May 12, 2025

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 April 29, 2025 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the earnings conference call held on Monday, May 5, 2025 for discussion on the financial and operational performance for Quarter and Financial Year ended March 31, 2025.

The aforementioned transcript has been uploaded on the Company's website www.paragmilkfoods.com.

You are requested to kindly take the same on records.

Thanking you.

For **Parag Milk Foods Limited**

Virendra Lalbahadur Varma

Digitally signed by Virendra Lalbahadur Varma
Date: 2025.05.12 19:18:36 +05'30'

Virendra Varma
Company Secretary &
Compliance Officer
FCS No: 10520

"Parag Milk Foods Limited Q4 FY '25 Earnings Conference Call"

May 05, 2025

MANAGEMENT: **MS. AKSHALI SHAH – EXECUTIVE DIRECTOR, PARAG MILK FOODS LIMITED**
MR. ANKIT JAIN – CHIEF STRATEGY OFFICER, PARAG MILK FOODS LIMITED
MR. RAHUL KUMAR SRIVASTAVA – CHIEF OPERATING OFFICER, PARAG MILK FOODS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Parag Milk Foods Limited Q4 and FY ‘25 Earnings Conference Call.

As a reminder, all participant lines will be in listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. If you need assistance during the conference call, please signal an operator by pressing “*,” then “0” on your touch tone phone. Please note that this call is being recorded.

We have with us today the Management Team of Parag Milk Foods Limited, represented by Ms. Akshali Shah – Executive Director; Mr. Ankit Jain – Chief Strategy Officer; and Mr. Rahul Kumar Srivastava – Chief Operating Officer.

I now hand over the call to Ms. Akshali Shah – Executive director of the company. Thank you and over to you.

Akshali Shah: Good evening, everyone. Thank you for your time today. It's a pleasure to welcome you all to Parag. Milk Foods Q4 and FY ‘25 Earnings Call.

I have Mr. Rahul Kumar Srivastava with me who is the Chief Operating Officer at Parag Milk Foods. He has worked in the dairy industry for 32 years. 22 years with Amul, and he was the MD for 11 years out of that. 10 years with Lactalis India, Lactalis is one of the largest dairy companies globally. And he's joined Parag 1.5 years back.

I also have Mr. Ankit Jain with me, who's the Chief Strategy Officer. He's joined Parag a year ago. He's worked in Marico for 15 years and Arvind Smart Spaces as CFO for four years.

Ankit Jain: Hi. Good evening, everyone.

Akshali Shah: I am delighted to share that FY ‘25 has been a milestone year for Parag Milk Foods, one that showcased the strength of our business fundamentals, the strength of our brands, the impact of the strategic choices that we have made over the past few years. It's been a year of strong growth, disciplined execution, and meaningful progress across the board.

India is the largest producer and consumer of milk, contributing over 23% of global milk production. As per the IMARC Report, the Indian dairy size is estimated at Rs. 10 lakh crores and is expected to grow at a CAGR of 14% over the next eight years. Indian dairy industry has seen a remarkable transformation over the recent past. While milk production continues to thrive at 7% year-on-year, the sector is now witnessing a strong growth in organized retail, value-added products, considering a shift in consumer preferences towards quality, convenience, and health.

During Q4 FY ‘25, the milk prices have increased by 12% year-on-year and 9% sequentially. As we step into the next phase of our journey, we are not just thinking in terms of dairy. We are evolving ourselves into a nutrition enriched protein-led business, which is positioned to meet the evolving needs of modern India and beyond. With robust infrastructure, strong brands, deep consumer connect and visionary leadership, we aspire to be India's leading dairy FMCG and emerge as a global player in providing high quality nutritional products.

Let me take you through our financial highlights:

It gives me immense pride to announce that we have recorded our highest ever revenue in the year FY ’25, and for this quarter as well. In Q4 FY ‘25, we have recorded a quarterly revenue of Rs. 918 crores, registering a 16% year-on-year growth, driven by healthy 13% volume growth. For the full year, our revenue stood at Rs. 3,432 crores, up by 9% year-on-year with volume growth of 10%. Overall, our core categories growing by 17% in volume and maintaining leadership position.

Besides our top-line growth, we have focused on improving our profitability. Our EBITDA for FY ‘25 stood at Rs. 293 crores, a 30% increase over the previous year, with margins expanding by 130 basis points to 8.5% of revenue.

On the bottom line, Q4 profit before tax stood at Rs. 33 crores, up by 141%, and our PAT was Rs. 26 crores, a growth of 167% Y-o-Y. For the full year PAT stood at Rs. 119 crores, a solid 31% growth over the last year.

Importantly, we have focused on strengthening our balance sheet across all parameters. Our debt net to equity stands at 0.5 versus 0.6 last year. Further, our debt to equity has improved from 2.4 times to 1.9 times. Our net cash from operation for FY ‘25 was Rs. 212 crores, giving us greater financial flexibility and resilience for future growth.

We delivered a broad-based volume growth led by our core categories, that is ghee, cheese and paneer. Collectively grew by 17% in volume during FY ‘25. These core categories are fundamental pillars of our growth, reflecting the power of our brand and strong consumer trust. According to the IMARC report, 2024, Gowardhan Ghee was commanding a 22% market share in branded cow ghee category, reinforcing its position as a trusted staple in the Indian kitchen, it stands at number one position at 22% market share. GO Cheese continues to hold the fort, maintaining its market share at 35%, a very close neck to neck with its number one.

Despite volatility in milk procurement cost, in Q4 average prices rising by 12% year-on-year to Rs. 37 per litre, we navigated this challenge effectively through timely pricing promotion actions, thereby maintaining the Y-o-Y gross margins. We procured approximately 15 lakh litres of milk daily. At the heart of the system lies our deep stand holding relationship with over 5 lakh farmers. Our direct procurement model ensures transparency, fair pricing, consistency in quality which not only secures our supply chain but also uplifts rural livelihood. This model has enabled us to build a sustainable, mutually respectful ecosystem with our farmers. Farmers who are not just our suppliers, but they are also our growth partners.

Talking about the quality of our products, we believe that good quality commands a premium. And our consistent focus on quality, purity and innovation is what sets us apart in the market. We control our entire value chain, ensuring traceability, freshness, and product integrity. Our brands, whether it's Gowardhan, GO, Avvatar and Pride of Cows resonate with our consumers who seek trust, who are trustworthy in nutrition and superior product. This belief in quality is what allows us to not only grow, but also command a premium in highly competitive categories. Our relationship with our consumer is built on authenticity and consistency, and we are proud to see growing brand loyalty across urban and emerging markets.

Our premium and new age business, which is Avvatar and Pride of Cows, also continues to build strong traction. Avvatar, our whey protein brand, has grown by 41% year-on-year and approximately 6 times in the past three years. Almost 60% of our turnover comes from e-commerce. It's not only capturing the sports nutrition segment, but we are also very relevant in everyday health-conscious consumers, thanks to our expanding portfolio and digital marketing strategies.

Pride of Cows, our niche premium farm-to-home dairy brand with single-origin milk expanded both its reach and product offering. We are now present in seven cities with Pride of Cows, that is Mumbai, Delhi, Pune, Bangalore, Surat, Ahmedabad and Vadodara. With increased presence across quick commerce and e-retail platform, we are tapping into a fast-moving premium consumer segment.

Coming to our distribution network:

We have continued to invest in building a robust future-ready distribution ecosystem, one that serves both traditional and consumption channels. In general trade, we have deep presence, geographic reach, and strong distributor relationships, enabling better shelf presence and replenishment. In modern trade, we have built strategic partnerships with key players, improving brand visibility and in store execution. E-commerce and quick commerce have also become a strong driver in our growth story. Apart from these networks, we have our own network where we reach to our consumers directly through our website and mobile applications, reflecting our strong execution and technology for superior delivery services.

Speaking of marketing, it's been a key driver of brand building and consumer engagement. We have adopted impact-led strategy with integrated in-content branding, partnering with cultural relevant high reach properties like Kaun Banega Karodpati for Gowardhan and GO Cheese, Big boss for GO Cheese, Maharashtrachi Hasya Jatra for Gowardhan, MTV Roadies for Avvatar, and celebrity influencers like Malaika Arora for Pride of Cows.

The choice of each of these associations was with a clear intent to engage diverse consumer associates, create salience of our brand, and drive trials and repeat purchase. These campaigns were simplified across digital, social in-store touch points to build 360-degree engagement in an omni channel world. More than visibility, our marketing investments have delivered outcomes, stronger brand recalls, increased modern trade offtakes, and higher digital conversions.

Innovation is at the heart of Parag Milk Foods. FY '25 was a strong year in terms of new product development. The best synergy and forward integration for Gowardhan Gee was entering into branded mithai market with the brand Gowardhan Khushiyan Mithai. We have also recently launched chikki which is made out of Gowardhan ghee in three flavors, that is sesame, peanut and dry fruit.

With GO, we have launched flavored yogurt in different flavors. In Pride of Cows, we have launched high protein, low fat paneer, with new emerging categories in cheese and fresher cheese in Pride of Cows we have launched bocconcini. In Pride of Cows we have also launched Greek Yogurt with 8 grams of protein. And lastly, Avvatar Protein Bar in chocolate and coffee flavors which have whey protein isolate, and each bar has 10 grams of protein.

These launches reflect our sharp consumer focus, deep market understanding and strong in-house R&D. They are helping us drive both vertical within the existing categories and horizontal expanding into newer consumption occasions. Our innovation engine is designed to be agile from concept to shelf, is backed with advanced infrastructure, consumer highlights, and rigorous quality standards.

In a noteworthy development, we have recently announced a capital raise of Rs. 161 crores through convertible warrants on a preferential basis. We are proud to have a marquee investor, Mr. Utpal Sheth, a distinguished investor and a financial strategist. Also, our Chief Strategy Officer, Mr. Ankit, has also participated in this round. The proceedings will be used for debt reduction, working capital enhancement and accelerating our strategic growth. Their backing is a strong endorsement of our vision governance and a long term potential reflecting strong confidence.

As we look forward to the future, our strategic priorities remain very clear, strengthening and accelerating our core categories, brand building and innovation, strengthening our new age business (Avvatar and Pride of Cows), evolve route to market, and driving financial growth.

We should now open the forum for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Charisha Shyam Sukha from Vendure Growth Partner Llp. Please go ahead.

Charisha Shyam Sukha: Hi, good evening. My question was on the lines of operations. So, I see that you have delivered 13% growth in Quarter 4 FY '25, whereas our core categories like ghee, cheese, and paneer have grown only by 18%. So, I mean, so overall you are going at 13%, but these have grown by 18%. So what are the categories that are growing slower than the company level growth rate? And what is the strategy on them?

Akshali Shah: Yes. So to answer your question, our ingredient business that we supply to a lot of these institutions has degrown, which is majorly SMP, that's degrown by almost 9%.

Charisha Shyam Sukha: Okay. And what is the strategy to increase the growth?

Akshali Shah: Sorry, we cannot hear you clearly.

Charisha Shyam Sukha: So I was just asking like since SMP has degrown by 9%, so what is the strategy on helping this grow further?

Ankit Jain: See, overall, this ingredient business, largely SMP, skimmed milk powder, is more of a commodity. We have consciously taken this call, because it is a very low margin business, so we have consciously chosen this strategy of growing the other segments and more focusing on the core and the new age.

Charisha Shyam Sukha: Got it. Okay. On the milk procurement front, for the milk that you are procuring from outside the farmers, how much is the direct procurement like without any middle man or agent?

Ankit Jain: So overall, you would have noticed that we procure around 15 lakh litres of milk on a daily average basis. Almost two-thirds of the same is procured through aggregators, and almost one-third is through our direct own network through our BMCs, which is bulk milk coolers; and CC, which is chilling centers. They are more than 300 in numbers.

Moderator: Thank you. Our next question is from the line of Sanjay Natwarlal Shah from Kanishka. Please go ahead.

Sanjay Shah: Thank you. Congratulations on the results and the presentation, which is quite informative. If I may just ask you to kind of gaze ahead on the next 12 months to probably two or three years, what's the kind of plan that you have or aspiration that you have from a growth perspective, distribution point perspective, and the return ratios, ROCE, ROE? How should we think about the company just in terms of how you are kind of aspiring to grow?

Ankit Jain: See, while we do not give a specific yearly guidance, you are seeking for a like 12 months of growth strategy. But I think the way we have been growing at a CAGR of around 18% for the past three years, we can assume that we of course aspire to grow a little higher on the same and we continue to grow on that CAGR with a clear focus on, again, the core categories, the new age business, and new products which we are likely to introduce and which we have already recently introduced along with that.

Sanjay Shah: Sorry, maybe I did not place my question properly. We should of course ignore the next six months, eight months, 12 months. But if you talk about a two, three year kind of a journey, where should we or how should we expect the company to evolve?

Ankit Jain: See, in the last year, of course, there was a visionary statement given by our Chairman for Rs. 10,000 crores mark. I will ask Akshali to answer.

Akshali Shah: Yes. So we have actually given guidance saying that we will reach Rs. 10,000 crores in the next four years. And yes, that's the guidance that we have given. And if you see our past trends, we have grown by almost 18% to 20% CAGR, hoping the trend should continue.

Sanjay Shah: And what could be the implication for the return ratios, just given the kind of growth?

Ankit Jain: You mean to say return on equity or capital employed?

Sanjay Shah: That's correct.

Ankit Jain: See, of course this is the resultant coming from improvement in EBITDA margins. So as we move along, and you would have observed that in the past three years our EBITDA margins have moved up from 5.7% to 8.5% in last year. We continue to thrive on that and we aspire to take it to higher levels. But genuinely, we do not give any specific number wise guidance.

Sanjay Shah: Okay. Thank you.

Moderator: Thank you. We take our next question from the line of Vikram Shukla, an individual investor. Please go ahead.

Vikram Shukla: Hi, everyone. And thanks for this opportunity to ask questions to the management. This is one of the companies which I own since last 10 years, but practically I have lost money despite of being a consumer company. So I just have a few questions for management to ponder, right. So when you came with the IPO, you looked like not probably a milk company, but more of a value-added product. But when I look at your number from FY '16, which was your listing days actually, the sales have grown 9% while your EBITDA has grown almost like 7%.

And you know the reason for what it is, basically you used to make in FY '16 9% EBITDA margin, and now it is 7.6% where your salience of value-added product has moved up quite substantially, from maybe 70% almost. So I do not understand that which way management themselves are looking to this business, that the sales have grown 9% and the EBITDA has grown 7%. I do agree that there are lot of disruptions happening.

Second, I have a lot of question mark as far as the accounting policy is concerned. So if you go on a very, very long period of time that your other income, if you go in other income which has grown almost like 39%. But if I go little bit detailed on other income, 60% to 70%, other incomes are basically livestock reevaluation. And if other income has not grown this much, I think your profitability is lower than the EBITDA growth, but obviously that will be reflected in your return on capital and ROCE.

So my first question is that, no other company, whether you look at your peers, which is Heritage and Hatsun, they do not have that much of other income. But you have very specifically higher other income, and very specifically the other income 60% to 70% is driven by the revaluation of livestock. So this is my first question. I will ask my second question after this answer. So why you have so much of other income? Because if I exclude the other income, probably your profitability has not even matched the GDP growth in last 10 years. Over to the management.

Ankit Jain: Sure, I will like to answer your question with respect to other income for the year FY – 25

Vikram Shukla: No, I am not asking for this year. I am looking at your numbers since last four or five years. In fact, I have looked at your numbers since last 10 years. So if I exclude the revaluation of livestock, probably your profitability has not grown in line with what even EBITDA growth is, which is lower than the sales growth.

Ankit Jain: I would like to disagree, because our other income rather this year with respect to change in fair valuation for biological assets has reduced Y-o-Y. So in that sense, our EBITDA growth, if you were to exclude this other income, our EBITDA growth is much higher excluding this other income.

Vikram Shukla: Sir, my question is for the last four, five years, right. And this is very consistent in your P&L, right. I do understand a lot of daily business as well, right? So generally what happens that I know unlisted businesses where if certain livestock is giving more turnaround then obviously you revalue, because you can sell it at higher valuation. But here I think the key business is selling the milk, not the livestock.

Ankit Jain: No, it is not the livestock. It is as per IndAS that we have to do a fair valuation of the cow which is growing on an exponential basis, and which is our core asset. And hence, this other income is flowing to P&L on account of accounting standards. And if you were to look at the year FY '25, PAT I am saying, of the total PAT of Rs. 119 crores, only 11% is this other income, which you are mentioning with respect to the biological stock valuation.

Vikram Shukla: Your other income is still 30% of your business, sir. So anyway, this is my first question, but still I am –

Ankit Jain: So other income has multiple parts, I want to clarify. . When you get through the annual report, you will have all the schedule. But just to update you over call, it constitutes only 11% of the overall PAT which is the biological assets revaluation. There are other incomes which you will definitely see in the annual report schedule.

Vikram Shukla: Second is related to --

Moderator: Sorry to interrupt, I request you to join back the queue please, we have a lot of other participants.

Vikram Shukla: I have asked only one question ma'am.

Moderator: Thank you. We have a long queue, sir. If you can join by the queue please.

Vikram Shukla: Only one question.

Moderator: Okay, please go ahead.

Vikram Shukla: So second is, basically if I look at your operating cash flow, it has again remained very inconsistent. Whenever you have hold back to the payable, you have reported a pretty good operating cash flow, right. And whenever there a payable has not been held back, you suddenly reported a very bad operating cash flow. So the last two years is good. So is there any specific things which you have done therefore your operating cash flow is looking very good? And how it will look like maybe two, three years' perspective? Second, is it sustainable?

Ankit Jain: Yes, I would like to answer. See, for our operating cash flows, there are multiple reasons. One is of course the improved profitability, which is evident in EBITDA margins. Number two, it is mainly on account of the reduction in the inventory which we have shown the trend that from 72 days it has gone down to 61 days. And there has been a conscious effort by the management by the company to take care of the operating cycle and operating cash flows, which is part of net working capital. So, we believe that we are continuously thriving on to it. And with respect to your observation on trade payables are considered, these are relating mainly to milk vendors.

Vikram Shukla: Fair. I will be in queue in case I have other questions. Thank you.

Moderator: Thank you. We will take our next question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Yes, sir. Thank you for taking my question. My question was on this expansion in Bhagyalakshmi. So what is the status there and which breed are we looking for the cows? Because last time with Holstein Friesian cows there was a lot of negative publicity regarding the Type 1 milk, and I think also overall as a percentage of revenues it's not grown at all, in FY18

3% of revenue, similar right now. So just want your thoughts on that, how are we looking at the breed and what are we planning?

Rahul Kumar Srivastava Yes. So we have very specific policy about the breed. We have Holstein Friesian Breed, which basically gives 90% of the global milk production. So, it's a well established breed and we only take that breed as our herd. And today, we have about 5000 such cows in our Bhagyalakshmi Farm. And the way the breed is, we have our self-progeny, so in coming five years we are going to touch about 20,000 cows. They are the same breed of Holstein Friesian which is very productive and very rugged breed in Indian conditions.

And now we are having a second phase of our farm which is we have named as Swarnabhumi Farm where we have about 5,000 land which is about 45 kilometers from the Bhagyalakshmi Farm. So that also is under process, and we have already completed a lot of sheds there and cows have been transferred there. So maybe with within five years we will be having more than 20,000 cows of Holstein Friesian breed, which is, as I told you, gives about 90% of the total global milk production of cow milk.

And we have more than 2,000 acres of our silage production. So we control the nutrition diet to these cows so that we get the best yield and the best quality. So these are also additional arrangements we have done to feed these cows properly so to get the best productivity out of these cows.

Pallavi Deshpande: So that supplies to Bhagyalakshmi only that is 2,000 acres supplies to Pride of Cows only then?

Rahul Kumar Srivastava: Yes, yes.

Pallavi Deshpande: Or Pride of Cows is only the Bhagyalakshmi milk?

Akshali Shah: Yes, whatever milk we use in Pride of Cows all comes from Bhagyalakshmi.

Pallavi Deshpande: So it doesn't include anything from this 2,000 acres controlled this thing?

Akshali Shah: There is 2,000 acres control for silage. Actually, I would like to clarify. We have two farms under Bhagyalakshmi, one is the original plan which is approximately 25 acres, and the new farm which is the larger farm is 500 acres farm. And both put together have 5,000 plus cows. I hope that clarifies.

Rahul Kumar Srivastava : Because when the number of cows are increasing, we have to set up new farms with the better technology. That's why the new farm is coming up, yes.

Akshali Shah: And the cows are also naturally growing, so we are adding approximately around 500 cows every year, and it has a multiplier effect, every year it keeps increasing.

Pallavi Deshpande: Right. My second question would be, what would be the CAPEX for the next two years? And what's the current utilization for the cheese plant?

Ankit Jain: Capital expenditure for next year?

Pallavi Deshpande: Yes, next two years. And what's the current utilization for the cheese plant?

Ankit Jain: Yes. So probably I was answering on the mute. If you were to segregate our capital expenditure, we can segregate the expenditure into two formats. One is the routine hygiene capital expenditure which we need to incur on an ongoing basis for routine capacity expansion. Plus, the other format could be a large greenfield project if we were to undertake. As of now, if you look at, we would be restricting ourselves right now to, limiting this answer to the routine hygiene CAPEX. If you look at Bhagyalakshmi Farm as well, the majority of the CAPEX is also completed. Most of the cow sheds are completed, etc., the farm is almost ready. So from that perspective, as we look ahead for the next two years, I think the routine capital expenditure, which was likely in the past like around Rs. 40 crores to Rs. 50-odd crores, we can foresee annually a Rs. 40 crores to Rs. 50 crores of capital outlay.

With respect to your second question on the cheese plant, the cheese plant investment was already completed. It is fully operational. And now we are almost using our capacity. There will be a adjacency which we will bring in. So we are almost doing 98%, 99% capacity utilization. With respect to further capacity expansion, there will be only adjacencies which will be required with marginal CAPEX and not like a full blown CAPEX for the entire new setup of plant, which we are evaluating.

Pallavi Deshpande: And what would be the tax rate for the next two years?

Moderator: Ms. Pallavi, I request you to get back in the queue because we have other participants waiting. Thank you. We will take our next question from the line of Raman Kevi from Sequent Investment. Please go ahead.

Raman Kevi: Okay. So yes, I have only two questions. One is with respect to the preferential issue. Out of the Rs. 161 crores which we raised, how much will be utilized to repaying debt and how much will be utilized for working capital?

Ankit Jain: So I will answer this. Out of the Rs. 160 crores, we, as per the explanatory statement provided, we have mentioned Rs. 70 crores will be utilized towards debt reduction, almost Rs. 40 crores will be used towards the working capital, almost Rs. 20 crores will be used towards the capital expenditure, and the remaining as a corporate general purpose.

Raman Kevi: Okay. And my second question is, so I have seen the presentation as well as the results, so I basically understood that there are three different main areas, one is like the core which is the core business. And then second is the new age business which you are keen on focusing on, and the other one is milk and intermediates. So can I get margin of the core business and new age business?

Ankit Jain: Practically, this is confidential information, hence we would like to choose not to answer on the margin upfront with respect to the category-wise margin.

Raman Kevi: Okay. I just wanted to understand because you said you are focusing on core and new age businesses. Can you just give us rough estimation or guidance with respect to two, three years, how do you see the core business turning out and how do you see the new age business turning out? Because now I can see that 50% of the revenue is from core business and only 10% to 15% is from the new edge. So can we see the new age business going up from 15% to 20% or 25%? And will the margins improve?

Ankit Jain: See, with respect to overall growth aspirations, specifically for new age, of course, it remains core to our heart and we will continue to remain focused on new age business. But in terms of numbers, we do not give a breakup of how we are estimating our revenues. But we are looking at, as we have told to you overall, that we are looking at tripling our revenues in the next four years from Rs. 3,400 crores to almost Rs. 10,000 crores in the next four years. So of course, we will be riding on this product portfolio. And maybe just to answer your question on the margin front, maybe indicatively I can share that the new age business margins are relatively almost 2x of the company's average gross margins.

Raman Kevi: Okay, sir. Thank you.

Moderator: Thank you. We will take our next question from the line of Vansh from Renaissance Investment. Please go ahead.

Vansh Totlani: Congratulations to the team on the great set of numbers. I need to ask just two, three questions from my end. First is that I need to understand the category-wise metrics, what are the top line, EBITDA, and PBT metrics for each category? I mean, there is no segment-wise classification that we are currently reporting in any of our presentations. Because you also need to understand what are the drivers behind this inventory days decline, which category is currently performing well, where is our focus, what's are priority? Please if you can throw some color on this, it would be great.

Ankit Jain: Sure, thank you. Let me answer you. If you look at our investor presentation, we have given the entire composition of business whereby it says that almost 57% of the business comes from the core categories, 17% of the business comes from ingredients and SMP, and liquid milk is around 10%, new age business is 6%, and others are 10%. And with respect to operating profitability category-wise, we do not share any numbers with respect to operating margins category-wise. However, if you were to look at the trend, we can very well see that over the years the EBITDA margins have improved from almost 5%, 6% to 8.52% this year in the last three years. And overall, yes, that's what –

Vansh Totlani: I mean what I am asking is, my major concern here is, you are reporting numbers but you are not reporting exact classifications in the lower end. I mean, no EBITDA-wise clarity and no PAT-wise clarity. I mean, that's one of the major, I mean, from our end also, from the investor's point of view, that's one of our major concerns in which category is currently performing well and where are we lacking. And if it is something that you are showing so like, I mean, why --

Ankit Jain: I would like to answer. See, if you look at the notes with respect to financial statement, we have already mentioned that we do not fall under the segment reporting, and hence we do not report the segment results accordingly. However, with respect to your question on the overall product portfolio, I think we have been consistent in our communication in category-wise highlighting what is the composition of the turnover.

Vansh Totlani: Yes sir, from the corporate governance point of view also sir, I mean, if someone wants to know, I mean, shouldn't it be your obligation also to --

Vansh Totlani: Sir, if you do not fall under segment reporting and all, but as a company when we are projecting that we are a value-added business and we want to claim such valuation in the market, so if you want to say that we are only in the milk business, we will continuously carry that valuation which commodity business carries. If we are to value-add it we need to know as an investor what are the top line which is coming from different categories, what are the margins in all these categories. So if you want to say that we are into premium category and we want to hold so then how do we do that? Because with these numbers there is no clarity which is coming on. And then if on the call if you can mention at least if it is not on the PPT or on from the accounting perspective.

Ankit Jain: Yes. Firstly, I would like to update you that there is no obligation to report the number segment-wise, whether you benchmark any other company. If you were to even benchmark a Nestle, you will definitely not –

Vansh Totlani: No sir, I am not asking segment-wise, I what to understand the categories. If you are saying that cheese business is growing at this percentage, so what is the margin it is generating, what your ghee business margins look like?

Ankit Jain: Can I finish first? What I am saying, see if you were to continue a Q&A like this, it will continue. However, please try to listen to me and let me complete first. What I was trying to give you an example is, if you were to benchmark with other companies, no companies report the margins category-wise because it is a confidential information for the company. I just gave you a random example from Nestle because we will never know margin what margin Maggie makes or what margin KitKat makes. So let's not hold to the information.

However, I would like to clarify very clearly that as a part of good governance, in spite of we not being obligated to report the breakup, we have been presenting our break up of our composition of the turnover for the past few years. If you pick any investor presentation, you will get that information which gives a good insight in terms of how, what is the core categories, what is the composition of the core categories, and how are the core categories performing.

Vansh Totlani: Sir, we will continue to qualify you or classify you as a milk dairy where you are buying at Rs. 60 selling at Rs. 62. How do we know where the value will come from? If as an investor I have to ask something by investing, I need to know where the value comes from, which business you are targeting, and where is the growth coming from actually.

Ankit Jain: We have given you the guiding parameters and all the requisite information. We would not like to answer this beyond this, further.

Akshali Shah: Next question.

Vansh Totlani: Okay sir then, there's no point.

Moderator: Thank you. We will take our next question from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik: Hi sir, thanks for taking my question. Sir my first question is, we generated highest ever cash flow from operations this year, almost Rs. 200 cores. But when I look at your balance sheet, we have not repaid any of it, used any of this Rs. 200 crores to repay debt. So why is that so?

Ankit Jain: Yes. If you look at the overall cash flow, I think on a consolidated basis there has been a good amount of capital expenditure. So entire proceeds if we were to dissect in two parts, one part is usage of the capital expenditure in the capital expenditure item, which is both for Bhagyalakshmi. Farm as well as for Parag Milk Foods largely. I think that completes all the capital expenditure obligations which were there in terms of whatever were the routine hygiene CAPEX which were required. So it is almost close to Rs. 120-odd crores. Besides that, there is an interest outflow of almost close to around Rs. 80-odd crores, which takes out this cash flow from operating activities. So these are the two major usage of the funds.

Naitik: Right, Sir. And sir another question is on the balance sheet, so when I look at your other current assets and other financial assets, if I add them up, for the past three years they have consistently been Rs. 400 crores, Rs. 450 crores. And two major items within them is advances and one of the other item is other current assets. So what is this and why it keeps on at Rs. 400 crore mark?

Ankit Jain: Sure. a good question. See, over the period if you would look at, the number has been broadly consistent mainly because, while even though turnover has increased so this number has not increased, which essentially means as the number of days of capital it is certainly coming down.

So overall advances has come down, as you have noticed rightfully. With respect to the other part of the assets, it is largely the receivable from the government which is on account of the PSI and PLI incentives which government provides. So, of course, that cash flow is dependent on the overall larger cash flows from the state government or central government, so we cannot comment on that. But overall, I would like to highlight that NWC has come down over a period of time from 74 days to almost 62 days when we talk of NWC which is largely in form of inventory, receivables, and the trade payable's part.

Naitik: No, sir. Sir my question is, so the advances that we pay, this also essentially becomes a part of our working capital is it? Or what is this advances that we paid for? I do not understand what advances we are paying for here, is it for some capital expenditure purchases or is it for our business or what is it for?

Ankit Jain: Sure, I will clarify. But before that, I would like to update you that we fall under the highest category when it comes to the PSI benefits and the PLI benefits, which is provided by the government. Now coming to your question on the advances, typically this is part of the customary practice more so with respect to procurement in the state of Maharashtra whereby we make these advances to our milk aggregators who in turn set up their own network and infrastructure and create their own network infrastructure to procure milk from the farmers. And we in turn give these advances as part of our normal in the ordinary course of business which continuously have a rotation in terms of the milk supplies as well as the fresh advances.

Naitik: Right. So it is essentially a part of normal business and would probably be part of working capital, okay, got it sir. That's it from my side, thank you.

Moderator: Thank you. We will take our next question from the line of Chandresh Malpani from Niveshaay Investment Advisors.

Chandresh Malpani: Yes. Thank you for the opportunity. My question is with respect to core categories' growth rate, like we have been growing at 17%- 18% volume growth year-on-year basis. So how confident are we on this rate of growth? And what underlying sectors can the management provide us, right, for this rate of growth?

Rahul Kumar Srivastava: So basically, first of all, this branded dairy category is growing with a good healthy rate and the people want unadulterated and pure products, so that's also creating lot of growth. You must have seen something on the branded ghee as well as branded paneer, so this is one of the pillar of growth. Second is that, strategically we are expanding our distribution network, so about three, four years back we were having only 15 warehouses, right now we have around 29 warehouses almost present in all the states. So basically it is a natural demand for the branded good quality products as well as our distribution network expansion, along with the brand equity what we command and because of that we have more demand for these dairy products. So these are the three pillars I would say which will lead to this kind of growth.

Chandresh Malpani: Okay. And second question is with respect to the new age business. I understand like providing EBITDA numbers is not mandatory, but can you give some sense on the profitability of it? Because like it has started to contribute to the EBITDA or has it reached the breakeven point or not, just a sense on this.

Rahul Kumar Srivastava: Yes, I think Ankit has already given a answer on this question. He said that all the new age business, the margins are double than the company's average margin.

Chandresh Malpani: That was on the gross level or --

Rahul Kumar Srivastava: Yes, gross level, yes.

Chandresh Malpani: Yes, that's what I am asking because of the amount of marketing and advertisement expenditure we must be doing on the Avvatar brand and Pride of Cows, so like has it reached a breakeven point or has it started to contribute to the EBITDA levels?

Ankit Jain: See, I will answer this question. While Pride of Cows is a part of a subsidiary which is Bhagyalakshmi Dairy Farms Private Limited, the financials definitely will be available to your perusal separately. You can go through it. The EBITDA it is almost at a breakeven definitely. We do not report EBITDA again at a category level. Having said that, brand promotion expenditure is a pool of expenditure which is rightfully allocated in terms of what is the need of the brand and what is the agenda. Basically, what is the intent and what is the reason. So there has to be a certain format of consistency.

The way you look at our participation in KBC, it's been three years that we have consecutively for three years we have been participating. But this year for GO Cheese we entered into the House of Big Boss. So that was, again, a strategic call to enter, so last year we did IPL, this year we did a Big Boss. So again, for the brand it needed a different level of advertising, so it has gone in different segments. These brands like Avvatar and Pride of Cows, which are new age business are more digital brands, so the TG itself needs a lot of influencers and digital marketing campaigns. So we continue to drive accordingly. So, we have to look at overall pool of funds and how the company is managing the operating aspects.

Chandresh Malpani: Okay sir, thank you.

Moderator: Thank you. Next question is from the line of Rishabh Gang from Sachetti Family Office. Please go ahead.

Rishabh Gang: Thank you for the opportunity. Really appreciate you conducting the concall, a lot of people have asked that before. So earlier on the milk procurement side, for the milk that we are procuring from outside farmers, how much of that is direct procurement without any agent or middleman? That's the first question.

Ankit Jain: Yes, sure. We have answered this, but in a summary way, broadly two-thirds of the milk is procured through milk aggregators and one-third of the milk is direct procurement through our own set of BMCs and chilling centers.

Moderator: Rishabh, I am sorry to interrupt. We have long queue of participants, I requested to join back the queue please. Thank you. We will take our next question from the line of Sanika from Sapphire Capital. Please go ahead.

Sanika: Yes, I just have one basic question. Is it fair enough to say that due to seasonality in the business we should look at our business on a Y-o-Y basis? And can you explain why there's so much variation in the EBITDA margin?

Ankit Jain: Okay. With respect to seasonality, while we are looking at growing our turnover, but partially your observation is there that with respect to business there is some seasonal impact. For example, during festive demand the consumption of ghee will be very high, and similarly the cheese will be very high in winters as compared to April, May, June. But April, May, June again will be heavy on beverages and other product portfolio. So, I think we have a group of good product portfolio and that's why we are able to balance out our revenues. And you will look at almost our revenues have been hovering around broadly between Rs. 850 crores to Rs. 900 crores across the quarter, and this quarter we have exceeded Rs. 900 crores for the first time with Rs. 918 crores marking this quarter as the highest ever quarterly revenues.

Moderator: Thank you. Sanika, we request you to join back the queue please. We will take our next question from the line of Riya Agarwal from Bandhan AMC. Please go ahead.

Riya Agarwal Hi, thanks for the opportunity. I just wanted to understand that our margins on core categories, which is ghee and cheese, would definitely be higher than the Gowardhan milk product. I just want to understand that as you mentioned that your new business margins are 2 times the company's gross margin, then in that terms if you can integrate what are the margins on ghee and cheese as compared to milk?

Ankit Jain: I am sorry, but we have just given an indication and we have not given a clear number in terms of what is the gross margin on the new age business, and that is too small a business of around 6% at this point of time. We have consolidated ghee, paneer and cheese to give you a number of 57% of the overall business as core categories to maintain, of course, to maintain an equilibrium between the transparency and protecting the competition sensitive information. So, from that perspective, we will not be able to share, again, product-wise, or category-wise margins.

Moderator: Okay. But just can you validate that margins in ghee and cheese are much better than the milk margin?

Ankit Jain: We would not like to answer that, because we have to look at the overall margin management for the business. We are broadly around 25%- 26% gross margin business at this point of time, and we continue to thrive to improve our gross margins as we move forward.

Moderator: Thank you. We will take our next question from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Hi, sir. Thanks for the opportunity. Sir, I had a question on your procurement prices. So they have increased by Rs. 3 on a Q-o-Q basis, so do you expect it to stabilize at current levels or did you expect it to increase going forward? And if you could just provide some perspective regarding is this increase a general inflationary increase or there is a milk supply crunch in the country?

Ankit Jain: I would answer you on the overall operating margins. I think operating margins for the year have been hovering around 8.5%, of course, plus/minus few basis here and there. We will continue to thrive to achieve similar margins quarter-on-quarter as we move along. While there will be an inflationary impact whereby during inflation the impact on margins as a percentage versus the absolute profitability is little different, which applies to all consumer companies. So I am not explaining on that aspect. Rahul ji, if I request you to answer on the milk procurement.

Rahul Kumar Srivastava: Milk procurement, what we anticipate to be more or less stabilized now onwards, because milk is the seasonal commodity and we have a supply/demand gap, in the summer where the milk production naturally goes down. So this year also because of early summer there was an increase of the procurement price from the farmer, so we have taken the call to increase the milk selling price. But what we see is stable for the next six months.

Moderator: Thank you. We will take our next question from the line of Amit Mehta from Classic Financial Services. Please go ahead.

Amit Mehta: Yes. Thank you, team. See, I have a few questions. While the performance of the company has improved, I want to understand why the inventory is so huge. And in which category these inventories are being built up? Because since we are in to this perishable business, how can the inventories be at these levels?

And the second question what I want to understand is the fair valuation that we are doing on the biological asset side. So I need to understand, because for last three, four-five years which I have been looking at on your cash flow, the biological assets have been revalued and they have only been revalued on the higher side, and then they are going and sitting in your other income. So is the management trying to bloat the balance sheet or P&L to overall match the profitability as per their expectations?

Ankit Jain: Sure, I will answer the two parts. The first part is on the inventory side. See, we are more into value-added products, unlike pure dairy company, which is more into liquid milk, because liquid milk has a different working capital cycle. So we have to convert the milk into the value-added form, and cheese needs an ageing process. So hence typically our inventory is largely in the form of, the major portion of the business is ghee, cheese, paneer, so hence largely the inventory is in form of cheese which needs an aging of 6 to 12 months, depending on the type of the cheese. And the other form of inventory is more in the form of butter and milk powder because it is required and generated as we make ghee.

Now coming to your question on biological assets, this year you would see that biological assets valuation has gone down versus last year. Over the years it has been increasingly continuously so over the years when you look at the revaluation of biological assets have been increasing year-on-year mainly because it is backed by the increase in the number of cows, and hence this kind of valuation. But for the year as a whole, if you were to look at –

Amit Mehta: You must be having dry cows also, right, there is a seasonality where the cows go dry. So what are you doing on that front? Because all this revaluation that you are doing is going and sitting in your other income. And it seems it is artificial increasing the balance sheet size.

Rahul Kumar Srivastava: Yes. See as far as your question of dry cows are there, it is a natural cycle that cow will be dry for a few months, a couple of months, and again it will be under the reproductive cycle.

Amit Mehta: Yes, so we haven't seen any devaluation on that front. And there is no disclosure in the notes to accounts. And we are in the business of selling milk and value-added products. Parag is not in the business of selling cows, right. Every year we keep on increasing the fair value of business assets and biological assets.

Moderator: Amit, I request you to join back the queue please.

Ankit Jain: Yes, I will finish this in just one answer. So we are giving fair disclosure in terms of notes to accounts, it is the valuation is being done by an independent certified valuer. It is not a management estimate on which it is made as an income. And just to apprise you, the overall increase has been backed up with the increase in the number of cows and the increase in the actual milk which has been produced at the farm which has increased over the period, and now it is almost close to 50,000 litres a day. So there is of course science behind this valuation, and it is done under the IndAS Accounting Standards only. However, just to apprise you again that this year the income has decreased on a year-on-year basis and it is not growing that every year this income is growing. We have been into our expansion phase of our Bhagyalakshmi project which also entails, because now the farm is ready operational, so there has been a constant increase in the number of cows.

Moderator: Thank you. We will take our next question from the line of Mihir Dhami from Sharekhan. Please go ahead.

Mihir Dhami: Hi sir, thanks for the opportunity. My question was on the Avvatar brand, as in what is our strategy to grow that brand? And then how do you see the industry competition in your pricing, as in pricing wise I have observed that you all have increased the pricing almost twice in the last one year, so just wanted to get to know strategy on how you are planning to grow it.

Akshali Shah: So basically if you know that around 76% of India is protein deficient. Avvatar, we started as a sports nutrition brand and now we are also getting into and foraying into, and it's becoming really popular with people who are fitness conscious. If you see, we have also launched a protein bar which is to be consumed not just by sports nutrition but also by common people who are a little more health conscious. If you see, the brand has grown almost 6 times in the last three years and we will continue to give marketing support for the brand, and we will soon get into newer formats of protein as well instead of just being a sports nutrition or a powder format, you will see newer formats of the protein coming in.

Moderator: We take the next question from the line of Prasun Vijay from Vijay Investment. Please go ahead.

Prasun Vijay: So what is the level of debt that the company has on the balance sheet? And what are the off balance sheet items on the borrowing side?

Ankit Jain: On the borrowing side, of course, the net debt of the company is Rs. 561 crores, it is a gross debt less of all the fixed deposits and the cash balances.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I will now hand the conference over to Ms. Akshali Shah, Executive Director, for closing comments. Over to you.

Akshali Shah: To summarize, in Parag Milk Foods, our past has been challenging. We have overcome this past by corrective actions like building a strong team. We have recently hired CXOs in every department in the last 24 months. Deloitte was appointed for internal audits. We have also become cash positive from operating revenue in the last two years. We also hired the top consultant for cost optimization. If you see, our new product development that we are doing, have a gross margin which is double of company's average gross margin. And if you see the list of investors, we have marquee investors like Sixth Sense, IFC, and now Mr. Utpal Sheth.

At Parag Milk Foods, we are not just in the dairy business, we are an integrated ecosystem trusted by millions of lives every day, whether it is farmers who start their morning with us, the consumer who chooses our product for their families' nourishment, to our partners and investors who share our vision, each stakeholder is a center to our journey. We truly believe that Parag is rooted in tradition and now leading the nutrition. Backed by a strong infrastructure innovation, innovation-led brands, deep market insights and a forward-looking leadership team, we are confident in our ability to not just lead India's dairy and FMCG space, but to emerge as a global force in nutrition excellence. Thank you once again for the time, your trust, and being a part of our exciting journey. Thank you.

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.