

CMP: INR 356

Rating: BUY

Target Price: INR 504

Stock Info

BSE	539889
NSE	PARAGMILK
Bloomberg	PARAG:IN
Reuters	PAMF.NS
Sector	Dairy Products
Face Value (INR)	10
Equity Capital (INR Cr)	125
Mkt Cap (INR Cr)	4,459
52w H/L (INR)	363/135
Avg Daily Vol (in 000')	1,074

Shareholding Pattern %

(As on Sept 2025)

Promoters	42.61
FII	9.92
DII	6.62
Public & Others	40.85

Stock Performance (%)	1m	6m	12m
Parag Milk	27.8	75.6	66.6
Nifty 50	2.6	3.8	8.3

Parag Milk vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
022 4225 4871

Deepali Kumari
deepali.kumari@arihantcapital.com
022 4225 4873

Parag Milk delivered a robust quarter with strong growth and improved profitability, as evidenced by its consolidated results: revenue rose 15.68% YoY to INR 10,080 Mn (+18.37% QoQ), surpassing the estimate of INR 9,846 Mn; EBITDA expanded 18.08% YoY to INR 712 Mn (+23.08% QoQ); EBITDA margin improved by 14 bps YoY to 7.07% (+27 bps QoQ), aligning closely with the 7% estimate; and PAT surged 56.44% YoY to INR 457 Mn (+65.52% QoQ).

Diversified and High-Growth Portfolio: The company's core categories—ghee, cheese, and paneer—continue to drive growth, contributing 59% of total revenue and growing 14% in volume. The new-age business (Pride of Cows and Avatar) has expanded rapidly, now accounting for 9% of turnover and growing 79% YoY. This diversification into premium, value-added, and health-focused products positions Parag Milk for sustained growth and resilience against commodity cycles.

Operational Efficiency and Margin Resilience: Despite a 16% YoY increase in milk prices, Parag Milk Foods has maintained EBITDA margins at 8.9% (up from 8.8% YoY), supported by improved product mix, pricing power, and cost efficiencies. The company's ability to pass on cost increases while maintaining volume growth highlights its strong operational discipline and brand strength.

Valuation and Outlook: The company is expected to grow revenues at around 10-12% annually over the next few years, with a vision to achieve INR 10,000 Cr, driven by strong demand in core dairy categories like ghee, cheese, and paneer, and rapid expansion in its health and nutrition portfolio. Despite inflationary pressures, the company maintains stable margins through premium pricing and improved product mix. The company aspires to consistently step up EBITDA margins, targeting the double digits and moving toward the low teens (13-14%). Its robust supply chain, expanding branded footprint, and strategic focus on protein-rich products position it well for sustainable profit growth and long-term value creation. We value the company at a P/E multiple of 25x FY28E EPS of INR 20.16, leading to a TP of INR 504. We maintain a 'Buy' rating, as the earlier target has been achieved.

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	31,387	34,322	38,787	44,511	51,913
YoY	8.51%	9.35%	13.01%	14.76%	16.63%
Gross Profit	7,487	8,855	10,252	11,809	13,825
Gross Profit Margin	23.85%	25.80%	26.43%	26.53%	26.63%
EBITDA	1,971	2,527	3,140	3,692	4,410
EBITDA Margin	6.28%	7.36%	8.09%	8.29%	8.49%
EBIT	1,621	2,257	2,688	3,221	3,882
EBIT Margin	5.12%	6.50%	6.88%	7.19%	7.43%
PAT	906	1,188	1,651	2,040	2,369
YoY	70.10%	31.14%	38.96%	23.55%	16.16%
EPS (INR)	7.71	10.11	14.05	17.36	20.16
YoY	56.71%	31.14%	38.96%	23.55%	16.16%
P/E (x)	31.52	24.03	17.30	14.00	12.05
P/B (x)	3.23	2.88	2.19	1.91	1.66
EV/EBITDA (x)	18.19	14.22	10.99	9.60	8.15
EV/EBIT (x)	22.13	15.92	12.84	11.01	9.25
D/E (x)	0.77	0.69	0.49	0.52	0.47
RONW	9.93%	11.61%	12.27%	13.20%	13.33%
ROCE	8.49%	10.71%	12.07%	12.43%	13.46%

Source: Company, Arihant Research

INR Mn (Consolidated)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Net Revenue	10,079.5	8,515.2	8,713.1	18.37%	15.68%
Raw Material Costs	7,476.5	6,185.8	6,657.9	20.87%	12.30%
Gross Profit	2,603.0	2,329.4	2,055.2	11.75%	26.65%
<i>Gross Margin</i>	<i>25.82%</i>	<i>27.36%</i>	<i>23.59%</i>	<i>-153bps</i>	<i>224bps</i>
Employee costs	426.9	385.9	340.3	10.62%	25.45%
Other Expenses	1,463.7	1,364.7	1,111.6	7.25%	31.68%
EBITDA	712.4	578.8	603.3	23.08%	18.08%
<i>EBITDA margin</i>	<i>7.07%</i>	<i>6.80%</i>	<i>6.92%</i>	<i>27bps</i>	<i>14bps</i>
Other Non Operating Income	180.3	76.4	163.0	135.99%	10.61%
Depreciation	187.5	163.2	181.2	14.89%	3.48%
EBIT	705.2	492.0	585.1	43.33%	20.53%
Finance costs	200.3	200.2	229.7	0.05%	-12.80%
Exceptional Items	-	-	-		
PBT	504.9	291.8	355.4	73.03%	42.07%
Tax Expense	48.4	16.0	63.6	202.50%	-23.90%
<i>Effective tax rate</i>	<i>12.00%</i>	<i>5.48%</i>	<i>17.90%</i>	<i>652bps</i>	<i>-590bps</i>
PAT	456.5	275.8	291.8	65.52%	56.44%
<i>PAT margin</i>	<i>4.45%</i>	<i>3.21%</i>	<i>3.29%</i>	<i>124bps</i>	<i>116bps</i>
EPS (INR)	3.83	2.31	2.29	65.80%	67.25%

Strong Brand Building and Consumer Engagement: The company has invested heavily in brand building, leveraging high-impact marketing, digital storytelling, and strategic partnerships (e.g., KBC, Super Dancer, and influencer campaigns). The “Pride of Cows” campaign, focusing on milk authenticity, has resonated with consumers, enhancing brand loyalty and trust. These initiatives are critical for driving premiumization and expanding market share in a competitive FMCG landscape.

Healthy Balance Sheet and Deleveraging: The company has made significant progress in strengthening its balance sheet, reducing consolidated net debt by INR 125 crore to INR 436 crore as of September 2025. This deleveraging has improved key gearing ratios, with net debt/EBITDA at 1.4x and net debt/equity at 0.4x. The robust operating cash flow (INR 99 crore in H1 FY26) supports further investment and financial flexibility.

Strategic Expansion into Health and Nutrition: Parag Milk Foods is evolving from a dairy FMCG business into a health and nutrition company, with a focus on protein-rich products (e.g, Avaatar Whey Protein). The company’s in-house protein production and forward integration into value-added segments create sustainable competitive advantages and address the growing demand for functional nutrition in India.

Robust Distribution Network and Pan-India Presence: The company has a pan-India footprint with 29 depots servicing diverse regional markets. While core categories are well established nationwide, the newer brands like Pride of Cows continue metro expansion, recently adding Chandigarh.

Significant Unorganized to Organized Market Shift Opportunity: The Indian dairy sector is undergoing a rapid shift towards organized and branded products, especially in value-added segments like ghee, cheese, and paneer. Parag benefits from this structural transition with a leading 22% market share in branded cow ghee, an INR 7,000 crore organized market, with considerable room for market share gains from unorganized players.

Income Statement					
INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue from operations	31,387	34,322	38,787	44,511	51,913
Cost of materials consumed	23,900	25,467	28,535	32,701	38,088
Employee benefit expenses	1,164	1,500	1,733	2,034	2,424
Other expenses	4,351	4,828	5,379	6,084	6,992
EBITDA	1,971	2,527	3,140	3,692	4,410
EBITDA Margin	6.28%	7.36%	8.09%	8.29%	8.49%
Depreciation & amortisation expense	603	672	724	782	892
Finance Cost	762	931	854	955	920
Other income	252	403	272	312	363
PBT after exceptional Items	859	1,326	1,834	2,266	2,961
Cash Tax	-47	138	183	227	592
PAT	906	1,188	1,651	2,040	2,369
EPS after exceptional items:					
Basic (INR)	7.71	10.11	14.05	17.36	20.16
Diluted (INR)	7.47	9.80	13.61	16.82	19.54
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	12,172	14,166	16,490
Net Worth	9,121	10,234	13,454	15,448	17,772
Total debt	7,008	7,077	6,565	7,958	8,365
Deferred tax liability (net)	-38	105	105	105	105
Other non-current liabilities	37	47	39	45	52
Total Liabilities	7,007	7,229	6,710	8,108	8,523
Net Block	3,888	4,880	4,077	4,080	3,902
CWIP	691	193	386	313	334
Other intangible assets	9	20	22	26	30
Biological assets other than bearer plants	758	877	1,052	1,262	1,515
Investments	336	474	776	890	1,038
Other non-current assets	348	303	388	445	519
Net Working Capital:	9,992	10,598	12,448	12,889	15,361
Inventories	6,153	5,780	7,300	7,359	9,329
Trade receivables	2,443	2,595	2,460	2,609	2,450
Cash and cash equivalents	106	119	1,015	3,651	3,596
Bank Balances	170	132	145	159	175
Other current assets	3,929	4,955	5,600	6,426	7,495
Trade payables	2,166	2,557	2,741	3,339	3,752
Other current liabilities	538	306	316	326	336
Total assets	16,128	17,463	20,164	23,556	26,294
Cash Flow					
INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	859	1,326	1,834	2,266	2,961
Depreciation & amortization	603	672	724	782	892
Tax paid	-47	138	183	227	592
Working capital Δ	1,113	607	1,850	440	2,472
Operating cash flow	395	1,253	524	2,382	789
Capital expenditure	981	1,165	114	713	734
Free cash flow	-586	88	411	1,669	54
Equity raised	190	26	1,610	-	-
Investments made	-172	138	302	114	148
Other asset purchases	295	84	263	271	331
Debt financing	601	69	-512	1,393	407
Dividends & other appropriations	60	119	60	64	64
Other items	-55	172	11	24	26
Net Δ in cash	-32	13	896	2,637	-55
Opening cash balance	138	106	119	1,015	3,651
Ending cash balance	106	119	1,015	3,651	3,596

Source: Arianth Research, Company Filings

Ratios	FY24	FY25	FY26E	FY27E	FY28E
Growth Matrix (%)					
Revenue	8.51%	9.35%	13.01%	14.76%	16.63%
EBITDA	48.34%	28.17%	24.25%	17.59%	19.44%
EBIT	52.61%	39.25%	19.08%	19.85%	20.50%
PBT	68.14%	54.43%	38.33%	23.55%	30.68%
PAT	70.10%	31.14%	38.96%	23.55%	16.16%
PAT after OCI	69.86%	32.55%	38.36%	23.29%	16.01%
Profitability (%)					
EBITDA Margin	6.28%	7.36%	8.09%	8.29%	8.49%
EBIT Margin	4.33%	5.34%	6.19%	6.49%	6.73%
Net Profit Margin	2.86%	3.42%	4.23%	4.55%	4.53%
Net Profit Margin after OCI	2.88%	3.47%	4.27%	4.59%	4.57%
RoCE	8.49%	10.71%	12.07%	12.43%	13.46%
RoNW	9.93%	11.61%	12.27%	13.20%	13.33%
RoA	5.91%	7.07%	8.77%	9.33%	9.50%
Per Share (INR)					
Basic EPS	7.71	10.11	14.05	17.36	20.16
Diluted EPS	7.47	9.80	13.61	16.82	19.54
DPS	0.50	1.00	0.50	0.50	0.50
Basic Cash EPS	12.84	15.83	20.21	24.02	27.75
Diluted Cash EPS	12.44	15.34	19.58	23.27	26.89
BVPS	75.22	84.40	110.95	127.40	146.56
Sales	267.15	292.13	330.14	378.86	441.86
Valuation (x)					
P/E	31.52	24.03	17.30	14.00	12.05
P/CEPS	18.93	15.35	12.02	10.12	8.76
P/BV	3.23	2.88	2.19	1.91	1.66
P/Sales	0.91	0.83	0.74	0.64	0.55
EV/EBITDA	18.19	14.22	10.99	9.60	8.15
EV/EBIT	22.13	15.92	12.84	11.01	9.25
EV/Sales	1.14	1.05	0.89	0.80	0.69
Dividend Yield	0.00	0.00	0.00	0.00	0.00
Liquidity (x)					
Current Ratio	4.74	4.74	5.40	5.51	5.64
Quick Ratio	2.46	2.72	3.02	3.51	3.36
Defensive Interval Ratio	82.48	89.55	94.40	114.87	105.39
Cash Ratio	0.04	0.04	0.33	1.00	0.88
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	2.06	2.04	2.08
Fixed asset turnover	6.18	6.07	6.74	7.94	9.06
Working capital turnover	3.14	3.24	3.12	3.45	3.38
Days					
Receivable days	23.98	26.79	23.79	20.79	17.79
Inventory days	90.78	85.51	83.65	81.81	79.96
Cash Conversion cycle	114.77	112.30	107.44	102.59	97.74
Payable days	28.19	33.84	33.88	33.93	33.97
Operating cycle	86.58	78.46	73.56	68.67	63.77
Leverage (x)					
Interest Coverage	2.13	2.42	3.15	3.37	4.22
Debt Equity	0.77	0.69	0.49	0.52	0.47
Net Debt Equity	0.76	0.68	0.41	0.28	0.27
Assets to Equity	1.68	1.64	1.40	1.42	1.40
Du Pont					
Tax burden	1.06	0.90	0.90	0.90	0.80
Interest burden	0.53	0.59	0.68	0.70	0.76
EBIT Margin	0.05	0.07	0.07	0.07	0.07
Asset turnover	2.05	2.04	2.06	2.04	2.08
Leverage	1.68	1.64	1.40	1.42	1.40
ROE	0.10	0.12	0.12	0.13	0.13

Source: Arianth Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
Y.N. Road,
Indore - 452003, (M.P.)
Tel: (91-731) 4217100/101
CIN: L66120MP1992PLC007182

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

Research Analyst
Registration No.

Contact

Website

Email Id

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.com

instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Disclaimer: This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800