



Ideas for a new day

February 11, 2026

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

Dear Sir / Madam,

**Sub: Transcript of earnings conference call under Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015**

In continuation to our letter dated February 2, 2026 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call held on Thursday, February 5, 2026 for discussion on financial and operational performance of the Company for Quarter and Nine months ended December 31, 2025.

The aforementioned transcript is also available on Company's website i.e. [www.paragmilkfoods.com](http://www.paragmilkfoods.com).

You are requested to kindly take the same on records.

Thanking you.

For **Parag Milk Foods Limited**

**Virendra Varma**  
**Company Secretary &**  
**Compliance Officer**  
FCS No: 10520

*Encl: As above*

**Parag Milk Foods Ltd.**

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“Parag Milk Foods Limited  
Q3 FY26 Earnings Conference Call”  
February 05, 2026



**MANAGEMENT:**

**Ms. AKSHALI SHAH – EXECUTIVE DIRECTOR**  
**MR. RAHUL KUMAR SRIVASTAVA: – CHIEF**  
**OPERATING OFFICER**  
**MR. ANKIT JAIN – CHIEF STRATEGY OFFICER**



**Moderator:**

Ladies and gentlemen, good day and welcome to the Parag Milk Foods Limited Q3 FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Brian D'Penha, Head of Investor Relations. Thank you, and over to you, sir.

**Brian D'Penha:**

Good day, everyone, and a warm welcome to the Q3 FY26 Earnings Call of Parag Milk Foods Limited. We are glad to have you all join this meeting virtually. For the meeting today, we have with us our Executive Director, Ms. Akshali Shah; our Chief Operating Officer, Mr. Rahul Kumar Srivastava; our Chief Strategy Officer, Mr. Ankit Jain; and myself, Head of Investor Relations, Brian D'Penha.

After the presentation concludes, we will commence with the Q&A session. While asking a question, I would request you to announce your name and organization. For the purpose of completeness, I do want to read out our safe harbor statement.

Certain statements in this meeting with regard to our future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements.

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

**Akshali Shah:**

Thank you, Brian. Good evening, everyone and thank you for joining us today. As we begin this new calendar year, I wish you all a healthier and a prosperous year ahead. Q3 FY26 has been yet another landmark quarter for Parag Milk Foods, one that reflects the clarity of our strategy, the strength of our brands and the discipline with which our team continues to execute.

Building on our momentum, we delivered a revenue in excess of INR1,000 crores for the second consecutive quarter. This, our highest ever quarterly revenue represents a 14% year-on-year increase, supported by 8% volume growth. This performance reinforces our belief that consumer demand for trusted, high-quality dairy and nutrition products remains strong.

For the first 9 months of FY26, our revenue reached INR2,872 crores, reflecting a 14% year-on-year increase with underlying volume of 8%. These achievements provide a solid foundation and underscoring the resilience of our business model, that is built on a strong brand differentiated offering and an extensive pan-India reach. Our core categories, that is ghee, cheese, paneer continued to be the backbone of our performance.

During Q3, these categories recorded a 12% volume growth. And together, they contribute to 64% of the total revenue. They remain pivotal to our scale and profitability. Our new age business is increasingly shaping the future portfolio of the company.

During quarter 3, Pride of Cows and Avvatar continued their strong momentum, delivered a robust 123% year-on-year growth and for the first time ever, crossing the INR100 crores mark in quarterly revenues.

On a year-to-date basis till December FY26, the new age business now contributes to 9% of our overall revenue, up from 6% in the same year last year, reflecting its growing strategic significance within the portfolio.

Avvatar in particular, maintains a strong growth trajectory, achieving sixfold growth in the last 3 years during the same 9-month period. The recently launched Protein Wafer Bar has received an encouraging consumer response, contributing to 8% to the brand revenue and has now been scaled up for nationwide distribution.

Together, these developments reinforce our journey towards becoming a healthy nutrition-led organization, anchored by a premium portfolio and aligned with the long-term shift in consumer behavior towards purposeful consumption. The Government of India notified the provision of the 4- new Labour Codes in November 2025.

In accordance to the requirements of Ind-AS 19 Employee Benefits, the changes arise from the implementation of the Labour Codes have resulted in an estimate of onetime increase in the provision of employee benefit of INR5.4 crores on a standalone basis and INR5.7 crores on a consolidated basis. The same has been recognized as an exceptional item during the quarter.

The commodity witnessed inflation of 20% year-on-year and 6.5% sequentially during the quarter with the average milk price inching up to INR40 a litre. For quarter-on-quarter impact, while the milk prices inched up 6.5% sequentially, the company has been able to maintain a similar gross margin sequentially at 25.9% for Q3 FY 26 versus 25.8% for Q2 FY25.

The company has been able to navigate the cost push with pricing and promotional strategy together improving the portfolio mix. The year-on-year impact, while the milk prices inched up 20% year-on-year, the company has managed to pass on the cost push in a calibrated manner, which led to gross profit growth by 9%, which is in line with the volume growth.

In this inflationary environment, the gross margin has come down to 25.9% in Q3 FY26 versus 27.2% in Q3 FY25. This movement entitled by a combination of favorable product mix impact, offset by the inflationary impact. EBITDA for Q3 FY26 is 7.6% versus 9% last year and last quarter, it was 8.9%

While the year-on-year EBITDA is impacted on the account of gross margin, but the sequential EBITDA is lower on account of onetime other income of INR16 crores during Q2 FY26.

Profit after tax and before the exceptional item stood at INR35 crores, representing a year-on-year decline of 2%. On 9-months basis, EBITDA stands at 8.1% versus 8.7% last year, down mainly on account of higher employee costs and other expense.

However, on an absolute basis, the EBITDA has grown by 6.5%, which is INR232 crores. While the PAT before the exceptional item grew by 17% to INR109 crores, reflecting the underlying strength of the business.

Brand building continued to remain a key priority for us. During the quarter, the company further strengthened its brand building initiatives through a series of impactful marketing and visibility campaigns across its portfolio. Gowardhan and Go enhanced their presence with nationwide reach through Kaun Banega Crorepati and Super Dancer, targeting mass family audience through television and digital platforms.

To further strengthen the household penetration and make sure pure cow ghee accessible to wider consumer base, we introduced Gowardhan Ghee in a 20 ml sachet pack at an affordable price point of INR20. This initiative allows first-time and value-seeking consumers to experience the purity and quality of Gowardhan brand without a higher entry value. It also supports in increasing trials, daily usage, occasional usage and deeper reach across urban and rural markets.

Pride of Cows continued to reinforce its position as India's most premium single-origin dairy brand through dynamic multi-platform campaigns, showcasing its commitment towards purity, traceability and quality. For Avvatar, our homegrown nutrition brand strengthened its brand presence by collaborating with a Bollywood celebrity that's Janhvi Kapoor as a face of its overall marketing initiative.

This association aligns with Avvatar's positioning for fitness, performance and modern nutrition, helping us deepen the relevance with younger and health-conscious consumers. Looking forward, the milk prices are expected to remain elevated in the near-term.

The company remains focused on navigating this environment through disciplined pricing, continuous improvement in the product and the portfolio mix, the operational efficiency, and we continue to pursue measured distribution expansion and new product development to drive the sustainable and profitable growth.

To conclude this quarter, this reflects the resilience of our business model and our ability to deliver growth while managing industry-wide cost pressures. We remain committed to become a health and nutrition company with a long-term focus on profitability and stakeholder value.

I would like to thank you, everybody, for the continued trust and support, and we are happy to take questions now. Over to Brian.

**Moderator:** Thank you. We will now begin the question and answer session. Our first question comes from the line of Rehan Saiyyed from Trinetra Asset Managers.

**Rehan Saiyyed:** Ma'am my first question is around the Avvatar business. So Avvatar and Pride of Cows crossed the INR100 crores quarterly revenue mark for the first time with a massive 123% Y-o-Y growth. So can you break down how much of this surge is driven by new product launches like Tiramisu Protein Bar versus deeper penetration of the existing portfolio? This is my first question.

**Ankit Jain:** The brand, which is the new age business combining of Avvatar and Pride of Cows has grown more than INR100 crores. It's a landmark achievement again for this quarter. To your specific question, Avvatar Protein Wafer Bars as a category, as a portfolio is now comprising 8% of the total brand revenue.

**Rehan Saiyyed:** Okay. And my next question is around the net working capital side -- net working capital days have improved to 62 in FY25. So how has the increase in the quarterly revenue of INR1,013 crores affected your inventory levels for the current season? And do you expect further efficiency gain in the cash conversion cycle?

**Ankit Jain:** See, while we have not published the balance sheet, so I will not comment specific on the numbers. But overall, as you know, there is an inflation sequentially. So of course, the inventory has moved up in value terms to a sequential impact.

But because of high inventory as at September end because we were ahead of festive, so inventory has significantly come down during quarter 3, which is evident from the LODR financials, which has been published, whereby the change in inventory is reflecting INR34 crores on a consolidated basis. However, it is lower on account of the inflationary impact. And hence, it looks like INR34 crores reduction.

**Rehan Saiyyed:** Okay. One last question...

**Moderator:** Sorry to interrupt. Rehan, we request you to please rejoin the queue if you have any further questions. Our next question comes from the line of Rahul Jain from Credence Wealth.

**Rahul Jain:** Congratulations the entire team at Parag Milk Foods for a good set of numbers in an inflationary milk environment. Sir, first question is with regards to milk inflation. You already alluded in your initial remarks as well as in presentation about the kind of inflation which has been seen in quarter 3 also.

So typically, post the end of quarter, are the milk prices now more stable or have they moved up? Is this better? So ma'am, my question was regarding the milk prices. Have they been stable post quarter end? And also with regards to the prices of products, how much of the milk price has been passed on till December? And post that, have we taken further price hikes to kind of take care of the milk price increase?

**Ankit Jain:** Yes. With respect to milk prices, of course, it has inched up on a quarterly basis. On a Y-o-Y basis, you would have seen it has increased 20%. Similarly, if you were to look at on a sequential basis, it has increased to the tune of close to 6.5%. Now when we compare sequential quarter, the gross margins are relatively flat, around 25.9%, representing that we have been able to pass on the price increase, which is, of course, offset by an improved portfolio mix.

On a Y-o-Y terms, significantly because it's a 20% Y-o-Y increase in milk prices and of course, the other commodity input prices. The same has been passed on, respectively. This is evident in the gross profit growth so our absolute gross profit has grown by 9%, which is in line with our overall underlying volume growth of 8%. So we have been able to pass on the cost push.

Now coming to your question on the price increase further, etc. Yes, we foresee that in the near-term, the milk prices are going to remain at an elevated level. And we will take due precautionary action when it comes to passing on the pricing cost push. Just for an update, from February, we have increased our prices in branded Cow Ghee, which is Gowardhan Ghee to a certain extent to take care of the inflationary impact.

**Rahul Kumar Srivastava:** Just to add on Ankit, normally, when the outset of summer, there is a scarcity of milk, the production goes down and the milk prices go up. So next 3 months, there will be some elevated prices as far as milk prices are concerned. But as Ankit told that we are going to maintain our pricing power, and we will take the necessary price increase in our product to compensate the price increase of milk.

**Rahul Jain:** And sir, my next question...

**Moderator:** Sorry to interrupt. We request you to please rejoin the queue for any follow-up.

**Rahul Jain:** Sure.

**Moderator:** Our next question comes from the line of Debashish Neogi from Abaan Dubai.

**Debashish Neogi:** Am I audible? So my question, Akshali, is more –a strategic question, we have the highest contribution to value-added products, but our margin is the lowest in the industry. Now structurally, that should not be. We are there. On top of it, what is happening, we are not able to pass on the price. We have 3 very strong brands.

Now if I take a longer horizon, okay, of 1 year, we are not able to pass on the price hike. So why is it so, which is why our margin is static or it is actually that it has come down in the 9-month period. So why is it so? Is it because the 30% of the business is creating problem or is it because we supply to institutions at such unfavorable price that overall, the margin table is coming down? Because as FMCG brand, the margins are from commodity?

We are talking about being a health and nutrition brand, but the margin doesn't speak of it. And I'm not looking at quarter or 9 months, I'm looking at 1.5, 2 years. And on top of it, I feel also there is a last mile leak happening because I have personally worked in the market in Calcutta and Bombay?

Calcutta, our distribution is weak -- very weak to say the least. In Bombay also, I find the distribution not up to the mark. So I just want to know that we may have great brands, but we may be having last mile leak in terms of distribution. So can you throw some light on the distribution figures in terms of direct outlets covered now vis-a-vis last 1 year, also the width and the depth of the distribution?

**Akshali Shah:** I'm just going to take your questions in 2 parts. First, you asked about the margins and where we have a portfolio which is high-value added. So how is the margins going to play out in the near future? And the second part that you're asking about is distribution. Okay. Just if you can see the

slide on your screen, you can see our gross margin in FY23 was 20%, and in FY25, it's moved to 26%.

So of course, the portfolio mix and the channel mix plays a very important role when it comes to gross margins. And if you can see our company's effort is actually scaling out to be how you can see that on the screen that's inched up by almost 6% so that is there. So coming to the distribution, I'll pass over to Rahul ji on Calcutta distribution versus Bombay.

**Debashish Neogi:**

Sorry to interrupt. Akshali, FY23 may be a one-off year. I'm talking from FY24 and FY25 because FY23, we took a lot of write-offs. Maybe the write-off is much more than what is needed. I'm just talking for the last 1.5 years. If your value-added component is increasing, if Avvatar is doing well, new age is doing well, core is doing well. So then structurally, the margin profile should improve in the last 1.5 years is what I'm saying?

**Akshali Shah:**

So if you can see, even with the cost pressure that we have, year-on-year, it's increased by 20%, the commodity and sequentially it increased by 6.5%. Even in the cost pressure environment like this, we have maintained our gross margin.

Yes, that's because, of course, we have better product and portfolio mix, which was also offset by inflation because we take our price increase in a staggered or a calibrated manner as you can see. So of course, that lag you can see, but we were able to maintain our gross margins.

**Ankit Jain:**

Yes, Debashish, Hi, Ankit here. Just to clarify, the write-off year was FY22 and not FY23. So FY23 was 20%, which is without the write-off, which has improved to 26%. It is hovering around 26%. While we compare specifically, we have discussed that this gross margin considers the raw milk at a landed rate at the factory gate. This is how we look at it.

However, our overall target is to improve EBITDA. As the portfolio mix improves, gross margin will certainly improve and also the channel mix. See, yes, one of the important factor is we have a B2B portfolio of around 30%, which impacts gross margin in a percentage terms because they work on a thin margin as compared to a consumer segment, which is B2C.

Overall, EBITDA journey, we can see on the slide, 5.7% to 8.5%. Even in current year on a YTD December, we are at around 8.3%, which is on a similar lines. We are likely to continue on this trajectory. Of course, our aspiration is to move up to double-digit first.

But this inflation, which is a very heavy inflation impacts the gross margin in percentage terms that I think we have actually clarified in the last quarter also because it was an inflationary quarter last year as well. And this quarter also, we have given a clear explanation that percentage gross margin looks dipped or moderated in an inflationary environment.

**Akshali Shah:**

And also to talk about the pricing power that we have. If you see for Gowardhan Ghee, we're almost 20% to 25% higher than the second leader. So it also reflects that our pricing power and the brand power in the market which is there. So all we clearly need to work on is a better channel mix and of course, strengthen our portfolio mix.

- Debashish Neogi:** Which means the channel mix is diluted. The pricing power of the channel mix is diluted.
- Moderator:** Debashish Sorry to interrupt. May we request you to please rejoin the queue if you have any further questions.
- Debashish Neogi:** No, I'm not asking further questions. I'm just following on Akshali's answer. I'm just doing a follow-up on the answer because I'm not convinced on the answer. I didn't ask a separate question. So what I'm saying, Akshali, is that the channel mix actually is not reflecting the pricing power, which means in B2C, we are able to maintain the margin, but in B2B, it is pulling it down.
- So that is not a brand should work on, right? So I don't know. I'm saying ultimately, it's not reflecting. And the other thing is I think we have great brands, great products. I personally tested the product, but I think we are having a last mile leak in terms of distribution. Okay. Any numbers on that front in the last 1 year, how it has moved, both width and depth of distribution?
- Rahul Kumar Srivastava:** So Debashish, as far as distribution is concerned, this is one of our major sales KPI to disrupt the distribution to have a very massive distribution, as you rightly pointed out. So one of the zone, what we are concentrating on the East and Northeast. So basically, all the 7 sisters as well as Calcutta and Orissa.
- So last YTD, we have about 30,000 more outlets we have created. And this is what we are working on that with a clear follow-up with the Bizom, which is our sales tool, IT sales tool. So we do a very precise updation on the distribution network increase. And this will continue till we reach to a respectable in all the states close to about 10 million outlets.
- Ankit Jain:** Yes, I'll answer on the gross margin front. See, while B2B business, as you are saying, doesn't fetch, doesn't reflect. See, B2B business, one portion of it is largely SMP, Skimmed Milk Powder. Now Skimmed Milk Powder is a commodity.
- So when we look at the portfolio of Ghee plus SMP, we have to actually look at Ghee plus SMP combined together to look at the gross margin because SMP is finally a byproduct which gets generated which is at times margin dilutive, at times a very nominal margin accretive. So what happens is the denominator with respect to turnover increases because of SMP sales.
- And thereby, it impacts the gross margin in terms of the percentage because the realization is more on Ghee and not on SMP. That's one part of it. In terms of HORECA, the market is quite competitive. We are competitively priced as compared –to any of our other competition. So that doesn't seem a margin pressing point, but it is the turnover of this kind of byproduct, which impacts the overall gross margin profile.
- Akshali Shah:** Plus we need to see cheese and whey also in tandem when you look at the gross margins.
- Moderator:** Our next question is from the line of Parikshit Gujrati from Niveshaay.

**Parikshit Gujrati:**

So my first question was from this scuttlebutt channel checks, what I have heard is you have increased the prices of Avvatar whey protein 2x in the last 3 months. And my second question was that what percentage of revenue we are spending on marketing?

**Ankit Jain:**

Yes. So in marketing, we spend around 3.5% to 4%. Last year also was around 4%. Considering the inflationary impact, this year percentage might look a little subdued, but we spend around 3.5-odd percent. Now your question on Avvatar whey protein, I'm not clear if you can elaborate.

**Parikshit Gujrati:**

So from the channel checks, what I got was you have increased the prices of Avvatar whey protein 2x in the previous 3 months. So what was the reason for that? So basically, it decreases our competitiveness and because we have in-house whey protein production facility, so our prices should be lower, right? So that was my question?

**Ankit Jain:**

Yes, I understood your question now. See, Avvatar whey protein, as you rightly pointed out, is created in-house, etc. And you will know that on a comparative basis, the whey protein in India is all imported. So when it is imported, of course, it has an inflationary impact on account of not only FX, but on account of the protein prices overall across the globe.

Now of course, these 2 factors create a lot of impact when it comes to the competition. We don't want to be again behind the competition. We are almost at par with competition when you will find this. But what is happening is when you're noticing in the past 3 months specifically, in, on 22nd September 2025, we had to compulsorily reduce the prices in spite of the increase in the cost as a part of the GST measure, which we have passed on as a benefit.

But as we progress further and as our input material costs increase because finally, the milk, while it is used for cheese, it is used for whey as well. So as the milk prices have increased, as the input prices have increased, we have passed on that cost push even in Avvatar as well.

And we are quite competitive when it comes to the category that can be searched on Amazon or on our website or any other health and nutrition website like HyugaLife where you will find us equally competitive when compared to other brands.

**Akshali Shah:**

Brand positioning also plays a very key role when it comes to pricing, and we wanted to be with the leading market for the pricing aspect. So as for the competition, we've put our pricing strategy.

**Parikshit Gujrati:**

Okay. And just a follow-up question. Why our employee costs jumped Y-o-Y by 25%? Why is such a big jump?

**Ankit Jain:**

Yes. So your observation is right. See, typically, if you look at even in last year quarter 3, the employee cost has increased significantly. So on a consolidated basis, sequentially, the employee cost has increased by around 16% because typically, our appraisal cycle, the closure on the appraisal happens during quarter 3.

So our quarter 3 is always heavier in terms of the employee cost because of the arrears payout. Plus this quarter, we also had a small portion of it, but we have added additional hiring for -- as part of our distribution strategy. So we have hired more feet on the ground to a certain extent.

So that's a combination impact. We have commissioned a new plant as well, Thorandale plant, which is at Manchar only. So there was a separate staffing for that. So it's a combination of both. But largely, all our Q3, at least for the past 3 years, you can see it is heavier as compared to quarter 2.

**Moderator:** Our next question is from the line of Madhur Rathi from Counter Cyclical Investments.

**Madhur Rathi:** So sir, taking off from the previous speaker, my concern is also similar that it is beyond comprehension that despite having such a high value-added, so-called value-added portfolio, our margins are actually lower than people who are basically selling milk. And those companies are actually operating at negative working capital, whereas we have a huge working capital.

And despite that, we have low margins. So it is not comprehensible that what exactly is the issue? Is the issue that our dependence on B2B is too much or the cheese is the main culprit over here that we have to maintain a huge inventory and then give huge credit period? And I can see on the balance sheet that we even pay advances to our suppliers.

So I mean, how is this business going to earn a return on capital when we are going to pay advance to our suppliers, pay huge credit to our purchaser, distributor and on top of that, have a huge inventory and then do a mid-single-digit operating margin?

**Ankit Jain:** Okay. See, why you are comparing like-to-like on the listed entities, see, there could be fundamental differences. One, when we measure our raw material cost, we measure the raw material at the landed cost at the factory gate and not the pure commodity price, which is paid to the farmers. That is one.

The second portion, which I explained to the previous question also that our turnover is a little higher because the entire byproduct sale gets accounted as a turnover. While when we sell liquid milk, we are selling only milk. But when we are selling ghee, we have to sell ghee as well as the SMP, which is just being generated as a part of the byproduct.

So what happens is your denominator increases because of the same -- denominator I mean to sale, the sale number increases. And thereby, it impacts on the gross margin as a percentage what we look at. Having said that, we have to while the gross margin in other portfolio is quite high, we have to look at ROCE accretion, as you rightly pointed out. And you can very well see on the chart that overall, the ROCE has inched up from 8.6% to 14.3%.

And that is also our target and our vision mission to how to improve on the ROCE. Now coming to your question on the working capital requirement, I think we have significantly improved on our working capital cycle. Our working capital cycle has come down from 75-odd days to now close to 60 days.

Again, large part of it, we have already corrected in terms of how should the inventory be there just in time, etc. But whatever is required as a part of the business fundamental like ripening of the cheese, etc., we need to keep it. While all our other factors in terms of receivable payables. So overall, our net working capital cycle, we look at from this 60-day perspective. That's all.

So the ethos of our company is to add value in the long term and add the business wherever needed. So we are going and growing our portfolio. We are focusing a lot on NPDs. You would have seen that Protein Wafer Bar, which was launched just in quarter 1, which was scaled up over a period of time and already scaled up now for national-wide distribution has already got its share to 8% of the total brand revenue in just 3 quarters.

So we believe that the way we are looking at improving our profitability in terms of overall EBITDA margin, the same should reflect in ROCE. And since you're observing everything specifically, our overall the debt has reduced, overall finance cost has reduced, which is adding to the bottom line overall. So that's where while EBITDA growth will be certain muted, but PBT growth is healthy growth.

**Moderator:** Our next question is from the line of Prit Nagersheth from Wealth Finvisor.

**Prit Nagersheth:** So, I wanted to talk about the increase in milk prices. And my concern is that given the next year is supposed to be an El Nino year and with severe summer expected, do we anticipate the inflation in prices to continue north of Q1 also for the next financial year? Can you please shed some light on that?

**Rahul Kumar Srivastava:** No, the prices, as I mentioned that it is also with the seasonality and the seasonality is basically summer where the milk production goes down and the demand is there in terms of ice cream and other products. So there will be some inflation in the last quarter of this, right, up to March, April.

And then next year, again, on the onset of monsoon, the prices start softening. So basically, it will not be continuously increase from this quarter to next quarter to next quarter. But till the summer is there, I think there will be 1 or 2 more price increases.

**Prit Nagersheth:** So I also wanted to understand that regarding the FTAs that are getting signed, do we anticipate any risk of protein coming into the country without duties or lower duties that could impact us?

**Rahul Kumar Srivastava:** No, no. In fact, there is a shortage of protein across the world. And basically, even FTA, the dairies are not included. So dairy is isolated from FTA. So there is no risk, I would say, that one.

**Moderator:** Our next question is from the line of Mohit Dodeja from Emkay Global.

**Mohit Dodeja:** So could you please highlight the breakup in the Ingredients business? What is driven by? Is this driven by lower SMP sales? And how should we see the growth here? And for Pride of Cows milk, what is the growth trend and the mix of non-milk share? So because I'm asking because we have been seeing Pride of Cows getting used in Blue Tokai outlets. So just wanted to know the share of B2B for Pride of Cows.

**Ankit Jain:**

See, with respect to ingredient business, of course, yes, the large part of the degrowth is coming from SMP, observation is right. However, there is other institutional whey protein also, which we sell there also, we have chosen in terms of not to allocate much on the ingredient business rather to allocate more towards the Avvatar protein business.

So that has been a conscious strategy to have a lower ingredient business, whether in form of the whey proteins or whether in form of the skimmed milk powder. But your observation is right, largely it is on account of SMP. Now coming to the share of Pride of Cows. See, Pride of Cows as a brand and Avvatar, both are our new growth engines, and we've combined it together for all our reporting purposes.

And that's why we call it as new age business, which is going to grow significantly versus where it is today as well as it is going to be margin accretive for the company as a whole because these both are premium offerings and superior product offerings. So from that perspective, we are not sharing any differentiation or the split between the 2. And a further question of yours which is in terms of the milk supply, which is to the Blue Tokai.

See, we always evaluate the market if there is an opportunity to create a surplus milk, we can always allocate to the B2B business. But we took it more as a marketing initiative, whereby we are able to place the milk in those outlets, which is a growing chain, and they are going to promote their products along with us.

**Akshali Shah:**

Brand collaboration is the new way of marketing, and you see a lot of brands collaborating. So we've done a collaboration with Blue Tokai, and that's why this one-off institution that we do. Plus to give you a breakup on the skimmed milk, liquid milk and value-added for Pride of Cows, right now it's too small to actually comment. If anything in the near future, we will definitely keep you posted.

**Moderator:**

Our next question comes from the line of Dhwanil Desai from Turtle Capital.

**Dhwanil Desai:**

Sir, my first question is we talked about pricing increases that we have taken for our portfolio on the value-added side. So 2 parts to the question. One, we have done very good volume growth in the core categories. So how do we see the impact of this pricing increase that we are taking in terms of volume growth going forward?

And second, since now we will be offsetting the inflation on the milk side largely and because our new age business is growing much faster, should we expect some kind of a sequential improvement in margin or should we stabilize around current level? How should we look at gross margin, EBITDA margin going forward till the flush season comes into play?

**Ankit Jain:**

Now as you rightly pointed out, yes, the volume growth at a category level in double digit for core categories with such a large base is significantly good. And you can see that the performance is there, whether in quarter 3 or in 9 months put together at the 12%, it's a significant achievement what we also believe.

However, because of the inflation, you can see that there is almost a kind of 8% to 9% inflation, and that's where the value growth is very, very high. But we believe more on fundamentals in terms of volume growth. That's where we have been transparently updating you that the volume growth is 12%. This inflation will continue, will not continue. There could be plus/minus as the commodity cycle changes.

So it is better that we focus more on the volume portion. Now coming to your question with respect to if the portfolio mix is increasing, the core categories is growing, the new age share is growing and how it adds to the overall margin and how do you foresee it? See, it's a combination of overall managing a business. So at times, we take call on core categories.

At times, we choose to pass on at times for certain products, we choose not to pass on, etc. Every time for every consumer product with every single rupee increase, it will be good for a cleaner supply chain for fit for consumers, etc., overall all stakeholders to keep it simple. So from that perspective, we manage it, and this is the art of managing the business, how do we manage the overall and balance the overall portfolio put together.

So in an inflationary environment, we have categorically explained the percentage margin always comes down because what happens is for certain core categories like product, we pass on the cost push, thereby keeping our, for example, rupee per litre margin keeping same. But because the inflation is there, the margin percentage comes down.

Having said that, we have categorically also mentioned that the favorable product mix has improved or helped in supporting a sequential gross margin. So it is overall balancing, I would say that the company will overall look into the portfolio and balance it out. We have to more look at how we are growing the absolute EBITDA, how we are able to add to EPS. I think that's our vision.

**Moderator:** Our next question is from the line of Kaushal Sharma from Equinox Capital Venture Private Limited.

**Kaushal Sharma:** So my question is on your new age business, which is currently around 9% of our overall revenue. So what is our outlook for this share going forward next 2 to 3 years? And sir, as we are aggressively growing in our new age product and the milk ratio is quite high in this segment because we require around 10 to 12 litres of milk to produce 1 kg of cheese and the byproduct is whey, which requires milk quite high content and because currently very inflationary requirement.

So are we seeing a jump in incremental working capital because currently, we are growing around 14% to 15%. Will this increase our borrowings, which is around INR543 crores as of now that will impact our margins going ahead? And what is our plan to repayment of our debt because it's quite elevated?

**Rahul Kumar Srivastava:** So you were talking about the new age business percentage. So based on our long-term planning, we have a growth rate of 15% to 20% per year, our new age business will contribute around 20%

in the next 2 to 3 years. That is what we are targeting. It will happen because of the good base now we are having and we already crossed about INR100 crores per quarter.

**Ankit Jain:**

So see, while your observation is with respect to whether we will need more working capital as the new age business is growing. See, the new age business is growing on account of both Avvatar and Pride of Cows, and we also have institutional business so when it comes to getting into whey. So we don't need to worry on the whey sourcing as such.

I think the levels at which we are there and the levels of inventory which we are maintaining, we are not going to significantly increase from where it is. We are looking at it more in terms of volume. See, while inflation may create a number in terms of the overall value of the inventory. However, we look at more inventory in terms of the quantitative terms.

And in quantitative terms, the inventory is just to update you, is almost same as what was there in last year December 2024 in spite of the strong growth in the business at an overall level. So see, the debt levels, etc., is not going to impact the EBITDA margins as such because if there is an elevated interest cost, it will be down.

But as you see, the interest cost has been coming down as a percentage of sales, so it has come down significantly because there is a reduction in the debt. So while we are talking of increase in debt, see in last year, as on 31st March 2025, our gross debt was around -- on a consolidated basis was around INR615 crores, which as on 30th September is INR483 crores, while our net debt is around INR435 crores as on 30th September.

So we have, of course, reduced the debt levels. We will be conscious about choosing when to introduce debt, etc. However, that's a call we will take because see, overall, we are generating cash flows. If you look at our cash flow from operating activities have increased significantly. 2 years back, we were using the cash flow.

Now we are generating cash flow year-on-year. In half year itself, we have generated INR99 crores, which is good to fund our overall capital expenditure program. And in fact, if you look at last year also, we have funded the entire capital expenditure through in-house accruals only.

So with that perspective in mind, we are not going to, of course, increase the debt level. Debt levels versus last year definitely is going to look moderated only, significantly moderated versus what was there last year.

**Kaushal Sharma:**

What is our targeted debt to capital in that case considering current inflationary environment? And what is the repayment plan? As you said that we will reduce the debt?

**Ankit Jain:**

See, a large part of the debt is a short-term working capital debt. The long-term debt is a very small portion, one portion is on account of NCDs, which we are repaying on a half yearly basis. This was an NCD which was taken in 2021 of around INR150 crores. And today, the outstanding is around INR81 crores.

So it's a repayment which is scheduled on a half yearly basis. Having said that, for funding the additional working capital, we have taken certain other debt in terms of the machinery-related capital expenditure.

But overall, it is part of managing the overall debt profile, whether we are borrowing in form of using it for a term loan for a machinery versus using our CC limits. So as of now, we have maintained a mix of both. And that's where we are looking at the overall debt position, not in terms of what is the long-term debt and what is short-term debt.

**Moderator:** Our next question comes from the line of Vinod Krishna from Avendus Wealth.

**Vinod Krishna:** Sir, in Gowardhan Ghee, how much -- like Akshali ji was saying that our prices are INR20 or 20% higher than the competitor. And also the growth outlook on the new age business, what percentage can we expect because we are growing 100%. I don't think we can maintain 100%, but this INR400 will become INR1,000 in 2 to 3 years, so we can take like that so these 2.

**Ankit Jain:** See, , first of all, let me answer on the ghee prices. So ghee prices is almost close to 20% higher than the competition. It is not INR20, it is 20%, okay. What we were mentioning, INR20 was the 20 ml sachet. Hope there is no confusion on account of this. Secondly, with respect to the new age business, I think Rahul ji just answered that today, it comprises 9% to 10%.

Our endeavor is how does it we grow the portfolio to double and make it 20% as a part of the overall turnover. Having said that, even if the mix improves in terms of the new product portfolio, the new age business portfolio, growing from INR100 crores to INR1,000 crores is a 10x jump. While we have seen abnormal jump, you look at 8x, 6x -- it has grown significantly.

But in 2 years, getting to 1,000 is a little far-fetched. However, the endeavor will be to continue the growth trajectory on the similar lines where we have been growing 8x, 6x. We will see how we are able to continue with this momentum and the journey.

**Vinod Krishna:** And working capital is around 60 days, right? We can take that 60 to 65 days. It will be around that, net working capital?

**Ankit Jain:** Yes. Yes, yes. Net working capital is around 60, 65 days...

**Vinod Krishna:** And we can assume that same will continue?

**Ankit Jain:** We will surely assume that.

**Moderator:** Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. Brian D'Penha for closing comments. Over to you, sir.

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

**Ankit Jain:** Thank you.



*Parag Milk Foods Limited  
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**Moderator:**

Thank you. On behalf of Parag Foods Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.