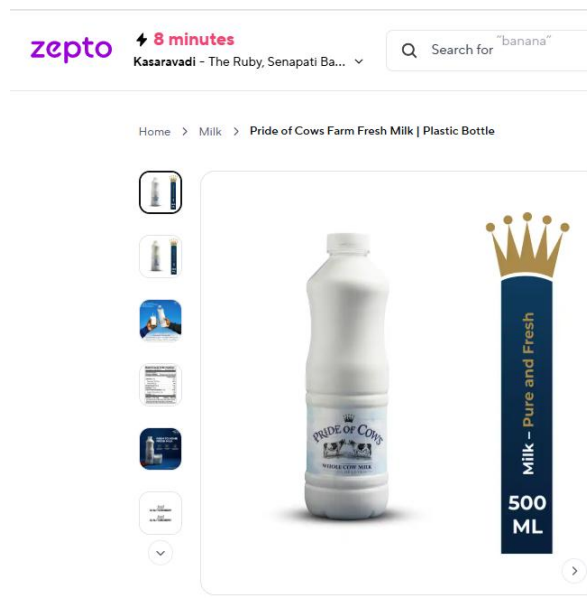
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Exhibit 46: The brand primarily follows a D2C model, which is available through its own website/app



Source: Company, Emkay Research

Exhibit 47: Brand *Pride of Cows* is also available on the QCom platform



Source: Company, Emkay Research

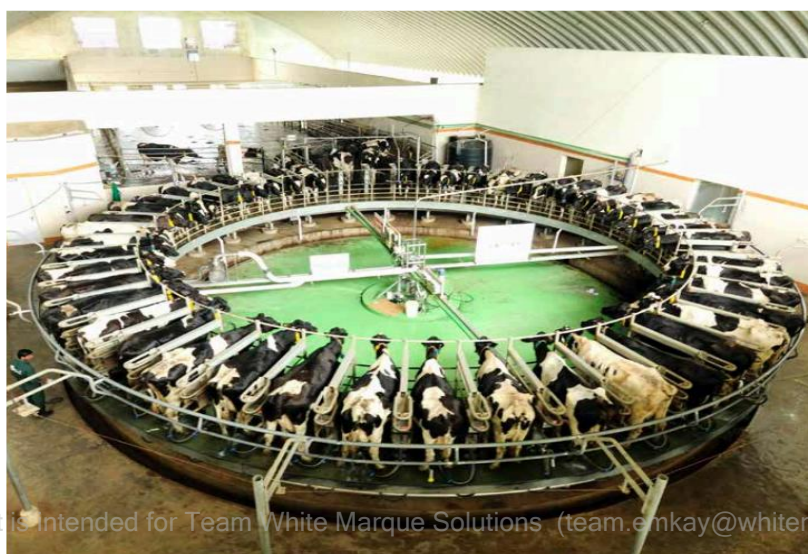
At the core of the brand *Pride of Cows*, value proposition is the single-origin model. Unlike conventional dairy supply chains that aggregate milk from thousands of farmers across geographies, brand *Pride of Cows* sources exclusively from its own farm—Bhagalakshmi Dairy Farm—near Pune. This single-origin approach delivers three structural benefits: freshness, quality consistency, and taste standardization.

Bhagalakshmi Farm dedicated to brand *Pride of Cows*

Bhagalakshmi Dairy Farm, located near Pune, is positioned as one of India’s largest single-location dairy farms. Operational since 2008 under Parag’s ownership, the farm represents a deliberate move away from fragmented milk procurement toward centralized, technology-driven dairy farming.

By eliminating dependence on external village-level collection, brand *Pride of Cows* achieves full traceability — from cow to consumer. Every liter processed under the brand originates from this single integrated farm, enabling quality assurance protocols that are difficult to replicate in decentralized procurement systems.

Exhibit 48: Bhagalaxmi Dairy farm, India’s most advanced dairy farm, spanning >35 acres and equipped with cutting-edge international technology



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Source: Company, Emkay Research

Exhibit 49: Parag has invested in state-of-the-art technology-driven facilities that ensure product quality, hygiene, and safety



Source: Company, Emkay Research

- **The farm incorporates international dairy management standards**, including structured herd monitoring, expert supervision teams, and automated health detection systems. Technology sourced from Germany and France underpins much of the infrastructure.
- A key feature is the **50-point automated rotary milking parlor**. In such systems, cows are milked in a circular automated platform that minimizes human handling and accelerates milking efficiency. Automation reduces contamination risk, ensures consistency, and shortens processing cycles. Lower manual intervention typically translates to lower bacterial counts — a critical determinant of milk quality.
- Immediately after milking, the milk is rapidly chilled and maintained at $\sim 4^{\circ}\text{C}$ at every stage of handling. **Cold-chain discipline is essential to preserve microbial quality and extend shelf life**. Brand *Pride of Cows* claims a shelf life of up to seven days when milk is stored below 4°C , reflecting tight temperature control.
- **The entire milking and chilling process is designed to be completed in a short span of time**, after which the milk is packaged and dispatched. Delivery to end consumers is typically targeted within 24 hours, reinforcing the brand's freshness-led positioning.
- ***Pride of Cows* brand's milk is delivered in PET bottles rather than traditional sachets**. The packaging technology is sourced from Serac, a global packaging solutions company based in France. PET bottling enhances structural rigidity, tamper evidence, and perceived premium positioning. It also reduces spillage and improves refrigeration stability compared with thin-film pouches. The combination of rapid processing, cold-chain management at 4°C , and hygienic bottling systems contributes to low bacterial counts and consistent taste profile.
- Since 2008, the **farm has focused on structured herd reproduction rather than external cattle purchases**. Historically, artificial insemination relied on imported semen from North America and Canada to enhance genetic productivity. This long-term genetic improvement program has aimed at increasing yield efficiency and herd quality.
- Unlike conventional milk brands distributed through wholesale-retail channels, ***Pride of Cows* brand operates largely on a subscription-based direct-to-consumer model in select urban centers**. This eliminates intermediary storage points and shortens the supply chain. Milk is processed, bottled, and delivered within 24 hours to end consumers, reinforcing the freshness narrative.

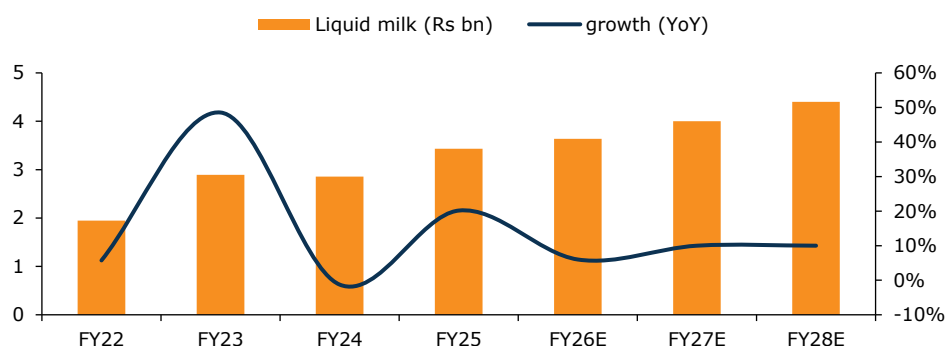
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Liquid milk is key to driving fundamental growth and achieving high-teens growth

Milk is the core category for a dairy company like Parag Milk, which, in our view, will maintain its revenue salience. As the company expands its geographic presence, we expect it to focus on local sourcing of milk for its value-added segments, given the perishable nature of the product. Given the increasing formalization and household penetration of value-added offerings, the company will need to continue its commodity liquid milk business to ensure sufficient milk availability.

FY26 has been muted for liquid milk due to weak seasonality. With the expectation of a normal monsoon in FY27, we anticipate growth to improve. The company is likely to balance growth in the segment, in line with overall company growth. However, if value-added products see accelerated opportunities, the company may focus on improving the mix, which could impact liquid milk’s revenue salience. We expect stable revenue contribution from liquid milk over FY26-28E.

Exhibit 50: Liquid milk, being essential for other categories, is expected to stay at ~9% mix



Source: Company, Emkay Research

Indian milk opportunity remains wide, with steady formalization

India remains the largest milk-producing country globally, with annual production exceeding 220mn ton (mt). Liquid milk continues to represent the largest segment within the dairy value chain by volume, although not by profitability. The category is characterized by high throughput, daily logistics intensity, minimal differentiation in the mass segment, and structurally thin margins. Unlike value-added dairy products such as ghee or cheese, liquid milk remains largely commoditized outside of niche premium formats.

Exhibit 51: Of the total milk supplies, ~11% has been processed by private organized players



Source: Company, 1Lattice Analysis, Emkay Research

Cooperatives maintain a high share in the formal milk economy

Organized players such as Amul and Mother Dairy dominate at a national level, while regional specialists such as Hatsun Agro Product, Heritage Foods, and Dodla Dairy operate strong state-level franchises. These players typically rely on procurement scale, distribution efficiency, and working capital velocity rather than brand premiumization. As a result, the economic model is centered around milk procurement arbitrage and cost discipline rather than margin expansion.

Liquid milk, a supporting segment for Parag Milk

Against this backdrop, Parag Milk Foods has consciously positioned liquid milk as a supporting category rather than a core growth engine. The segment contributes roughly ~9% of revenue (for 9MFY26), and management commentary indicates that this salience is unlikely to expand materially. This is a strategic choice rather than a capacity constraint. The company operates a milk handling capacity of ~3.4mn liters per day, while current procurement stands at ~1.5mn liters per day, implying significant latent headroom. However, instead of chasing commoditized volume growth, Parag has allocated capital and managerial focus toward higher-margin value-added dairy.

Liquid milk key for Parag's procurement ecosystem

Within Parag's portfolio, liquid milk serves multiple structural purposes. First, it anchors the procurement ecosystem. Cheese production requires ~10ltr milk to manufacture one kilogram of cheese, making procurement depth a non-negotiable competitive requirement. Second, milk fat extraction supports butter and ghee manufacturing economics. Since cow milk typically contains ~ 3.5% fat, and standardized milk often requires balancing to regulatory norms, the extracted fat becomes a valuable input for ghee production. In this sense, liquid milk is not merely a retail SKU but an upstream economic lever supporting higher-margin categories.

The premium play in liquid milk is led by brand *Pride of Cows* within the new-age business

The premium exception within this portfolio is the brand *Pride of Cows*, which represents a differentiated play in single-origin milk. Unlike traditional milk processors that standardize and balance fat and solids-not-fat (SNF) to meet regulatory norms, brand *Pride of Cows* positions itself as unbalanced, farm-to-home milk sourced exclusively from Bhagyalakshmi Dairy Farm near Pune. The milk is processed using a 50-point automated rotary milking parlor, immediately chilled to 4 degrees Celsius, and packaged in PET bottles sourced from international suppliers. The company emphasizes minimal human intervention, low bacterial count, and delivery within 24 hours to maintain freshness. This premium positioning reflects in pricing, with *Pride of Cows* brand retailing at ~ Rs 135-150 per liter, compared with mass-market milk under the *Gowardhan* label at roughly Rs58 per liter.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 52: "What's the Source of Your Milk?" is a full-fledged 360-degree campaign, strategically rolled out across high-visibility platforms to spark mass consumer engagement



Source: Company, Emkay Research

Liquid milk has low margin; balancing mix key for profitability

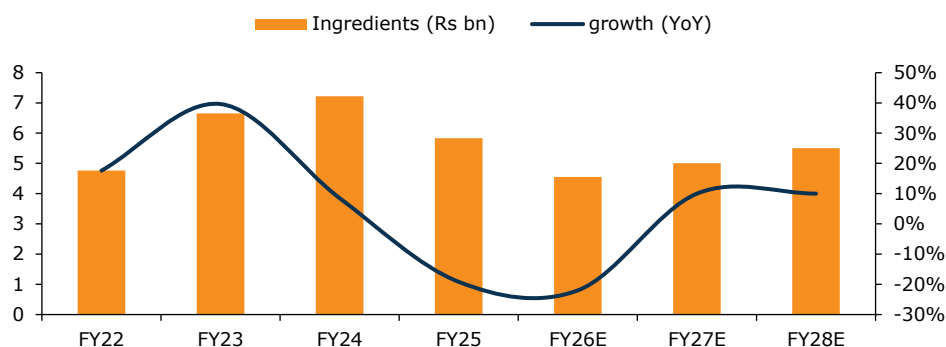
From a financial perspective, liquid milk remains a structurally lower-margin category relative to value-added options. It is exposed to milk price inflation, which has seen significant volatility, including reported increases of ~20% YoY during certain periods. While price hikes can be passed through, the pass-through is neither instantaneous nor fully elastic. Moreover, liquid milk requires daily logistics, cold chain discipline, and working capital rotation, which compress margins relative to shelf-stable dairy products. Parag's overall margin profile is therefore influenced by its higher raw material quality standards and multi-category complexity, as well as sustained advertising expenditure of ~4% of revenue.

That said, liquid milk contributes positively to working capital velocity. Compared with value-added categories, which require aging and inventory holding, milk has faster turnover and supports liquidity. The management has indicated a targeted normalization of inventory cycles toward ~60 days over the medium term, and milk remains an important stabilizer within that framework.

Ingredients segment defocusing on SMP and shifting toward high-margin options

This segment consists of ingredients such as by-product lactose, pharma raw materials, and skimmed milk powder (SMP). In this segment, the company has been focusing on value-added, high-margin by-products, with continued emphasis on innovation. These by-products fetch healthy margins, where Parag leverages its three decades of experience. SMP has a low margin, which is largely a factor of excess fat in the business. With faster growth in value-added products, we expect the salience of SMP to gradually decline, contributing to a steady fall in segment revenue. We expect revenue to remain flat over the next three years, with profitability improving significantly, driven by healthier mix.

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Exhibit 53: The ingredients business is expected to stay flat, given defocus on SMP

Source: Company, Emkay Research

Skimmed milk powder is a commodity product with low margin

Within the dairy value chain, the ingredients segment—particularly skimmed milk powder (SMP)—occupies a structurally different economic position compared with branded value-added dairy. While ghee, cheese, and paneer benefit from consumer-facing brand equity and pricing power, SMP remains largely commoditized, globally traded, and margin volatile. For Parag Milk Foods, the ingredients segment is not a strategic growth driver but an inevitable by-product of its milk-processing architecture.

India is among the largest producers of SMP globally, with output fluctuating based on milk seasonality and domestic demand absorption. SMP production typically spikes during flush seasons, when milk procurement exceeds liquid demand. Excess skimmed milk is converted into powder to extend shelf life and stabilize farmer offtake. In lean seasons, the reverse occurs, with powder reconstitution balancing supply.

The SMP market is cyclical and highly sensitive to global dairy trade flows. Prices are influenced not only by domestic milk production but also by export dynamics, international dairy auctions, and import parity benchmarks. Unlike consumer dairy, SMP lacks brand differentiation and trades closer to commodity economics. Large dairy cooperatives such as Amul and private players like Hatsun Agro Product operate SMP facilities primarily as balancing mechanisms rather than standalone profit pools.

Parag's effort to contract SMP revenue mix

For Parag Milk Foods, SMP and ingredients segments are largely derivative of its milk procurement and cheese manufacturing process. Milk consists of fat and solids-not-fat (SNF). When fat is separated for ghee or butter, and when milk is processed for cheese, residual skim components generate SMP as a by-product. Therefore, SMP production is not an independent strategic initiative but a functional necessity within the dairy conversion cycle.

Management commentary suggests that ingredients remain a smaller proportion of overall revenue and are margin dilutive relative to branded segments. The company has indicated that SMP is commoditized and does not command sustainable premium pricing. As such, while SMP contributes to the topline, it does not materially enhance profitability and is unlikely to be a focus area for capital deployment.

The Others portfolio is a future-focused segment for Parag

The company has segmented its smaller dairy initiatives under the "Others" segment, which includes value-added offerings such as curd, yogurt, butter milk, Indian sweets, etc. The segment also generates part of its revenue from animal feed, which it supplies to farmers. While the company groups multiple small-scale categories under "Others", we believe these categories could become meaningful drivers of revenue and growth over the long term.

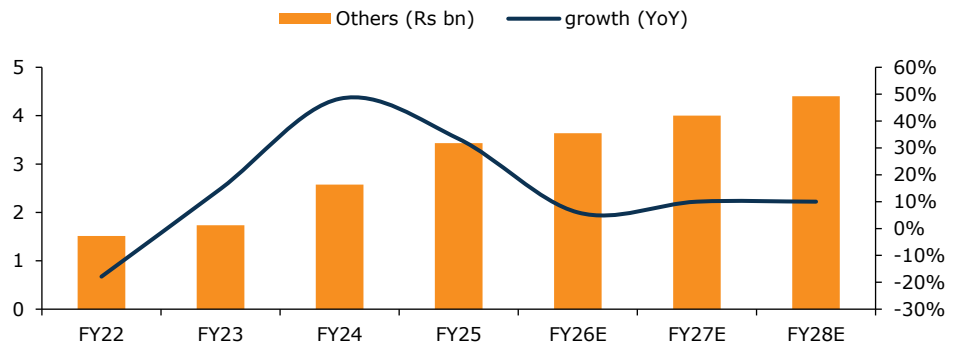
Exhibit 54: Product offerings under the 'Others' segment



Source: Company, Emkay Research

With gradual addition of new revenue categories, the segment has seen ~41% revenue CAGR over the past couple of years. In FY26, the segment's revenue was impacted by company seasonality in Q2, with revenue declining 24% YoY. Adjusted for Q2, growth has been healthy at ~30%. We expect 9% revenue CAGR over FY26-28E.

Exhibit 55: The 'Others' segment is expected to maintain its salience



Source: Company, Emkay Research

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Improving margins to enhance return profile

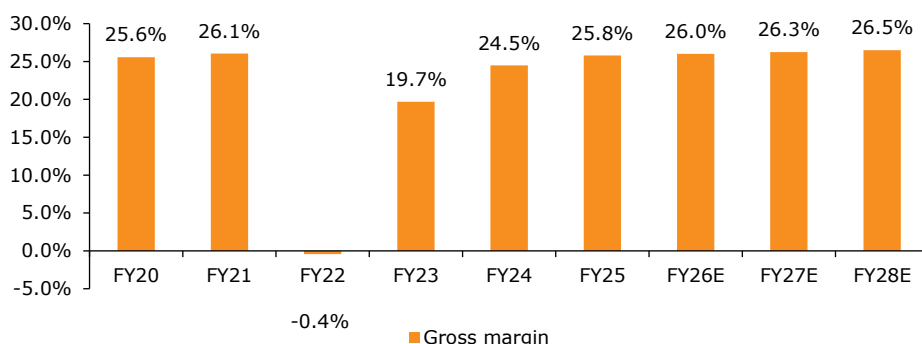
Parag has relatively weaker margins (7.4% in FY25) and higher working capital (at 63 days for FY25) requirements in the business. A closer look at the company’s history suggests that the management has focused on strengthening the backend and building relevant products with strong brand equity. We believe the management has achieved success in both areas; however, a relatively weak front end has, in our view, constrained the pace of scale-up. Additionally, black swan events such as Covid-19 have affected the company’s business. Given that B2B accounts for 30% of revenue, the company carries relatively higher working capital requirements.

Over the past three years, the company has taken steps to identify key strengths and address weak areas. As the company addresses its business needs, we expect the focus to remain on top-line acceleration; hence, margins are likely to see moderate ~40bps expansion over the next three years to 7.8% in FY28E. As the margin profile improves and the share of B2C expands, we expect working capital requirements to remain limited. Additionally, with sufficient capacity in place, capex needs are likely to remain modest. Overall, we expect ROCE to expand from ~14% in FY25 to ~18% in FY28E.

Gross margin expected to benefit from better mix

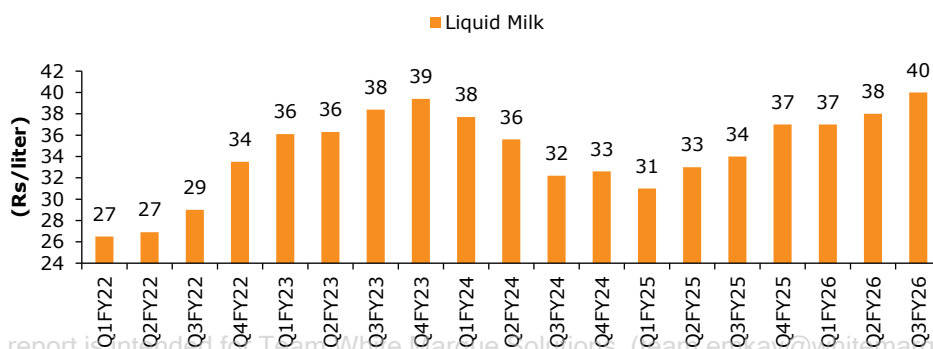
We expect Parag Milk’s gross margin to see steady expansion on the back of an improving mix in the top line. As the company focuses on driving new-age businesses and cutting down commodity offerings in the ingredients segment, we expect margin expansion going forward. However, milk prices remain a key monitorable, as volatility could have a bearing on the company’s gross margin improvement strategy.

Exhibit 56: Gross margin profile is set to inch up moderately, with the mix shifting toward the new-age business



Source: Company, Emkay Research

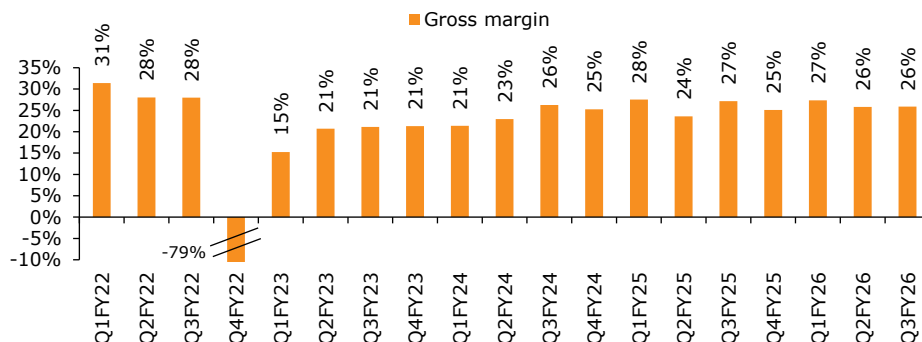
Exhibit 57: Liquid milk prices



Source: Company, Emkay Research

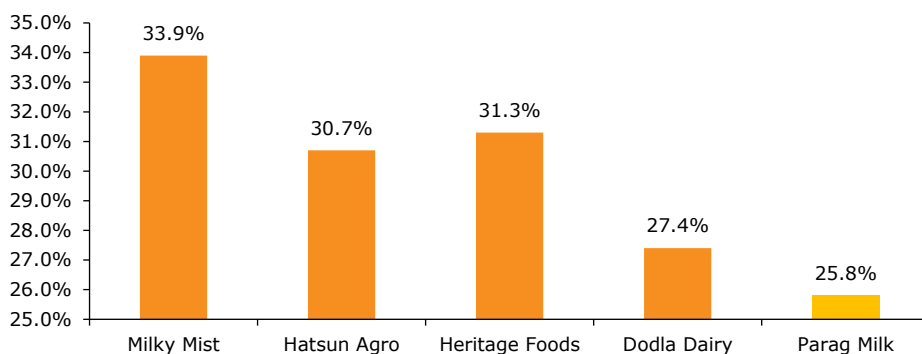
The company has been able to enhance and maintain margins at current levels for the last couple of years, which, in our view, is a factor of improved innovation toward high-margin businesses. Such businesses will turn margin accretive as the revenue share will enhance.

Exhibit 58: Quarterly gross-margin trend



Source: Company, Emkay Research

Exhibit 59: Parag’s gross margin is relatively low among pure play listed dairy players (FY25)



Source: Company, Emkay Research

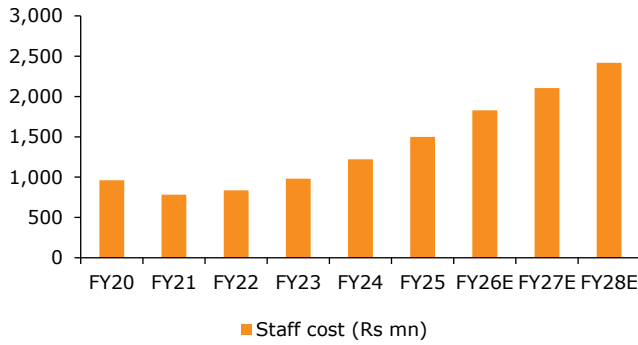
Employee spending to be steady, amid growth needs

Employee spending CAGR stood at ~21% YoY over FY22-25, driven by the right talent in the team. We expect 22% growth in staff costs in FY26E, owing to a couple of key management positions being filled. Over FY27/28E, staff costs are likely to follow normative growth, at ~15%.

Note, the company has dedicated business heads in place, with the right KRAs, to drive business. Key businesses defined internally are i) Liquid Milk, ii) Avvatar, iii) Pride of Cows, iv) Ingredients, and v) consumer production division – General Trade, Modern Trade, and HoReCa.

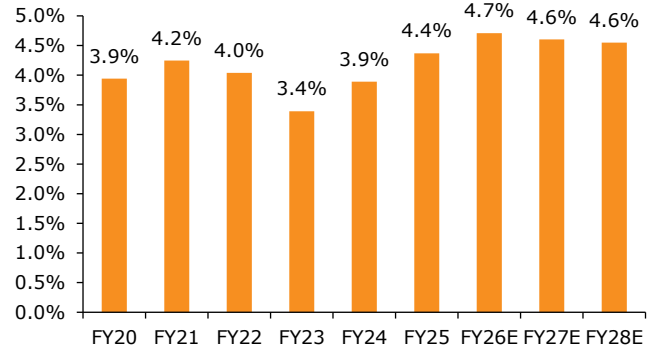
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Exhibit 60: Annual staff cost for Parag



Source: Company, Emkay Research

Exhibit 61: We estimate that staff cost as a % of revenue will improve by ~10bps, as most of the key talent has been recruited

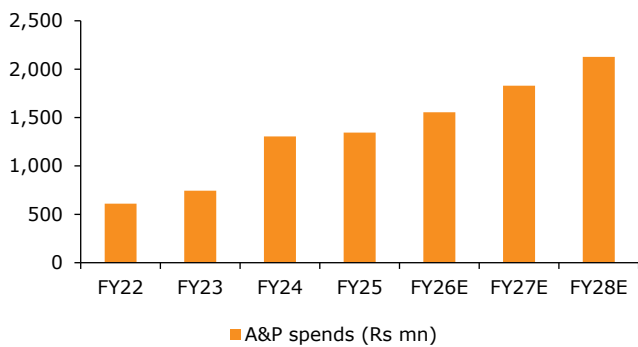


Source: Company, Emkay Research

Need for higher A&P spends ahead for enhancing outlook

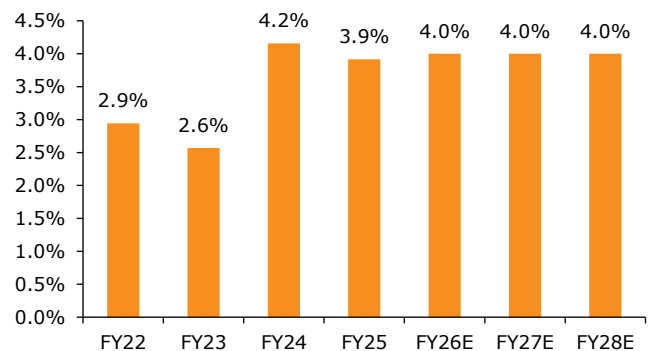
Parag has consistently followed brand-building activities which is reflected in its share of A&P-to-sales at ~4% vs ~<1% for peers. We expect the company to increase its spending ahead, for supporting growth needs. Its initiatives include i) impact marketing through KBC, which is a premier Indian television game show hosted by Bollywood icon Amitabh Bachchan for *Gowardhan*, ii) chef influencer programs (~10mn views) and digital-first celebrity collaborations with Farah Khan (film director) for connecting with mothers and the younger demographic for *Go Cheese*, iii) social media festive content, influencer campaigns featuring Manish Malhotra (leading fashion designer) for *Pride of Cows* and impact marketing, new product launches, and influencer activities for *Avvatar*.

Exhibit 62: Parag focuses on brand-building activities, as a pan-India player



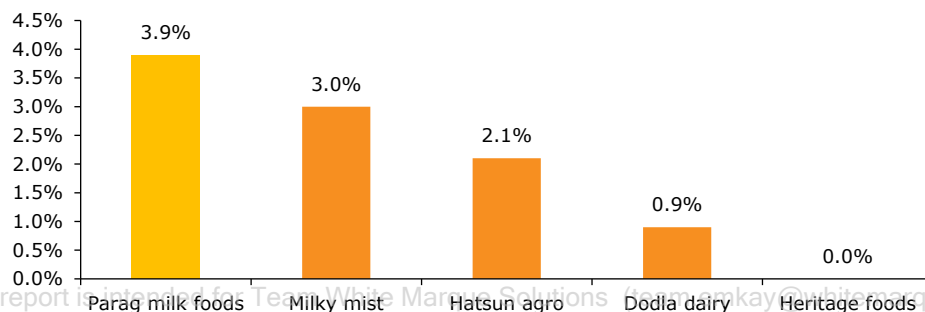
Source: Company, Emkay Research

Exhibit 63: A&P spends as a % of revenue are expected to be steady at ~4%, led by consistent brand-building activities for new-age business



Source: Company, Emkay Research

Exhibit 64: Parag's A&P spends are relatively high vs peers and focused on enhancing its B2C business (FY25)

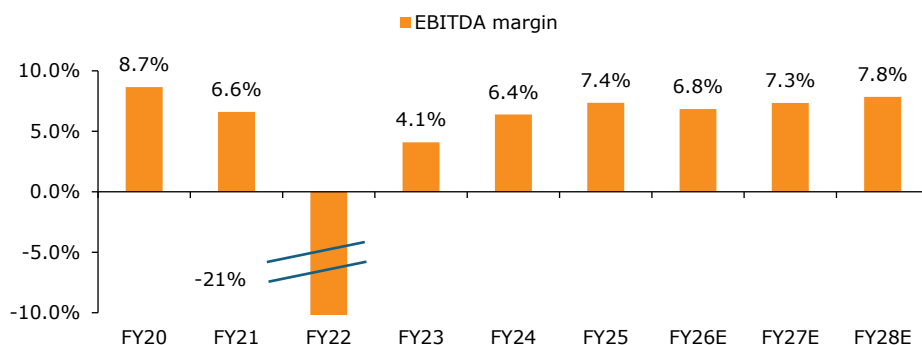


Source: Company, Emkay Research

EBITDA margin to be stable ahead

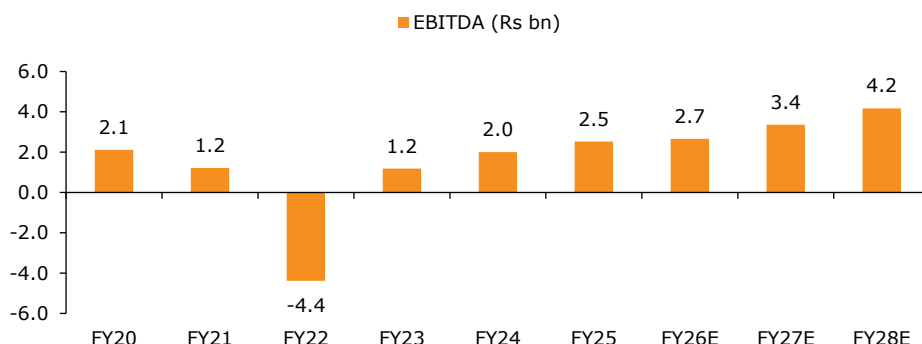
We expect Parag’s EBITDA margin to be muted at ~6.8% in FY26E (down 60bps YoY). Gross margin is likely to see moderate 20bps expansion in FY26E (to 26%), affected by higher milk procurement prices in 2HFY26 (in 1HFY26, gross margin expanded 110bps YoY to 26.5%; in 2HFY26, it contracted 60bps YoY to 25.5%). FY27E margins are expected to inch up and revert to FY25 levels, led by price hikes to offset inflation and an improved portfolio mix toward the new-age business category. We expect margin expansion to sustain, with FY28E margins inching up to 7.8%. We expect operating profit CAGR at ~18% over FY25-28E.

Exhibit 65: EBITDA margin will benefit from gross margin flow-through and cost control activities



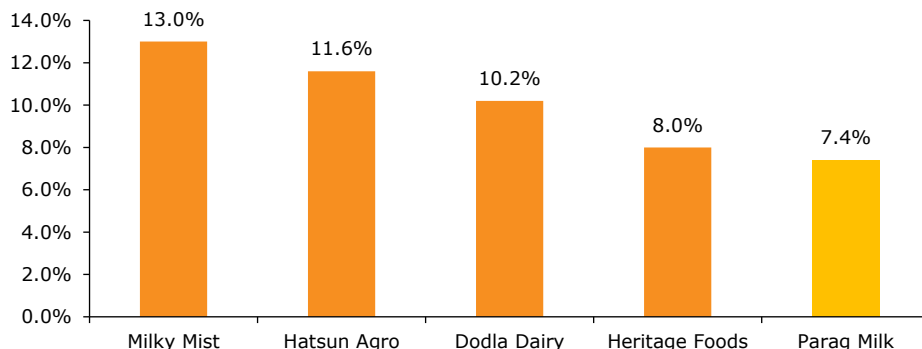
Source: Company, Emkay Research

Exhibit 66: Annual EBITDA trends



Source: Company, Emkay Research

Exhibit 67: EBITDA margin for Parag milk is relatively low vs peers, on account of low gross margin

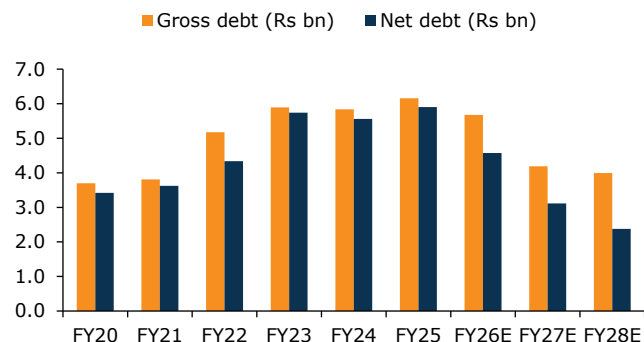


Source: Company, Emkay Research White Marquee Solutions (team.emkay@whitemarquesolutions)

Earnings growth to be healthy on account of margin and interest

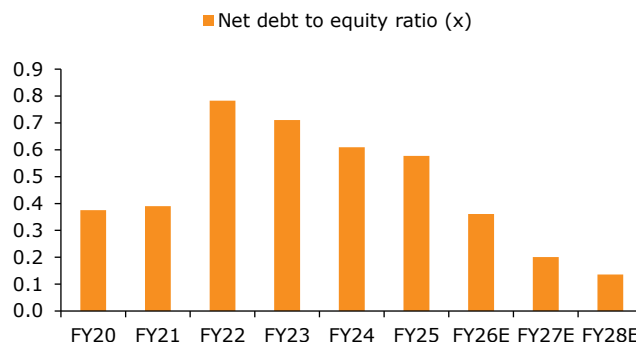
We expect earnings growth of ~16% in FY26E, supported by lower interest costs and operating leverage. As highlighted above, we see 18% EBITDA CAGR, which, with lower depreciation expansion, given lower capex needs, is likely to result in 21% EBIT CAGR. This, with reducing interest costs, given the reducing net debt situation, aids PBT growth at 31% CAGR. As the company transitions to a normalized tax rate by FY28E, we see earnings CAGR of 23% over FY25-28E.

Exhibit 68: Free cash generation is likely to help pare debts fast



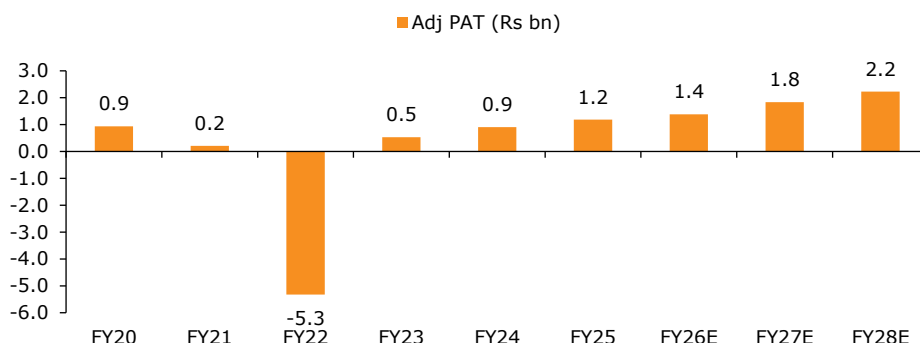
Source: Company, Emkay Research

Exhibit 69: Net debt-to-equity to see steady reduction ahead



Source: Company, Emkay Research

Exhibit 70: Adjusted PAT trend



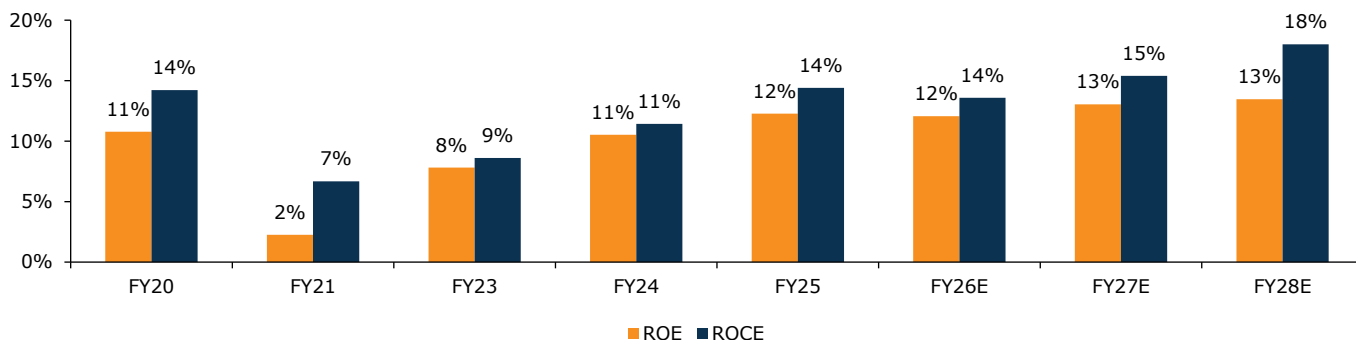
Source: Company, Emkay Research

Improving profitability to aid the return profile

Parag’s return profile saw steady expansion until FY25, on the back of gradual improvement in its margin profile. In FY26E, higher employee spending and opex caused margin erosion, in turn, keeping the return profile flat. Beyond FY26, however, with expected improvement in profit margin, we believe return on capital employed will expand meaningfully over FY27-FY28E. Return on equity is expected to be at 14% in FY26E with stable margin and rise in equity with inflows.

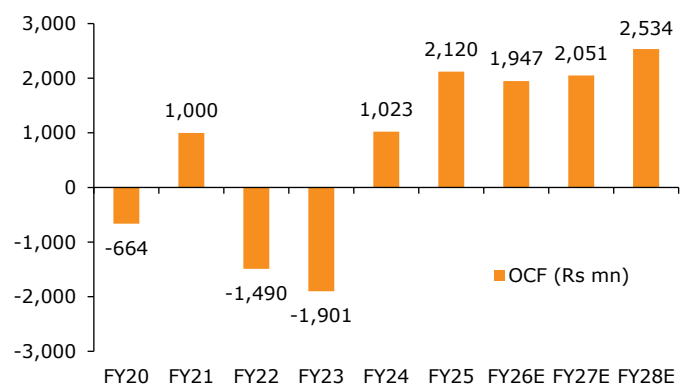
This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 71: Reducing leveraged position with improving profitability to aid faster expansion in ROCE



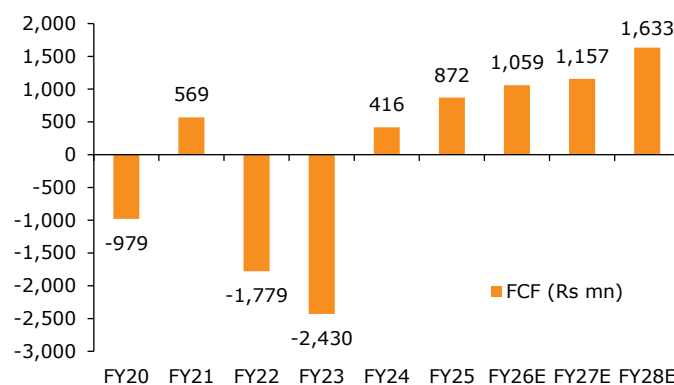
Source: Company, Emkay Research

Exhibit 72: Improving margins to aid profitability and operating cash generation in the business



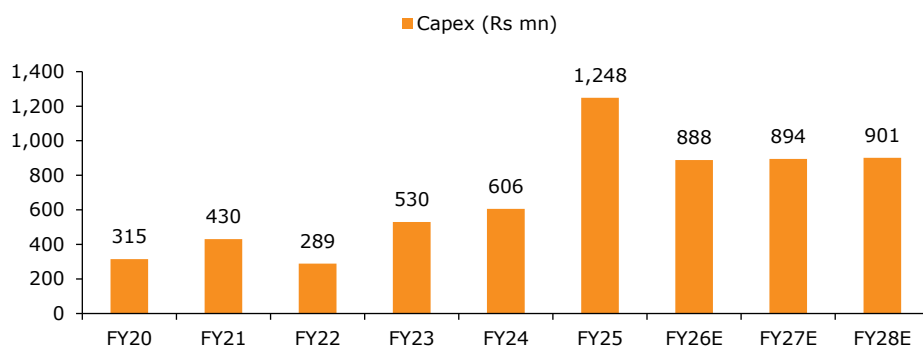
Source: Company, Emkay Research

Exhibit 73: Free cash generation to see steady improvement, aided by better operating cash generation



Source: Company, Emkay Research

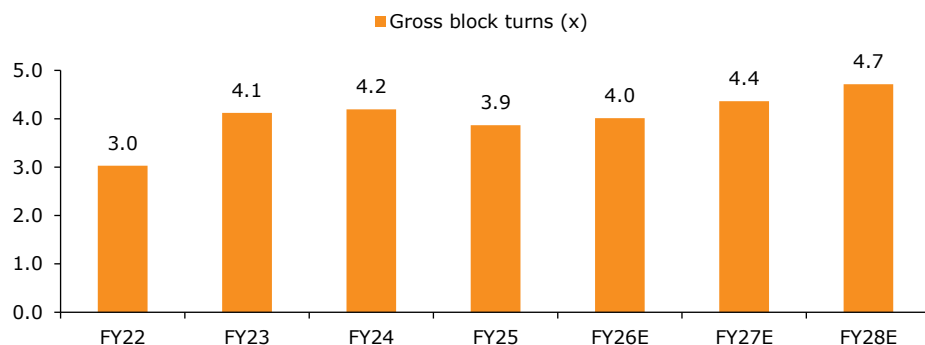
Exhibit 74: Capex spending is likely to be steady



Source: Company, Emkay Research

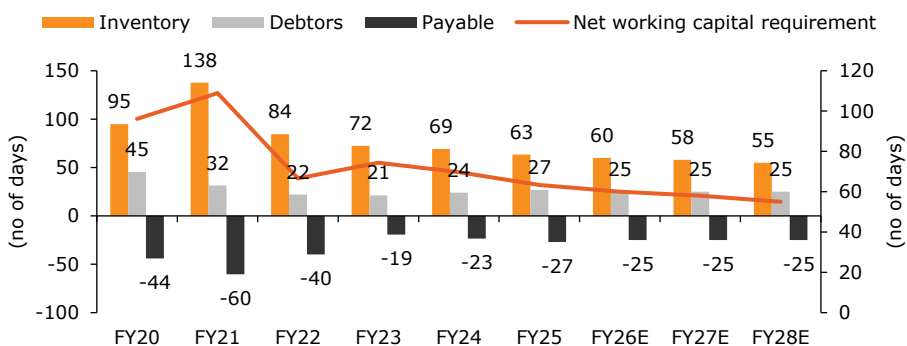
This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 75: Gross block turns to see steady expansion ahead, with limited expansionary capex requirements in the business



Source: Company, Emkay Research

Exhibit 76: Working capital requirement to gradually ease, with reduction in the number of inventory days



Source: Company, Emkay Research

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Improving show to aid re-rating, initiate with BUY

Despite an improvement in business quality, portfolio mix, and balance sheet strength, Parag Milk Foods continues to trade at a valuation that largely reflects its legacy perception as a commoditized dairy player. The market has yet to fully price in i) the structural margin uplift from new-age businesses, ii) improving ROCE, driven by capital-efficient growth and deleveraging, and iii) superior cash flow characteristics emerging from premium B2C businesses. This disconnect creates a compelling opportunity to invest in a structurally improving consumer business at undemanding multiples. We arrive at a three-stage DCF valuation of Rs250 a share for Parag Milk, which offers a decent >90% upside potential from its current trading price.

Better earnings expectations to aid valuation re-rating

Listed dairy peers such as Heritage Foods and Dodla Dairy trade at valuations reflective of stable, albeit low-margin, volume-led business models. Their earnings growth is largely tied to milk procurement cycles and geographic expansion, with limited scope for margin-led upside. Parag, in contrast, offers mix-driven growth visibility, with whey nutrition and premium dairy driving disproportionate profit growth. Despite this, Parag continues to trade at a discount to peers, implying the market is yet to recognize its transition toward a nutrition + branded dairy hybrid. Interestingly, Hatsun Agro with a high share of value-added portfolio is commanding premium in the sector.

While Parag may not immediately trade at pure-play nutrition multiples, even a partial convergence toward consumer/nutrition benchmarks implies meaningful upside from current levels. Importantly, the valuation case does not rely on aggressive assumptions, but rather on normalization of perception as the business mix evolves.

Discounted cash flow suggests significant upside

We employ a three-stage DCF model to arrive at Parag Milk's target price of Rs250. We have estimated detailed financials for the next 10 years, followed by the next 10-year period of growth convergence to a terminal growth of 4%.

Details of our three-stage valuation:

- **Stage 1 (FY27E-36E, explicit period):** During this period (FY26E-FY36E), we estimate revenue CAGR of about 12%. We expect EBITDA margin to see a 270bps expansion in 10 years to ~10%. EBITDA CAGR is likely to be 17%, with earnings CAGR of ~19%.
- **Stage 2 (FY37E-46E, implicit period):** During this period (FY36E-FY46E), we estimate revenue/earnings CAGR of ~6%/8%, respectively. Earnings-to-FCF conversion is likely to see gradual expansion.
- **Stage 3 (FY47E and beyond, terminal period):** We assume terminal growth of 4%.

Exhibit 77: Parag Milk – DCF assumptions

| Assumption | Value |
|-----------------|-------|
| Risk free rate | 6.5% |
| Observed Beta | 1.1x |
| Market return | 12.5% |
| Cost of Equity | 13.1% |
| Terminal growth | 4.0% |

Source: Bloomberg, Emkay Research

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Exhibit 78: Fair value analysis

| Parameter | Value |
|---------------------------------------|---------------|
| NPV (explicit FY27-36E FCF; Rs mn) | 13,323 |
| NPV (explicit FY37-46E FCF; Rs mn) | 14,008 |
| NPV (terminal value; Rs mn) | 10,808 |
| Enterprise value (Rs mn) | 38,139 |
| Less: Net Borrowing (FY23) | 4,571 |
| Less: Minorities (FY23) | 0 |
| Equity value (Rs mn) | 33,568 |
| Shares outstanding (mn) | 134 |
| Fair value / Target price (Rs) | 250 |

Source: Emkay Research

Exhibit 79: DCF-based Sensitivity analysis

| | | WACC | | | | |
|-----------------|------|-------|-------|------------|-------|-------|
| | | 12.0% | 12.5% | 13.1% | 13.5% | 14.0% |
| Terminal growth | 3.0% | 284 | 260 | 235 | 221 | 204 |
| | 3.5% | 293 | 268 | 242 | 227 | 209 |
| | 4.0% | 304 | 278 | 250 | 233 | 215 |
| | 4.5% | 317 | 288 | 258 | 240 | 221 |
| | 5.0% | 331 | 299 | 267 | 248 | 228 |

Source: Emkay Research

Key assumptions

- We ascribe 4% terminal growth rate, given company thrust on the foods and beverages segment.
- We have used a weighted average cost of capital/cost of equity of 13.1%, which takes into consideration a risk-free rate of 6.5%, market return of 12.5%, and an observed beta of 1.1x.
- Our growth assumption for the implicit and explicit periods is largely a factor in the increased formalization of food categories. We see premiumization opportunities in the segment, wherein offerings are largely positioned at the value end.
- Premiumization opportunities in the core portfolio are likely to help Parag Milk expand margin on a sustainable basis, which will support double-digit earnings.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 80: Explicit period – Cashflow forecasts

| (Rs mn) | Mar-27E | Mar-28E | Mar-29E | Mar-30E | Mar-31E | Mar-32E | Mar-33E | Mar-34E | Mar-25E | Mar-36E |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Net Sales | 45,712 | 53,169 | 60,923 | 69,528 | 77,872 | 86,438 | 95,081 | 1,04,590 | 1,14,003 | 1,24,263 |
| - growth | 17.7% | 16.3% | 14.6% | 14.1% | 12.0% | 11.0% | 10.0% | 10.0% | 9.0% | 9.0% |
| Total Cost | 42,353 | 48,995 | 55,980 | 63,648 | 71,053 | 78,609 | 86,185 | 94,521 | 1,02,800 | 1,11,803 |
| EBITDA | 3,359 | 4,174 | 4,942 | 5,880 | 6,819 | 7,828 | 8,897 | 10,069 | 11,203 | 12,460 |
| - margin | 7.3% | 7.8% | 8.1% | 8.5% | 8.8% | 9.1% | 9.4% | 9.6% | 9.8% | 10.0% |
| Depreciation | 786 | 849 | 911 | 973 | 1,090 | 1,297 | 1,426 | 1,569 | 1,653 | 1,802 |
| as a % of sales | 1.7% | 1.6% | 1.5% | 1.4% | 1.4% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| Other income | 356 | 388 | 402 | 417 | 433 | 451 | 469 | 488 | 507 | 527 |
| - growth | -16.2% | 8.9% | 3.6% | 3.8% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Oper EBIT | 2,929 | 3,713 | 4,433 | 5,323 | 6,162 | 6,983 | 7,939 | 8,987 | 10,057 | 11,185 |
| Interest | 767 | 725 | 722 | 712 | 747 | 784 | 824 | 865 | 908 | 954 |
| PBT | 2,162 | 2,987 | 3,711 | 4,612 | 5,415 | 6,198 | 7,115 | 8,122 | 9,149 | 10,232 |
| Tax | 324 | 762 | 946 | 1,176 | 1,381 | 1,581 | 1,814 | 2,071 | 2,333 | 2,609 |
| Tax rate | 15.0% | 25.5% | 25.5% | 25.5% | 25.5% | 25.5% | 25.5% | 25.5% | 25.5% | 25.5% |
| Reported PAT | 1,837 | 2,225 | 2,765 | 3,436 | 4,034 | 4,618 | 5,301 | 6,051 | 6,816 | 7,622 |
| Adjusted PAT | 1,837 | 2,225 | 2,765 | 3,436 | 4,034 | 4,618 | 5,301 | 6,051 | 6,816 | 7,622 |
| - growth | 33.0% | 21.1% | 24.2% | 24.3% | 17.4% | 14.5% | 14.8% | 14.2% | 12.6% | 11.8% |
| Depreciation | 786 | 849 | 911 | 973 | 1,090 | 1,297 | 1,426 | 1,569 | 1,653 | 1,802 |
| Capex | -894 | -901 | -908 | -916 | -1,199 | -1,426 | -1,569 | -1,726 | -1,818 | -1,982 |
| Capex/Depreciation | 1.1x | 1.1x | 1.0x | 0.9x | 1.1x | 1.1x | 1.1x | 1.1x | 1.1x | 1.1x |
| Decrease in Working Capital | -877 | -748 | -1,168 | -1,297 | -1,413 | -1,526 | -1,631 | -1,742 | -1,841 | -1,945 |
| as a % of net sales | -1.9% | -1.4% | -1.9% | -1.9% | -1.8% | -1.8% | -1.7% | -1.7% | -1.6% | -1.6% |
| Free Cash Flow | 852 | 1,425 | 1,599 | 2,196 | 2,512 | 2,962 | 3,528 | 4,153 | 4,809 | 5,497 |
| Growth | 31.6% | 67.2% | 12.2% | 37.3% | 14.4% | 17.9% | 19.1% | 17.7% | 15.8% | 14.3% |
| FCF-to-PAT | 46.4% | 64.0% | 57.8% | 63.9% | 62.3% | 64.2% | 66.5% | 68.6% | 70.6% | 72.1% |
| FCF-to-sales | 1.9% | 2.7% | 2.6% | 3.2% | 3.2% | 3.4% | 3.7% | 4.0% | 4.2% | 4.4% |

Source: Emkay Research

Exhibit 81: Implicit period forecast

| (Rs mn) | Mar-37E | Mar-38E | Mar-39E | Mar-40E | Mar-41E | Mar-42E | Mar-43E | Mar-44E | Mar-45E | Mar-46E |
|----------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Free Cash Flow | 6,228 | 6,990 | 7,775 | 8,567 | 9,351 | 10,111 | 10,828 | 11,484 | 12,062 | 12,545 |
| - growth | 13.3% | 12.2% | 11.2% | 10.2% | 9.2% | 8.1% | 7.1% | 6.1% | 5.0% | 4.0% |

Source: Emkay Research

Key risks to our BUY rating

Milk procurement volatility

Milk procurement costs are inherently volatile, influenced by seasonality, fodder prices, and regional supply-demand imbalances. Sharp increases in milk prices could compress margins in the cheese and liquid milk businesses, particularly if pricing pass-through is delayed. This remains a structural risk across the dairy industry.

Mitigant: Parag's long-standing cow milk sourcing relationships, diversified procurement base, and focus on value-added products provide partial insulation from raw milk price volatility. Importantly, higher-margin segments such as whey nutrition and premium milk offer greater pricing power, enabling faster pass-through compared with commoditized liquid milk. Over time, mix improvement reduces sensitivity to procurement cycles.

Execution with new-age businesses is key ahead

The most critical risk to the thesis is execution risk in scaling up *Avvatar* Whey Nutrition. While demand for protein supplements is growing rapidly, successful scaling up requires consistent product quality, supply chain reliability, effective marketing, and brand thrust. Any missteps in quality control, product recalls, or supply disruptions could impact consumer confidence and slow adoption. Additionally, rapid portfolio expansion without adequate operational readiness could strain internal systems and dilute focus.

Mitigant: Parag's whey business benefits from integrated raw material sourcing, as whey is generated internally through cheese production, ensuring supply consistency and traceability. The company has invested in quality control, lab testing, and controlled manufacturing processes, which are crucial for nutrition products. Further, the gradual ramp-up in revenue contribution—from ~10% to ~25% over multiple years—reduces execution risk by allowing measured scaling up rather than aggressive front-loaded expansion.

Competitive intensity in the nutrition segment

The Indian nutrition market is highly competitive, with global brands, domestic incumbents, and digital-first challengers aggressively investing in marketing and customer acquisition. Heightened competition could lead to pricing pressure, increased promotional spend, or slower market-share gains, particularly in mass premium segments. The risk is more pronounced if the category becomes commoditized or overly influencer driven.

Mitigant: *Avvatar's* positioning as a clean-label, traceable, dairy-backed protein brand differentiates it from various competitors that rely on imported inputs or outsourced manufacturing. Parag's ability to offer global-quality whey at competitive prices, supported by integrated sourcing, provides pricing resilience without margin sacrifice. Over time, brand trust and repeat consumption are expected to outweigh short-term promotional intensity.

Brand dilution risk

As Parag operates across multiple price-points and categories—from mass cheese to premium milk and nutrition—there is a risk of brand dilution if positioning is not clearly differentiated. Aggressive expansion into low-priced SKUs or excessive discounting could weaken brand equity, particularly for premium offerings like *Avvatar* and *Pride of Cows*.

Mitigant: Parag has consciously maintained distinct brand architecture, with clear segmentation between mass, premium, and nutrition brands. *Pride of Cows* and *Avvatar* operate with independent positioning, pricing, and communication strategies, reducing cross-brand dilution. The management's increased focus on margin quality over volume growth further supports disciplined brand management.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Management profile

- Devendra Shah is the founder of Parag Milk Foods, which was established in 1992 in the milk belt of Manchar. He currently serves as the company's Chairman and Executive Director. Over the last three decades, he has led the organization's evolution from a traditional dairy firm into a future-ready nutrition powerhouse.
- Pritam Shah serves as the Managing Director and was additionally appointed as the Interim Chief Financial Officer effective 28-Apr-2023. He has been a member of the Board since 1992, having been part of the company's growth journey since its early years. He is the sibling of Chairman Devendra Shah and the uncle of Akshali Shah. In his leadership role, he is identified as the Chief Operating Decision Maker (CODM), responsible for reviewing the company's economic performance across various segments.
- Akshali Shah is an Executive Director who was first appointed to the Board on 25-Dec-2022. She holds an MBA degree in Family-managed business from the SP Jain Institute of Management & Research, Mumbai. She is the daughter of Chairman Devendra Shah and the niece of Managing Director Pritam Shah. With over 12 years of rich experience in the company, she played an instrumental role in transforming Parag from a dairy-focused entity into a technology-driven FMCG brand with a core focus on health and nutrition. Her expertise in marketing, brand building, and innovation is recognized as a 'game changer' for the company's market positioning. She serves as the Chairperson of the Management Committee and was appointed Chairperson of the CSR Committee effective 2-May-2025. Her leadership has been recognized externally with awards such as 'Women Entrepreneur of the Year' and inclusion in the '50 Most Influential Women in Advertising, Media & Marketing'.

Exhibit 82: Board of directors

Parag has grown consistently under the leadership of Mr. Devendra Shah. He brings enthusiasm and innovation to the business and has enhanced the company's revenue exponentially.

Mr. Pritam Shah oversees the company's execution strategy and market consolidation. His expertise in procurement and production has been instrumental in enhancing Parag's performance.

Mr. Devendra Shah
Chairman

Mr. Pritam Shah
Managing Director

Ms. Akshali Shah
Executive Director

Mr. Milind Patil
Independent Director

Ms. Namrata Garud
Independent Director

Dr. Dnyanesh V. Darshane
Independent Director

Mr. Amitabha Mukhopadhyay
Independent Director

Mr. Nikhil Vora
Non-Executive Director

Ms. Akshali Shah has more than a decade experience with Parag Milk Foods. She has played an instrumental role in the journey of transformation from being a Dairy to a leading FMCG company with product innovation focusing on health & nutrition. Her vision is to transform Parag Milk Foods into a technology driven FMCG company. She holds an MBA degree in Family Managed Business from S. P. Jain Institute of Management.

Mr. Milind Patil, a veteran in the pharmaceutical and healthcare sectors, had a career spanning nearly four decades. Mr. Patil is renowned for his expertise in business transformation, risk and compliance, M&A, and financial strategy. He has been recognized with numerous accolades, including the FE CFO of the Year (2022) and the CA CFO Healthcare Sector Award (2016).

Ms. Namrata Garud is an Independent Advocate & Solicitor. She has done specialization in family law which includes divorce & child custody. Ms. Garud has previously worked with M/s. Jayakars, Advocates & Solicitors, M/s. Khalan & Jayakar and M/s. Gogrot & Co.

Dr. Dnyanesh V. Darshane has more than 37 years of global experience across continents and companies. He has been associated with top companies like The Coca-Cola Company, Nicolas-Piramol, Pepsi Foods, Tata Pharma, U.S. Vitamins Pharmaceutical. Dr. Darshane holds a Ph.D. in Analytical Chemistry from the Institute of Science, India and an M.B.A. from Emory University, USA.

Mr. Amitabha Mukhopadhyay brings over 35 years of diverse experience. A Chartered Accountant and Law graduate, he has served as the President and Group CFO of Tata AutoComp Systems, as Business Head and Group CFO of Thermax Limited, and as Managing Director & CEO of IFB Agro Industries.

Mr. Nikhil Vora, Founder and CEO of Sixth Sense Ventures, brings 28 years of expertise in financial markets and the consumer domain. Formerly MD and Head of Research at IDFC Securities, he is renowned as one of India's sharpest analytical minds, shaping strategies for top brands like Hindustan Unilever, Aditya Birla Group, and Godrej.

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

Parag Milk Foods: Consolidated Financials and Valuations

Profit & Loss

| Y/E March (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 31,387 | 34,322 | 38,854 | 45,712 | 53,169 |
| Revenue growth (%) | 8.5 | 9.4 | 13.2 | 17.7 | 16.3 |
| EBITDA | 2,005 | 2,527 | 2,658 | 3,359 | 4,174 |
| EBITDA growth (%) | 69.4 | 26.0 | 5.2 | 26.4 | 24.3 |
| Depreciation & Amortization | 603 | 672 | 724 | 786 | 849 |
| EBIT | 1,403 | 1,855 | 1,934 | 2,573 | 3,325 |
| EBIT growth (%) | 129.7 | 32.2 | 4.3 | 33.0 | 29.2 |
| Other operating income | - | - | - | - | - |
| Other income | 250 | 403 | 425 | 356 | 388 |
| Financial expense | 794 | 931 | 825 | 767 | 725 |
| PBT | 859 | 1,326 | 1,535 | 2,162 | 2,987 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Taxes | (47) | 138 | 153 | 324 | 762 |
| Minority interest | - | - | - | - | - |
| Income from JV/Associates | - | - | - | - | - |
| Reported PAT | 906 | 1,188 | 1,381 | 1,837 | 2,225 |
| PAT growth (%) | 70.1 | 31.1 | 16.3 | 33.0 | 21.1 |
| Adjusted PAT | 906 | 1,188 | 1,381 | 1,837 | 2,225 |
| Diluted EPS (Rs) | 7.6 | 10.0 | 11.1 | 13.7 | 16.6 |
| Diluted EPS growth (%) | 50.0 | 31.1 | 10.9 | 24.1 | 21.1 |
| DPS (Rs) | 0 | 0.5 | 1.0 | 1.4 | 1.7 |
| Dividend payout (%) | 0 | 5.0 | 9.0 | 10.0 | 10.0 |
| EBITDA margin (%) | 6.4 | 7.4 | 6.8 | 7.3 | 7.8 |
| EBIT margin (%) | 4.5 | 5.4 | 5.0 | 5.6 | 6.3 |
| Effective tax rate (%) | (5.5) | 10.4 | 10.0 | 15.0 | 25.5 |
| NOPLAT (pre-IndAS) | 1,480 | 1,662 | 1,741 | 2,187 | 2,477 |
| Shares outstanding (mn) | 119 | 119 | 125 | 134 | 134 |

Source: Company, Emkay Research

Cash flows

| Y/E March (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|------------------------------|--------------|----------------|--------------|----------------|----------------|
| PBT (ex-other income) | 609 | 923 | 1,110 | 1,805 | 2,599 |
| Others (non-cash items) | (37) | (340) | (414) | (463) | (517) |
| Taxes paid | (117) | (115) | (153) | (324) | (762) |
| Change in NWC | (1,079) | (354) | (569) | (877) | (748) |
| Operating cash flow | 773 | 1,718 | 1,522 | 1,695 | 2,147 |
| Capital expenditure | (606) | (1,248) | (888) | (894) | (901) |
| Acquisition of business | - | - | - | - | - |
| Interest & dividend income | 32 | 21 | 50 | 50 | 50 |
| Investing cash flow | (529) | (1,324) | (838) | (844) | (851) |
| Equity raised/(repaid) | 141 | 0 | 401 | 1,202 | 0 |
| Debt raised/(repaid) | 195 | 296 | 292 | (1,484) | (194) |
| Payment of lease liabilities | (105) | (163) | 0 | 0 | 0 |
| Interest paid | (757) | (916) | (825) | (767) | (725) |
| Dividend paid (incl tax) | 0 | (60) | (125) | (184) | (223) |
| Others | - | - | - | - | - |
| Financing cash flow | (526) | (843) | (257) | (1,233) | (1,142) |
| Net chg in Cash | (282) | (449) | 427 | (382) | 154 |
| OCF | 773 | 1,718 | 1,522 | 1,695 | 2,147 |
| Adj. OCF (w/o NWC chg.) | 1,852 | 2,072 | 2,091 | 2,572 | 2,894 |
| FCFF | 166 | 470 | 634 | 801 | 1,246 |
| FCFE | (596) | (440) | (141) | 83 | 570 |
| OCF/EBITDA (%) | 38.5 | 68.0 | 57.3 | 50.5 | 51.4 |
| FCFE/PAT (%) | (65.8) | (37.1) | (10.2) | 4.5 | 25.6 |
| FCFF/NOPLAT (%) | 11.2 | 28.3 | 36.4 | 36.6 | 50.3 |

Source: Company, Emkay Research

Balance Sheet

| Y/E March (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Share capital | 1,192 | 1,192 | 1,272 | 1,339 | 1,339 |
| Reserves & Surplus | 7,929 | 9,042 | 11,393 | 14,181 | 16,183 |
| Net worth | 9,121 | 10,234 | 12,665 | 15,520 | 17,523 |
| Minority interests | - | - | - | - | - |
| Non-current liab. & prov. | 40 | 105 | 155 | 205 | 255 |
| Total debt | 5,836 | 6,155 | 5,673 | 4,189 | 3,996 |
| Total liabilities & equity | 15,362 | 16,929 | 19,024 | 20,544 | 22,506 |
| Net tangible fixed assets | 4,311 | 5,362 | 5,482 | 5,542 | 5,541 |
| Net intangible assets | 9 | 20 | 25 | 30 | 35 |
| Net ROU assets | 335 | 394 | 434 | 477 | 525 |
| Capital WIP | 691 | 193 | 193 | 193 | 193 |
| Goodwill | - | - | - | - | - |
| Investments [JV/Associates] | - | - | - | - | - |
| Cash & equivalents | 276 | 251 | 1,102 | 1,076 | 1,618 |
| Current Liab. & Prov. | 3,547 | 3,397 | 3,502 | 3,971 | 4,482 |
| NWC (ex-cash) | 9,222 | 9,933 | 10,933 | 12,287 | 13,560 |
| Total assets | 15,362 | 16,929 | 19,024 | 20,544 | 22,506 |
| Net debt | 5,560 | 5,904 | 4,571 | 3,113 | 2,378 |
| Capital employed | 15,362 | 16,929 | 19,024 | 20,544 | 22,506 |
| Invested capital | 13,533 | 15,295 | 16,415 | 17,828 | 19,101 |
| BVPS (Rs) | 76.6 | 85.9 | 101.4 | 115.9 | 130.8 |
| Net Debt/Equity (x) | 0.6 | 0.6 | 0.4 | 0.2 | 0.1 |
| Net Debt/EBITDA (x) | 2.8 | 2.3 | 1.7 | 0.9 | 0.6 |
| Interest coverage (x) | 2.1 | 2.4 | 2.9 | 3.8 | 5.1 |
| RoCE (%) | 11.4 | 14.4 | 13.6 | 15.4 | 18.0 |

Source: Company, Emkay Research

Valuations and key Ratios

| Y/E March | FY24 | FY25 | FY26E | FY27E | FY28E |
|--------------------------|--------------|--------------|--------------|-------------|-------------|
| P/E (x) | 26.2 | 20.0 | 18.0 | 14.5 | 12.0 |
| EV/CE(x) | 1.9 | 1.8 | 1.6 | 1.5 | 1.3 |
| P/B (x) | 2.6 | 2.3 | 2.0 | 1.7 | 1.5 |
| EV/Sales (x) | 0.9 | 0.8 | 0.7 | 0.6 | 0.5 |
| EV/EBITDA (x) | 14.3 | 11.4 | 10.8 | 8.6 | 6.9 |
| EV/EBIT(x) | 20.5 | 15.5 | 14.8 | 11.2 | 8.6 |
| EV/IC (x) | 2.1 | 1.9 | 1.7 | 1.6 | 1.5 |
| FCFF yield (%) | 0.6 | 1.6 | 2.2 | 2.8 | 4.3 |
| FCFE yield (%) | (2.4) | (1.8) | (0.6) | 0.3 | 2.3 |
| Dividend yield (%) | 0 | 0.3 | 0.5 | 0.7 | 0.8 |
| DuPont-RoE split | | | | | |
| Net profit margin (%) | 2.9 | 3.5 | 3.6 | 4.0 | 4.2 |
| Total asset turnover (x) | 2.2 | 2.2 | 2.2 | 2.4 | 2.5 |
| Assets/Equity (x) | 1.7 | 1.6 | 1.5 | 1.4 | 1.3 |
| RoE (%) | 10.5 | 12.3 | 12.1 | 13.0 | 13.5 |
| DuPont-RoIC | | | | | |
| NOPLAT margin (%) | 4.7 | 4.8 | 4.5 | 4.8 | 4.7 |
| IC turnover (x) | 2.4 | 2.4 | 2.5 | 2.7 | 2.9 |
| RoIC (%) | 11.2 | 11.5 | 11.0 | 12.8 | 13.4 |
| Operating metrics | | | | | |
| Core NWC days | 107.2 | 105.6 | 102.7 | 98.1 | 93.1 |
| Total NWC days | 107.2 | 105.6 | 102.7 | 98.1 | 93.1 |
| Fixed asset turnover | 7.4 | 7.1 | 7.2 | 8.3 | 9.6 |
| Opex-to-revenue (%) | 18.1 | 18.4 | 19.2 | 18.9 | 18.7 |

Source: Company, Emkay Research

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