



Ideas for a new day

May 14, 2026

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

Dear Sir / Madam,

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

In continuation to our letter dated May 5, 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 Friday, May 8, 2026 for discussion on financial and operational performance of the Company for quarter and financial year ended March 31, 2026.

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

You are requested to kindly take the same on records.

Thanking you.

For **Parag Milk Foods Limited**

Virendra Varma
Company Secretary &
Compliance Officer
FCS No: 10520

Encl: As above

Parag Milk Foods Ltd.

CIN: L15204PN1992PLC070209

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“Parag Milk Foods Limited
Q4 FY26 Earnings Conference Call”

May 08, 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 Q4 FY26 Earnings Conference Call of Parag Milk Foods Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

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, good evening, everyone, and a warm welcome to the Q4 FY26 and full year FY26 Earnings Call of Parag Milk Foods Limited. We are pleased to have you all join us for this virtual meeting.

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

For the purpose of completeness, I do want to read out our safe harbour statement. Certain statements in this meeting with regard to our future growth prospects are forward-looking statements, which involves 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 the floor to Ms. Akshali Shah for opening remarks. Over to you, Akshali.

Akshali Shah: Good evening, everyone, and thank you for joining us. I hope you and your families are doing well, and we truly appreciate your continued interest in Parag Milk Foods. If I were to describe FY26 in one line, I would call it a pivotal year where our strategy started to translate into visible and measurable outcomes, where the business began to scale with greater clarity and confidence.

Over the past few years, we have been consciously reshaping Parag into more focused future-ready dairy and nutrition company. In FY26, that direction became far more evident, not just in what we delivered, but how we delivered it. We crossed INR3,800 crores in annual revenue, growing in double digits with volume growth of 5%.

Overall, the core categories' volumes grew by 8% and the new age business that is Avvatar and Pride of Cows grew up 91%. More importantly, this growth was accompanied by stronger profitability, improved margins and a healthier balance sheet, which tells us that business is becoming structurally stronger.

What stands out even more is the quality of this growth. Despite elevated milk prices and inflationary pressure, we were able to expand our gross margins to 28% in Q4. This was not driven by external factors, but by sharper execution. That is with better product portfolio mix, more disciplined pricing, tighter cost controls and a clear focus on profitability at every level.

Our new age business has emerged as a strong growth engine, crossing INR100 crores in quarterly revenue for the second consecutive quarter, and growing over 100% year-on-year in Q4. Its contribution to our overall business has moved to a meaningful double digit at 10%.

The commodity witnessed inflation of 15% year-on-year and 4% sequentially during Q4 FY26 with average milk prices at INR42 per litre. On quarter-on-quarter basis, while the milk prices inched up 4% sequentially, the company has been able to improve the percentage gross margins to 28% for Q4 versus 25.9% for Q3.

The company has been able to navigate the cost push with pricing and promotion strategy and portfolio mix. Year-on-year basis, while the milk prices inched up by 15% year-on-year, the company has managed to pass on the cost push in a calibrated manner. In an inflationary environment, the percentage of gross margin last year was 26.7%, which is now 28% for Q4 FY26. This movement entailed a combination of portfolio mix and inflation.

Today's consumers are making more conscious choices. They are seeking for quality, protein and more differentiated experience. Our portfolio is increasingly aligned to the needs. And this is where we see long-term sustainable growth coming from. If there is one team that cuts across everything we are building, it's protein and nutrition.

We believe protein is no longer a niche. It's becoming a very integral part of everyday consumption. Our effort has been to make it more accessible, more relevant and more integrated into daily lifestyle.

At the same time, we have been very deliberate about expanding into newer formats and occasions, whether it is through high-protein offerings or convenient snacking or like a premium dairy experience. Innovation for us is not about launching more products but building relevance in the moment that matters the most to the consumers. Equally important has been how we are building our brand in a more contemporary way.

During the year, we have strengthened our presence across modern trade, quick commerce and digital platforms while driving deeper consumer engagement through on-ground activation and partnership. Like from mass visibility platforms like Kaun Banega Crorepati, to a very, very targeted focused youth and lifestyle ecosystem. Our approach has been to meet consumers where they are and build stronger and more meaningful connection.

We will continue to build on this momentum with a sharper focus on scaling our consumer portfolio, strengthening our brand relevance and driving consistent and profitable growth. At the same time, we will remain disciplined in our execution, ensuring that growth is sustainable and backed by stronger fundamentals. With a strong portfolio, improving financial quality and a clear strategic direction, we believe we are well positioned for the next phase of growth.

To conclude, thank you for your continued support. We will now be happy to take your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rehan Saiyyed from Trinetra Asset Managers.

Rehan Saiyyed: So yes, I want to ask regarding your Avvatar segment. That Avvatar has now become a meaningful growth driver with its strong traction in e-commerce and quick commerce. So can management share the current market share in the sports nutrition category and how the brand is differentiating itself versus international whey protein players entering India?

Akshali Shah: So see, as you see the protein industry overall is going into different, different segments. You have dairy protein, you have the plant protein and we have which is now yeast protein as well. But there is no one such data which actually says that how is the protein category. It's still very unorganized and it's still a very import-driven category.

So there is no data. We have not subscribed to a data as such. But overall, when we see the quick com and the marketplace numbers, we are somewhere between 14% to 15% market share in the protein segment. But of course, a large quantum of our sale also happens through our own website. So we would be very difficult to say overall how much the business is in the market share per se.

Rehan Saiyyed: Just correcting myself, you have said 14% to 15% of market share, right?

Akshali Shah: Yes, in the quick com and the marketplaces. Yes. But of course, a large portion of the business is also coming from our own websites and the retail outlets. So that's not anywhere this thing, but I'm just give you overall on the quick com piece.

Rehan Saiyyed: Got it. Got it. And my second question is around your New Age business contribution has increased from around 4% in FY '23, we have seen to nearly 10% in FY26. So over the next 3 to 5 years, what is the long-term revenue aspiration for this segment? And can it structurally deliver better EBITDA margin than the traditional dairy business?

Akshali Shah: In the next 3 to 5 years, we see this business contributing to around 20% to 25% of the overall revenues. And of course this will be backed by newer formats that we launch in protein and newer categories in Pride of Cows that we will launch in the next coming couple of years.

Rehan Saiyyed: Okay. And my last question of the piece that like, our cheese remains one of the strongest categories with leadership positioning. So can you tell me some comment on capacity utilization at the cheese plant currently and whether any fresh capex maybe required for the demands to grow at current level?

Ankit Jain: See overall ghee manufacturing and cheese manufacturing capacity is around 110 metric tons you would have seen in our investment presentation. We are looking at adjacency in the capacity increase which you will see very soon from our side. So the overall plan is that we increase our capacity of cheese from 60 metric tons to 80 metric tons and then we take it ahead.

We may not need a greenfield expansion when we have to increase the capacity from, say, 60 to overall 120, it can be done with the adjacency in the capex. The plan is already work in progress. I think we will update as soon as the capacity is installed and ready.

Moderator: The next question is from the line of Harshit Khadka from RoboCapital.

Harshit Khadka: So ma'am, you mentioned that the contribution from the New Age business would be around 25% in the next 3 years, which roughly translates to around INR950 crores of revenue. So is it safe to assume that we can hit the INR1,000 crores mark in the new age business, including Avvatar and Pride of Cows in FY '29?

Ankit Jain: See we are working on our strategy for INR10,000 crores road map. But FY29, saying precise INR1000 crores we are not commenting on that. What we are saying is as the newer formats we add into this basket of new age business, the way we have added, say, Protein Wafer Bar or the way we have added Greek Yogurt in Pride of Cows. So there will be newer formats of the product which will be added to these categories, which will also improve the overall mix of New Age business. Besides the significant growth what we see in the core business itself of, say, a Whey Protein Powder or even a Pride of Cows milk and other products.

Harshit Khadka: Okay. And sir, what is the combined margin in this business, the New Age business in EBITDA terms?

Ankit Jain: See, in EBITDA terms, we do not give a product-wise category-wise margins. And this is always a blended margin which everybody looks at whether it is a gross margin or EBITDA margin. However, I'm referring to my previous calls where we have commented specifically that the New Age business has almost doubled the company average margins.

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

Debashish Neogi: My question is that this new age business, we will definitely hit INR1,000 crores. It's a matter of time, whether '28, '29 or '30. My question is, typically, it is like a -- specifically Avvatar it's like a D2C brand and D2C brand has huge multiple in terms of valuation. Is there a thought of actually separating this vertical and get more value created, not from only a valuation perspective, but strategically also the way this brand should run is very different than the traditional brand. Any thoughts on that?

Akshali Shah: So I know how the D2C businesses nowadays are getting valuation. But if you see our long-term objective here, and we created these 4 wonderful brands is to have a sustainable and a profitable business and sustain it and grow the business in a certain way, and to, of course, create value for all the stakeholders. That's the overall objective. But of course, we've never really thought of separating one little piece of it and doing a separate valuation piece, not at all.

You also need to see that Parag is a completely integrated business model from the farm that we have with 5,000-plus cows to the milk you are procuring the cheese and the byproduct is whey protein and then we've created this brand Avvatar from there. So it's a very integrated business model. It will be very difficult to carve out something particularly and just for the valuation.

Debashish Neogi:

Any reason why the new age business is stagnant quarter-on-quarter? Because the e-commerce channel is growing 2x, the traditional channel. We are doing very well. Avvatar is doing very well. So why on a sequential basis with such high growth category and where we are doing very well, the sales is stagnant around INR100 crores for 2 quarters?

Ankit Jain:

During quarter 4 of FY26, we withdrew certain promotions specifically from Pride of Cows. We had price transition in Avvatar. So there are a couple of transitional impacts which happens because it was already a year that we have been there on quick com for Pride of Cows as a business. So whatever the annual contracts were over, we wanted to stabilize and focus more on profitability.

So there were certain pricing promotion calibrated strategy, which was deployed for quarter 4. And that's where we see some transitional gap. Having said that, we are happy with the INR100 crores milestone put together which the business have achieved. And we're sure going forward, taking it ahead from where we are as a INR100 crores base.

Moderator:

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

Dhwanil Desai:

So my first question is, we have been doing very good volume growth till Q3. In Q4 in our core categories, volume growth has come down significantly and sharply. You talked about Q4 of last year having some institutional sales build-up. So going into FY27, how should we look at this core category volume growth? And since you have taken steep price increases, does it having some impact on that? And should we recalibrate the pricing strategy?

Ankit Jain:

See, as you rightly pointed out, there is a volume decline of 5% almost for the quarter 4 as an overall branded business. In core categories itself, there is a volume decline of 3%. We have explained in the investor presentation that the decline is mainly due to the institutional and export sales in the base year, specifically in the core categories itself, which has led to basic decline in the overall growth.

Having said that, we understand that we have to grow year-on-year. However, the exports have been relatively on a lower side. I'm not getting into the global economics, but there have been decline in the export sales Y-o-Y for quarter 4. And hence, we see the decline in the core categories. That is one.

Secondly, you wanted to understand the guidance for FY27. See, we don't typically give a yearly guidance and hence, I would not like to comment on specific guidance for core categories, etc.

But we have demonstrated well enough in the past that core categories have a tremendous potential, and we all are working upon the distribution and improving the health of the business with more distribution so that we have a growth in core categories. Core categories remain fundamental to our business because it's comprising almost 60% of our business. So, there is a strong focus we have.

So as you question on the pricing strategy, see, while we have increased, of course, prices in Ghee during quarter 4, but we have also done certain pack level strategy, pack promotion

strategy with different SKUs for different markets, etc. But those are all nitty-gritties of the business. Overall, we are looking at a double-digit volume growth for core categories. That's what we aspire to.

Moderator: The next question is from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Ankit, you have earlier alluded to about sharing the incentive number for the full year. If you can share about the number and its impact on our overall margins for FY26?

Ankit Jain: I'll give you the number of the incentive because it will be soon out together with the schedule of the revenue from operations. But for the year ended for this year, the incentive number has reduced drastically. So overall incentive number for current year is almost INR46 crores as against INR88 crores last year, mainly on account of 2 reasons.

One, last year, I think we have clarified that for last year, we had accounted for almost 2 years of incentive because there was additional scheme under Mega, which we had applied for and we got the sanction. So that's where we had to account for a larger base, but that was one-off.

Secondly, what has happened is from H2 this financial year, post changes in the GST reduction from 12% to 5% for our core categories so the incentives are typically based on the reimbursement of the SGST, which is the sale in the State of Maharashtra. So while the sale has not reduced, but overall output GST has reduced because some of reduction from 12% to 5%. So this has led to a significant reduction in the overall number as well.

Ankit Gupta: And this number will remain at this level going forward also around INR40 crores, INR45 crores is what we can expect?

Ankit Jain: Yes, it will reduce marginally further because in the base year number, half 1 is a full year number. Where INR45 crores is a full year number. So the first half was having higher GST.

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

Viraj Mehta: My first question is on employee expenses. If I look at our sales growth and vis-a-vis our employee expenses have just exploded at north of 20% growth for like a couple of quarters now on a Y-o-Y number, whereas growth has tapered down significantly. So where is this mismatch? Like did we hire too many people assuming a lot of sales, but which did not transpire? Can you talk about this anomaly, please?

Ankit Jain: See, employee cost, I will give you a couple of reasons. Last quarter, we have had 2 impacts in the last sequential quarter for quarter 3. As we mentioned, typically, the appraisal gets subsumed in quarter 3. Even so is all the previous year trend also if you look at, so quarter 3 is typically higher than the first half of the year. So that is one reason on the cycle of appraisal.

The second reason is the change in the Directors' remuneration. I think the resolution was approved on 29th September post the AGM, and there was an impact corresponding to the same.

The third is with respect to the ESOP. I think there has been increase in the overall ESOP program to our CxO and the business heads. And accordingly, again, see, this is again more of a long-term strategy for more skin in the game. So from that perspective, there is an additional impact on account of ESOP. So when you look at the employee cost schedule, you will be able to figure out the impact.

And the fourth one is, of course, the change in the talent. Of course, we have strengthened the overall talent base. We have strengthened various areas and more so specifically in the business. So we have separate business heads for each of the verticals. We have strengthened specifically business for the consumer product business, which is GT, HoReCa and Modern Trade. So all in all, this is where you see the impact.

Viraj Mehta:

Sir, my only question is, I understand there were some impacts in Q3, which were one-offs. But the changes in remuneration and if we are hiring more teams, we are now at a INR54 crores run rate on a quarterly basis. So 'A', as an investor, do we have to assume that there is no one-off in this number? And on an ongoing basis, this is more or less a number we should look at?

And the number of people that we have hired now as to what sales -- I'm sure you build team for future growth. So what sales you will not -- like not a substantial jump because in last 1 year, we have seen a jump from INR40 crores 6 quarters back to INR53 crores a quarter. So without really a large change in our sales, which is where the whole dichotomy I'm trying to understand?

Ankit Jain:

Okay. See, there are, of course, one-offs even in the current quarter. I understand your question that how should you presume for the year going ahead. See, quarter 4 has one biggest change with respect to the ESOP expenditure because certain ESOPs which were issued granted in the last of the quarter 3. So they have got really impacted more as a cost during quarter 4. So that is one of the biggest impact.

The second impact is on account of the Directors' remuneration, I think which I explained to you that after the shareholder approval during quarter 3, the approval was taken from the Board. And accordingly, the change in the Directors' remuneration was implemented from quarter 4.

And if you look at the change in the remuneration of the Executive Directors, the remuneration has been fairly stable, stagnant for the last 7, 8 years, and there was no change in the remuneration. So it was actually a need of hour and more imperative that we had to change it. And finally, we took that step of changing the same. And we implemented this from quarter 4. So the entire impact for the year comes under a quarter 4 number. That's why you see the quarter 4 relatively again on a higher side.

Viraj Mehta:

Sure. And my last question is on volume growth. I understand what you explained to the earlier speaker. But from a very high growth in Q2 of north of 25% revenue growth in core categories, the volume growth seems to be plummeted. Now like again, your industry. So if you can throw a little bit more light, have we lost out the competition due to a little bit of more aggressive pricing to improve our margins or would you say the whole industry has not grown? If you can just throw a little bit of colour on this?

Ankit Jain:

Sure. See, when we look at the core categories, again, there are 3 businesses, which is Ghee, Cheese and Paneer. Now looking at Ghee, there's definitely a no-brainer that we are number 1 despite premium. And the premium index is almost maintained versus what it has been there, right? Premium has marginally increased over last year. But over the sequential quarters, there is no impact in the pricing premium.

Having said that, Ghee remains clearly an outlier with a strong volume growth. There were certain export orders, which I explained in the previous question. There were certain export orders and the institutional supply, which we had done in the base year quarter. In this quarter, we had almost a very minimal amount of exports. So that has led to a reduction in the overall number for the current quarter.

Paneer is broadly, again, based on the pricing strategy. It is about the pricing and promotion strategy, which we have little tweaked, and that's how we see. But Paneer as compared to Ghee and Cheese is relatively small.

So overall, I would say we don't see an impact on account in the market share, certainly not and we believe the potential is there. The immense potential is there in the core categories itself to grow in a double-digit volume growth, which you would have seen that in the last 3 quarters, Q1, Q2, Q3, –in YTD December itself, we had a 12% volume growth. So we will continue with that figure.

Viraj Mehta:

Right. And just last understanding from Akshali is we have always mentioned that we'll improve gross margins with product mix and higher core categories growing faster than the rest of the business, which will lead to at some point in future, 28%, 30% gross margin taking us to double-digit EBITDA and you've done a fabulous job this quarter in an unpleasant environment where gross margins are improved but the translation to EBITDA doesn't seem to be happening. How confident are you that in a couple of years or whenever the time frame is that translation or improvement in gross margins will actually flow down to EBITDA as well?

Ankit Jain:

Yes. See, your observation is correct that with respect to gross margin, definitely, you will see improved gross margin in quarter 4 on an overall basis, it is around 28% for the quarter versus last year number of maybe close to 27%, 26.7% to be precise on a like-to-like basis. So Y-o-Y, of course, there is an improvement, but we look at sequential.

See, sequential is something we should definitely look at when the milk prices was 40, we were at almost 26% margin. Now even with increased milk prices at INR42, average 42, we are at a quarterly gross margin of 28%.

So this shift in gross margin is, again, one, because of the favourable product mix. The second is, again, in a hyperinflationary environment, the percentage gross margin dips down. So even though the gross margin has improved with a favourable mix, it has been offset by a price change impact.

Having said that, we have also taken a price correction in quarter 4, specifically in Ghee and Cheese. But the percentage margin is always impacted because of inflation because we tend to pass on only the cost push and not the profit on the revised pricing.

If you look at -- just coming on to the EBITDA, your question on EBITDA. See, overall, you would look at while the EBITDA has dropped sequentially or Y-o-Y, mainly because, again, Y-o-Y, we have dipped from 8.5% to almost 8.1%, mainly on account of the inflationary environment during the year.

Having said that, there are other levers as well. You would notice the increase is there in even employee cost as a percentage to sales or the other expenses as well. See, we are confident that with the strategy which we have put in for improving with the new product portfolio, increasing the new age business, focusing on core categories with distribution expansion and giving a backbone to the business for the profit margins, we -- are confident -- we are fairly confident that we will inch up to double-digit margins.

That's what we aim for, we aspire for in the coming years we have to move to double digit. I'm not talking even a journey way ahead after double digit. But yes, the idea or the business strategy is to enter into double-digit EBITDA margins.

Moderator: The next question is from the line of Vinod Krishna from Avendus Wealth.

Vinod Krishna: Sir, my question is also on core category. We have 22% market share in Ghee. And I'm assuming because you're saying that you are expanding the distribution. So I'm assuming that this market share is coming from presence in mostly North and Western markets. So can we assume that double-digit growth in Ghee should not be a problem and Cheese also mostly is in Western North?

So can you explain what are the drivers of the growth? Is it just distribution and not having presence across India or penetration? So how should we think about long-term core category growth? Because I think even though your market shares are 22% and 35%, it is not evenly distributed across India, right? Or I may be wrong. So please correct me?

Rahul Kumar Srivastava: Yes. I am Rahul, you're right because India is a very vast country and we are concentrated our market share also in certain big states. And we don't have that strength in Northern India as well as South India. So we are deliberately working very hard to get the inroads into the large markets in North India as well as South India.

So obviously, these are the big states like UP has a population of INR21 crores and South all the 4 states have population of INR28 crores. And we are very, very strong in Maharashtra, but we have a lot of investment as an effort from the sales team to get market share in those states. So obviously, it will be a very big growth in those states for all the core categories.

And all the required investments have been already in place in terms of getting our cold chain established, warehouse established supply chain established as well as the awareness of the brand through Hindi brand through KBC and all, so it will be a fantastic years to get the very

good growth in those states. You are right that this will be a game changer as far as the volume growth are concerned in core category in these states, which are roughly 30% of Indian population.

Vinod Krishna: Sir, I agree, but there should be somebody already present there, right? So are we not having any challenges? So that was my question, like you go to UP, but there should already be some people already there. So how do you get the market share?

Rahul Kumar Srivastava: Yes. No, basically, the main thing which is changing, we all must know is about the change of the consumer preference from unorganized players to organized players. So if you talk about Ghee, then because of a lot of bad publicity of the adulterated Ghee and also a lot of people are changing from unorganized to organized ghee Brand.

Same is the case with Paneer also, you will see the big change in the consumer preference of the consumer preference from unorganized paneer to paneer market. In fact, a lot of adulterated paneer or paneer analog will be classified and we cannot call it as a paneer. So these are the government laws are going to come. So these things will certainly give us a big impact to make a lot of inroads to those markets.

Vinod Krishna: So can I assume that you are more confident of growing in the states and most of the inventory in terms of distribution and logistics has been placed?

Rahul Kumar Srivastava: Yes, yes, sure.

Moderator: The next question is from the line of Avnish Tiwari from Vaikarya.

Avnish Tiwari: Given the past cycles you would have seen in terms of the inflation shocks, currently, what we are experiencing in terms of fuel cost increase, which may lead to feedstock price increase and eventually the milk price increase. And then there is some also concerns around El Nino.

So if you were to take a scenario, what kind of price increases which we might experience and how you plan to sort of -- I mean how much lag typically you have before you are able to pass on these in your, let's say, liquid milk price? I know in the value-added, you would have more pricing strategy, but just want to understand the raw material cycle from your perspective on the historical context here?

Rahul Kumar Srivastava: Yes, I got your question. We always take the cognizance of what is happening in terms of the energy prices across the world as well as the effect in Indian prices. So because of the war and all the things, there were inflationary pressure on the polymer prices and plastic raw material. That has already increased the packing material prices.

So this has changed our pricing in the fresh milk in terms of the milk pouches. So we have increased prices we have taken the price increase in that. As far as diesel and petrol prices, if the prices are increased, certainly, we will be able to take the price increase because this will create a lot of cost pressure on the supply chain and logistics. So we will be taking as and when the prices are increasing in the petrol and diesel, which is not the case as we speak today.

Avnish Tiwari:

Sir, and do you have a perspective how much the milk procurement price today is around INR42. How much or what are the probable scenarios there, which can go up given the farmer feed price go up?

Rahul Kumar Srivastava:

See, as compared to last year, we have about 15% more prices in milk, which is presently at the rate of INR42 per litre. What I think the prices should be stable for next 2, 3 months until something big happens in energy prices because that has an impact on the logistic and collection of milk and all the things, including cattle feed prices.

So if things are stable from the war front and all and energy prices are stable, then we see the milk prices also stable. Then after the monsoons are there and grass comes and all these things, and there might be some softening in the prices. Otherwise, I think same prices for the next 3 to 4 months.

Moderator:

The next question is from the line of Parikshit Gupta from Fair Value Capital.

Parikshit Gupta:

My first question is on the inventory levels. At INR730 crores, I just wanted to understand how much is bulk fat versus cheese. Now I do understand that in order to produce whey protein, we produce cheese and paneer as well. But from a strategic perspective, is this a conscious working capital investment considering the higher milk prices or stocking demand? Or is it a sign of channel inventory buildup?

Ankit Jain:

See, there is no channel inventory as such. The entire inventory, whether depot stock or the factory stock, even the SFG stock is our inventory. Having said that, if you look at overall variance in inventory, the inventory has increased by almost INR150-odd crores and purely on account of rate variance at the overall level.

There will be mix which would have changed. But overall, the quantitative variance at the overall inventory level is almost nil and the entire inventory is because of the inflation. Having said that, the inventory composition has also changed over a period of time considering with the change in the mix of the business. Accordingly, the entire rate variance is flowing in form of inventory increase.

Parikshit Gupta:

I understand. My second question is on the capex. I know we did around INR100 crores in FY26. What is the guidance for FY27? And where is it exactly going, capacity expansion, cold chain or the new age business build-out?

Ankit Jain:

Yes. So see, this capex has been with respect to the commitments which we have already given with respect to the projects when we initiate a project, there is an overall capital investment. Everything may not be incurred on day 1. Hence, you see a resultant. I think just a few minutes ago or maybe in this call itself, we spoke about expansion in cheese. So that is one of the investment area where we have invested into.

The second is, of course, improving in lactose plant to whey, etc. So there are multiple areas where this capex has been spent. But as a guidance for the next year, we will definitely give a guidance of INR60 crores to INR70 crores of capex, dairy being capital intensive. There are

some of the other capital projects, which are, again, for a relatively a longer gestation or tenure, which needs to be finished. So from that perspective, we can fairly assume INR60 crores to INR70 crores of capital expenditure.

Moderator: The next question is from the line of Kiran D from TableTree.

Kiran D: Good set of results considering this hyperinflationary environment and great growth on new age. I have a couple of questions. The first question is, I mean, gross margin improvement is evident. Question is because of institutional sales reducing and export sales reducing, do you think it's a mathematical impact on gross margin improvement? I mean once institutional sales comes back, I'm hoping they come back institutional export sales, do we come back to 26%, 27% gross margin like the last quarter? I mean this is only mathematical, right, because institutional sales at lower margin didn't get sold, our gross margin automatic improves?

Ankit Jain: See, while you are looking at only the institutional sales, if you look at in quarter 4, actually, we have increased prices across the board. We have increased prices in Ghee. We have increased prices in liquid milk. We have increased prices in Pride of Cows from INR120 per litre to INR135 a litre. Similarly, in Avvatar also, there are pricing changes. And plus there is a pricing promotion mix, which we keep on tweaking for our overall operating effectiveness.

Having said that, so of course, it has, of course, brought in a good amount of margin change from where we were in Q3 because Q3 was more of a price reduction on account of GST transition despite inflationary environment, we had to pass on the benefits, etc.

So on a sequential basis, if you look at, there is almost improvement of around 2-odd percent. In fact, sequentially, if you look at, there's a change in the mix as well, whereby the core categories have relatively gone down because, again, why it has gone down is, as you rightly pointed out, one of the institutional sales as an overall quarter 4 mix.

So all in put together, we see that we should be able to maintain our gross margins to wherever we are around 27%, 28%. And the endeavour will be, of course, to pass on. But if there is a further inflation, if there is a further inflation whether in any of the commodities, not only just the milk, but for example, we do buy fat.

So all in all, the inflationary environment in commodity cycle will determine how our percentage margin moves in the coming quarters. But if you look at, it is clearly evident that our gross profit growth have surpassed volume growth, which establishes that, yes, we have the pricing power. We can command pricing, and we will be able to navigate the cost push if there is any.

Moderator: The next question is from the line of Rahul Jain from Credence Wealth.

Rahul Jain: Congratulations to the management for the gross margin expansion during a difficult year and also absolutely wonderful growth on our new age business. So a couple of questions straight away. On the new age business, Akshali, if you could share your thoughts from growing from this base of roughly about INR360 crores, can we look for further 50%, 60% growth going ahead in the current year?

And the second question, Ankit, you mentioned about one-off in the employee expenses to one of the previous participants with regards to ESOP and director remuneration. If you could just give out that number, what that number was. And so we can understand typically what is the sustainable kind of quarterly employee expenses going ahead and of course, taking some inflation for the next year?

And lastly, this inventory number, which is roughly at INR730 crores has seen a sharp jump. If you could explain the reason for that?

Ankit Jain: Yes. So before I request Akshali to answer you on the question number one, let me answer you on the employee cost front. So one, you would have seen the shareholders' approval on September 29. So overall, the change in the remuneration for executive directors is roughly around INR9-odd crores.

That is for the full year from a base year of INR6 crores to almost a INR15 crores number. That is one. Secondly, the overall impact on account of ESOP is almost around INR5 crores. Both of this has been subsumed during quarter 3 and quarter 4 and largely in quarter 4. These are the numbers.

Now coming on to the inventory variance. You look at inventory overall, the absolute inventory has increased by almost INR150 crores mainly due to the rate variance. While we look at the composition of the inventory, there will be change in the mix basis the recent business cycle.

For example, just sharing that our inventory in powders will significantly come down versus others because the overall business of powders has come down, has reduced. But all in all, all put together at a quantitative rate variance for the inventory as a whole is almost nil and the entire increase attributes to the increase in the rates. Now I may request Akshali to answer on the new age.

Rahul Jain: Sorry, Ankit, you missed the sustainable employee cost number now that would be on a quarterly basis? I think it should be around INR45 crores. INR45 - INR46 crores. Is that number correct?

Ankit Jain: See, I will not be able to share offhand, but roughly you can eliminate almost what I gave you the numbers around INR7.5 crores, INR8 crores as exceptional items. Balance will be the regular number.

Akshali Shah: Yes. Of course, exciting time for Avvatar and premium dairy, which is Pride of Cows. If you see the run rate for the 2 consecutive quarters, we've done INR100 crores plus, right. And as I mentioned earlier, we see this portfolio becoming somewhere around 20% to 25% in the next 3 to 5 years when we aim to become a INR10,000 crores company, this will somewhere around INR1,000 crores.

And of course, gradually to move there, we're seeing expansion growth in the next 2 to 3 years, plus in newer formats as well because we have a lot of new offerings, which are coming every quarter in the next 2 to 3 quarters, you will see something new coming up in this portfolio in various formats.

So yes, this is where the New Age business stands as of now. It will be very difficult to comment on something as short-term as this year. But of course, it's going to be a gradual move towards becoming INR1,000 crores portfolio. So there will be something for every year.

Moderator: The next question is from the line of Mahima from SHB. As the line of the participant is not clear, we'll move to the next question, which is from the line of Mohit Patil from Niveshaay.

Mohit Patil: There was a slight degrowth in your new age business around close to 2% and this was due to as you increased your whey price around 3x in last 1 year. And in Jan to clear your inventory, you decreased the price by 10% to clear the inventory. Otherwise, your whey segment would have degrown. So can you please throw some light on that?

Ankit Jain: See new age business, as I think I explained in the previous answer that there are a couple of changes in new age business. One, in Q4, we have tweaked down the pricing promotion strategy for Pride of Cows. We have, of course, increased the prices, reduced promotional mix because we have had 1 year of being present in quick com. So we have reduced certain promotion items for improving and sustaining the profitability that is one item.

Secondly, we, of course, increased certain prices and of course, change the distribution channel for Avvatar. But having said that, these are all normal transitional part. If you look at growth, you are looking at sequential from 102 to 100 number.

But we are happy that we have been able to deliver with a INR100 crores quarterly revenue mark. The idea will be that from here on at INR100 crores base, how do we inch up. Again, I'm not giving a number for the next year, what we are looking at. But the idea is to grow from here what we are where we are.

Mohit Patil: Sir, but other players in the market like muscle, they have observed the increase in the whey price, but you have passed the cost to customers. Isn't it due to the new marketing team?

Ankit Jain: There is no new marketing team, the marketing team is the same team, number one. And number two, see, if you look at the overall global protein prices, the protein prices has seen a very northward movement and very, very high movement. So again, one reason is also on the FX side. There is a change in the FX rate. So whosoever is importing protein into the country...

Akshali Shah: The movement is extremely high. For us, the commodity prices of whey protein is just very secondary and is just a marker for us. But for us, the whey protein price is mainly driven by the volatility in the milk prices. It's not because of the commodity prices.

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

Parikshit Gupta: So just one question. In terms of the distribution network, I see that it remains the same for many quarters now. Is that a strategic decision for us to focus on growth through the e-commerce or quick commerce channel? Because in Avvatar, around 65% of the business comes for e-commerce. And we know that they take a lot of margin for putting products on their portals. So just wanted to understand your strategy on this, please.

Rahul Kumar Srivastava: So we are improving our distribution in all the channels, whether it's D2C or modern trade or e-commerce or GT or quick commerce. So let me tell you something about GT that is also very big in India. So we are adding every quarter about 30,000 outlets as per GT is concerned in terms of all across India. Apart from that, we are getting more and more aggressive in other channels also. So this is a continuous job to increase our distribution outlets.

Akshali Shah: Also on the categories that we are in is growing very, very rapidly on quick com and e-com. And hence, we are growing with the category on these platforms really well. Of course, in GT, we make sure that we're doing increasing our outlet reach and increasing our debt. So if you've been selling x number of lines, how do we reach 2x.

So that's the work that we are doing, increasing our depth in the existing and growing our network, especially categories like Paneer and Cheese, protein do really well on quick com and e-com, especially high protein categories, they work really well on these platforms. And hence, we're seeing much better growth on these platforms over GT.

Ankit Jain: Which is not measure in terms of only the outlet number.

Parikshit Gupta: I understand. And if I could just please squeeze in one last question. You also had set up a subsidiary in Dubai. And I know that whatever is happening in the Middle East puts uncertainty all across. But how does plans for that subsidiary look like at this moment?

Ankit Jain: See, setting up the subsidiary and having the operations, we have got even the bank account opened in quarter 4. But having said that, the first ODI has not gone into it.

Akshali Shah: It's very similar. I tell you it's very similar, just an extension of what we are really doing in India. So we already have distributors that we are directly supplying from India. But of course, we want to increase our reach in Middle East. We said that, okay, we will have a company-owned depot there, and we make more and more distributors and increase our distribution reach there.

But of course, for the last 2 months or last 3 months, everything has been pretty much on hold, and we've been working and selling directly to the distributors now and not be able to open the depot. Hopefully, the plans will remain the same in the next coming time when Middle East opens up and it's a little more easy moment. We'll still continue with opening the depot and increasing and adding more distributors and increasing our reach there.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Brian D'Penha for closing comments.

Brian D'Penha: On behalf of the management of Parag Milk Foods Limited, thank you all for joining us today. Have a wonderful evening.

Moderator: Thank you. On behalf of Parag Milk Foods Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.