

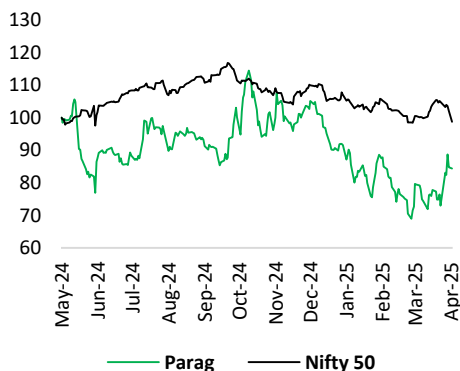
CMP: INR 208
Rating: BUY
Target Price: INR 319
Stock Info

BSE	539889
NSE	PARAGMILK
Bloomberg	PARAG:IN
Reuters	EQUITASB.BO
Sector	Dairy Products
Face Value (INR)	10
Equity Capital (INR Cr)	119
Mkt Cap (INR Cr)	2,482
52w H/L (INR)	237/ 135
Avg Daily Vol (in 000')	1,067

Shareholding Pattern %
(As on March 2025)

Promoters	42.61
FII	8.46
DII	6.91
Public & Others	42.02

Stock Performance (%)	1m	3m	12m
Parag Milk	19.9	16.1	(0.9)
Nifty 50	6.8	3.2	8.8

Parag Milk vs Nifty 50

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Parag Milk delivered an impressive YoY performance indicative of solid business model- short term hiccups likely to arise from now higher procurement prices. Revenue INR 918 Cr (+16.2% YoY, +3.8% QoQ), beats estimate of INR 845 Cr. EBITDA (ex- OI) INR 62 Cr (+67.7% YoY, -16.4% QoQ), beats estimate of INR 63 Cr. EBITDA Margin 6.75% (+207bps YoY, -163bps QoQ), misses our estimate of 7.5%. PAT INR 26 Cr (+167% YoY, -27.3% QoQ) misses estimate of INR 29 Cr. Cash Flow from Operations: INR 212 Cr (+108% YoY). Net Debt/Equity: Reduced to 0.5x, reflecting improved financial health. Core categories displayed a 17% volume growth for FY25 and 18% for Q4 (ghee, cheese, paneer) and constituted 57% of the overall business. Operational efficiencies and better product mix, and premiumisation pushed margins, however, there was some erosion from milk prices (+12% YoY, +9% QoQ). Procurement remains strong- 15LLPD. New age businesses (whey protein and pride of cows) now contribute to 6% of top line.

Guidance: The company reiterated its revenue target of INR 10,000 Cr over the next four years (3x FY25 levels), with expectations of margin enhancement.

Capex: Routine capex of INR 40-50 Cr annually is planned, with major capex for Bhagyalaxmi Dairy Farm now completed.

Preferential Issue: INR 161 Cr raised from the issue of warrants (convertible within 18 months from allotment) will be utilized as follows- INR 70 Cr- Debt reduction; INR 40 Cr- WC needs; INR 20 Cr- residual capex; balance- GCP.

Capacity Utilization: For cheese is close to 98-99%, reflecting strong demand.

Valuation and Outlook: Parag Milk Foods is well-positioned to capitalize on the growing demand for high-protein and premium dairy products. Its diversified portfolio, robust distribution network, operational efficiencies, and focus on innovation drive confidence in sustainable growth. Furthermore, its transition towards becoming a technology-driven, health-focused FMCG company, coupled with ESG initiatives, enhances its investment appeal. We value the company at a P/E multiple of 20x FY28E EPS of INR 16.7, leading to a TP of INR 319. We maintain a 'Buy' rating.

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	31,387	34,322	38,011	42,739	48,829
YoY	8.51%	9.35%	10.75%	12.44%	14.25%
Gross Profit	7,487	8,855	9,844	11,112	12,744
Gross Profit Margin	23.85%	25.80%	25.90%	26.00%	26.10%
EBITDA	1,971	2,527	2,874	3,317	3,888
EBITDA Margin	6.28%	7.36%	7.56%	7.76%	7.96%
EBIT	1,621	2,257	2,417	2,834	3,338
EBIT Margin	5.12%	6.50%	6.31%	6.59%	6.79%
PAT	906	1,188	1,407	1,707	1,962
YoY	70.10%	31.14%	18.46%	21.30%	14.93%
EPS (INR)	7.71	10.11	11.98	14.53	16.70
YoY	56.71%	31.14%	18.46%	21.30%	14.93%
P/E (x)	26.98	20.57	17.37	14.32	12.46
P/B (x)	2.77	2.46	1.91	1.70	1.50
EV/EBITDA (x)	16.08	12.57	10.52	9.33	8.07
EV/EBIT (x)	19.55	14.07	12.52	10.92	9.40
D/E (x)	0.77	0.69	0.50	0.53	0.48
RONW	9.93%	11.61%	10.65%	11.48%	11.68%
ROCE	8.49%	10.71%	10.88%	11.17%	12.06%

Source: Company, Arihant Research

Brand Building: Parag Milk Foods continues to invest aggressively in brand development through digital expansion, experiential marketing initiatives, and continuous product innovation. New product introductions such as ready-to-eat sweets and protein bars align with evolving consumer preferences towards health and convenience.

Route to Market: The company has significantly strengthened its e-commerce presence, which now contributes 60% of the new-age business revenue. Expansion of direct-to-consumer channels and an increase in points of sale across seven cities have further enhanced reach. Strategic advertising and marketing efforts remain a key focus to drive brand visibility and customer engagement.

Portfolio Expansion: Focus remains on scaling high-margin categories like whey protein, Greek yogurt, flavored yogurt, high-protein paneer, and fresh cheese, which cater to the growing demand for functional and premium dairy products.

Volume Growth: Core categories registered a strong 17% volume growth in Q4, while the blended volume growth stood at 13% for the quarter and 10% for FY25.

Bhagyalaxmi Dairy Farm: Capex at Bhagyalaxmi Dairy Farm is largely complete. The farm now houses 20,000 cows across 2,000 acres. Special attention to cow health and nutrition ensures consistent delivery of high-quality milk, strengthening the company's premium positioning.

Market Share and Distribution:

- **Gowardhan Ghee** and **Go Cheese** continue to maintain strong market shares of 22% and 35%, respectively.
- Enhanced investments in distribution infrastructure have further fortified market reach.
- One-third of milk procurement is done directly from farmers, ensuring superior milk quality, while the remaining two-thirds are sourced through a robust aggregator network.

Income Statement

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue from operations	31,387	34,322	38,011	42,739	48,829
Cost of materials consumed	23,900	25,467	28,167	31,628	36,085
Employee benefit expenses	1,164	1,500	1,699	1,953	2,280
Other expenses	4,351	4,828	5,271	5,842	6,576
EBITDA	1,971	2,527	2,874	3,317	3,888
EBITDA Margin	6.28%	7.36%	7.56%	7.76%	7.96%
Depreciation & amortisation expense	603	672	724	782	892
Finance Cost	762	931	854	938	886
Other income	252	403	266	299	342
PBT after exceptional Items	859	1,326	1,563	1,896	2,452
Cash Tax	-47	138	156	190	490
PAT	906	1,188	1,407	1,707	1,962
EPS after exceptional items:					
Basic (INR)	7.71	10.11	11.98	14.53	16.70
Diluted (INR)	7.47	9.80	11.60	14.08	16.18

Balance Sheet

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	1,192	1,192	1,192	1,282	1,282
Preference Capital	-	-	90	-	-
Other Equity	7,929	9,042	11,928	13,590	15,506
Net Worth	9,121	10,234	13,210	14,872	16,788
Total debt	7,008	7,077	6,565	7,814	8,053
Deferred tax liability (net)	-38	105	105	105	105
Other non current liabilities	37	47	38	43	49
Total Liabilities	7,007	7,229	6,709	7,962	8,208
Net Block	3,888	4,880	4,077	4,080	3,902
CWIP	691	193	386	313	334
Other intangible assets	9	20	22	25	28
Biological assets other than bearer plants	758	877	1,052	1,262	1,515
Investments	336	474	760	855	977
Other non current assets	348	303	380	427	488
Net Working Capital:	9,992	10,598	12,136	12,351	14,393
Inventories	6,153	5,780	7,134	7,046	8,766
Trade receivables	2,443	2,595	2,359	2,509	2,250
Cash and cash equivalents	106	119	1,106	3,521	3,359
Bank Balances	170	132	145	159	175
Other current assets	3,929	4,955	5,488	6,170	7,049
Trade payables	2,166	2,557	2,673	3,207	3,511
Other current liabilities	538	306	316	326	336
Total assets	16,128	17,463	19,919	22,834	24,996

Cash Flow

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	859	1,326	1,563	1,896	2,452
Depreciation & amortization	603	672	724	782	892
Tax paid	-47	138	156	190	490
Working capital Δ	1,113	607	1,538	215	2,042
Operating cash flow	395	1,253	593	2,274	811
Capital expenditure	981	1,165	114	713	734
Free cash flow	-586	88	479	1,561	77
Equity raised	190	26	1,610	-	-
Investments made	-172	138	286	95	122
Other asset purchases	295	84	255	260	317
Debt financing	601	69	-512	1,249	239
Dividends & other appropriations	60	119	60	64	64
Other items	-55	172	10	23	25
Net Δ in cash	-32	13	987	2,415	-162
Opening cash balance	138	106	119	1,106	3,521
Ending cash balance	106	119	1,106	3,521	3,359

Source: Arianth Research, Company Filings

Ratios	FY24	FY25	FY26E	FY27E	FY28E
Growth Matrix (%)					
Revenue	8.51%	9.35%	10.75%	12.44%	14.25%
EBITDA	48.34%	28.17%	13.76%	15.41%	17.19%
EBIT	52.61%	39.25%	7.08%	17.26%	17.77%
PBT	68.14%	54.43%	17.92%	21.30%	29.29%
PAT	70.10%	31.14%	18.46%	21.30%	14.93%
PAT after OCI	69.86%	32.55%	18.17%	21.02%	14.77%
Profitability (%)					
EBITDA Margin	6.28%	7.36%	7.56%	7.76%	7.96%
EBIT Margin	4.33%	5.34%	5.62%	5.89%	6.09%
Net Profit Margin	2.86%	3.42%	3.68%	3.97%	3.99%
Net Profit Margin after OCI	2.88%	3.47%	3.72%	4.01%	4.03%
RoCE	8.49%	10.71%	10.88%	11.17%	12.06%
RoNW	9.93%	11.61%	10.65%	11.48%	11.68%
RoA	5.91%	7.07%	7.53%	7.98%	8.20%
Per Share (INR)					
Basic EPS	7.71	10.11	11.98	14.53	16.70
Diluted EPS	7.47	9.80	11.60	14.08	16.18
DPS	0.50	1.00	0.50	0.50	0.50
Basic Cash EPS	12.84	15.83	18.14	21.19	24.29
Diluted Cash EPS	12.44	15.34	17.57	20.53	23.53
BVPS	75.22	84.40	108.94	122.64	138.45
Sales	267.15	292.13	323.53	363.78	415.61
Valuation (x)					
P/E	26.98	20.57	17.37	14.32	12.46
P/CEPS	16.20	13.14	11.47	9.82	8.56
P/BV	2.77	2.46	1.91	1.70	1.50
P/Sales	0.78	0.71	0.64	0.57	0.50
EV/EBITDA	16.08	12.57	10.52	9.33	8.07
EV/EBIT	19.55	14.07	12.52	10.92	9.40
EV/Sales	1.01	0.93	0.80	0.72	0.64
Dividend Yield	0.00	0.00	0.00	0.00	0.00
Liquidity (x)					
Current Ratio	4.74	4.74	5.43	5.49	5.61
Quick Ratio	2.46	2.72	3.04	3.50	3.34
Defensive Interval Ratio	82.48	89.55	94.51	114.43	104.23
Cash Ratio	0.04	0.04	0.37	1.00	0.87
Activity (x)					
Receivables turnover	15.22	13.63	15.34	17.56	20.52
Inventory turnover	4.02	4.27	4.36	4.46	4.56
Payables turnover	12.95	10.79	10.77	10.76	10.74
Total asset turnover	2.05	2.04	2.03	2.00	2.04
Fixed asset turnover	6.18	6.07	6.61	7.62	8.52
Working capital turnover	3.14	3.24	3.13	3.46	3.39
Days					
Receivable days	23.98	26.79	23.79	20.79	17.79
Inventory days	90.78	85.51	83.67	81.82	79.97
Cash Conversion cycle					
Payable days	28.19	33.84	33.89	33.93	33.98
Operating cycle	86.58	78.46	73.57	68.68	63.78
Leverage (x)					
Interest Coverage	2.13	2.42	2.83	3.02	3.77
Debt Equity	0.77	0.69	0.50	0.53	0.48
Net Debt Equity	0.76	0.68	0.41	0.29	0.28
Assets to Equity	1.68	1.64	1.41	1.44	1.42
Du Pont					
Tax burden	1.06	0.90	0.90	0.90	0.80
Interest burden	0.53	0.59	0.65	0.67	0.73
EBIT Margin	0.05	0.07	0.06	0.07	0.07
Asset turnover	2.05	2.04	2.03	2.00	2.04
Leverage	1.68	1.64	1.41	1.44	1.42
ROE	0.10	0.12	0.11	0.11	0.12

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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