

CMP: INR 222

Rating: BUY

Target Price: INR 435

Stock Info

BSE	539889
NSE	PARAGMILK
Bloomberg	PARAG:IN
Reuters	EQUITASB.BO
Sector	Dairy Products
Face Value (INR)	10
Equity Capital (INR Cr)	2,772
Mkt Cap (INR Cr)	3,025
52w H/L (INR)	377/178
Avg Daily Vol (in 000')	1,170

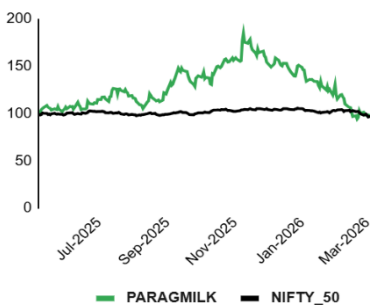
Shareholding Pattern %

(As on March 2026)

Promoters	40.65
FII	8.77
DII	5.25
Public & Others	45.33

Stock Performance (%)	1m	6m	12m
Parag Milk	8.2 (29.2)	10.4	
Nifty 50	1.4 (5.91)	(3.0)	

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 Foods Limited reported a mixed Q4FY26 performance, with consolidated revenue growing 3% YoY to INR 9,453 Mn despite a 6.7% QoQ decline. Gross margins improved sharply by 125 bps YoY to 28.0% due to better raw material management, while EBITDA stood at INR 594 mn with a margin at 6.3%. Profitability remained strong at the bottom-line level, as PAT increased 23% YoY to INR 322 mn supported by higher other income and lower finance costs. The company delivered a resilient 5% YoY volume growth for the full year FY26, led by an 8% increase in its core branded portfolio of Ghee, Cheese, and Paneer while the company faced a 5% volume contraction in Q4 FY26 (with core categories down 3%), management attributed this dip to a high base in institutional and export sales from the previous year and a strategic, planned reduction in the Skimmed Milk Powder (SMP) business moving into FY27, the strategic roadmap prioritizes a return to double-digit volume growth by aggressively expanding distribution in Northern and Southern India and leveraging a calibrated pricing-promotion mix to navigate persistent raw material inflation.

Demonstrated Pricing Power and Margin Resilience: Despite a hyper-inflationary environment where milk prices rose 15% YoY, The company expanded its gross margins to 28% in Q4 FY26. This was achieved through calibrated price increases in core categories like Ghee and Cheese, as well as a more favorable product mix. The ability of gross profit growth to surpass volume growth underscores a strong competitive moat and the power to command premium pricing.

Valuation and Outlook: The company is strategically positioned for a high-growth phase, underpinned by a road map toward INR 1,00,000 Mn in revenue and a clear trajectory toward double-digit EBITDA margins. The high-margin New Age segment is projected to scale INR 10,000 Mn portfolio within the next 3 to 5 years, while the company aggressively expands its distribution footprint in North and South India by adding approximately 30,000 outlets per quarter. Backed by a capital-efficient increase in cheese capacity to 80 metric tons and stabilized milk procurement costs, the company aims to sustain gross margins in the 27–28% range through a sharper focus on protein-led innovation and market share gains in the organized dairy sector. We value the company at a P/E multiple of 20x FY29E EPS of INR 21.75, leading to a TP of INR 435. We maintain a 'Buy' rating.

INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	34,322	38,175	42,804	49,008	57,011
YoY	9.35%	11.23%	12.13%	14.49%	16.33%
Gross Profit	8,855	10,199	11,614	13,444	15,811
Gross Profit Margin	25.80%	26.72%	27.13%	27.43%	27.73%
EBITDA	2,527	2,568	2,925	3,446	4,123
EBITDA Margin	7.36%	6.73%	6.83%	7.03%	7.23%
EBIT	2,257	2,395	2,622	3,162	3,878
EBIT Margin	6.50%	6.19%	6.05%	6.37%	6.72%
PAT	1,188	1,351	1,721	2,148	2,719
YoY	31.14%	13.69%	27.47%	24.80%	26.56%
EPS (INR)	9.97	10.80	13.77	17.19	21.75
YoY	31.14%	8.40%	27.47%	24.80%	26.56%
P/E (x)	22.28	20.55	16.12	12.92	10.21
P/B (x)	2.63	2.14	1.89	1.65	1.42
EV/EBITDA (x)	13.23	13.39	11.35	9.36	7.45
EV/EBIT (x)	14.81	14.36	12.66	10.20	7.93
D/E (x)	0.69	0.53	0.40	0.38	0.36
RONW	11.61%	10.73%	12.08%	13.15%	14.31%
ROCE	10.71%	9.67%	10.39%	11.24%	12.19%

INR Mn (Consolidated)	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Net Revenue	9,453.4	10,126.9	9,182.5	-6.65%	2.95%
Raw Material Costs	6,808.0	7,506.2	6,727.3	-9.30%	1.20%
Gross Profit	2,645.4	2,620.7	2,455.2	0.94%	7.75%
<i>Gross Margin</i>	<i>27.98%</i>	<i>25.88%</i>	<i>26.74%</i>	<i>210bps</i>	<i>125bps</i>
Employee costs	535.8	494.2	437.1	8.42%	22.58%
Other Expenses	1,516.1	1,443.5	1,398.1	5.03%	8.44%
EBITDA	593.5	683.0	620.0	-13.10%	-4.27%
<i>EBITDA margin</i>	<i>6.28%</i>	<i>6.74%</i>	<i>6.75%</i>	<i>-47bps</i>	<i>-47bps</i>
Other Non Operating Income	188.6	89.3	130.9	111.20%	44.08%
Depreciation	175.3	181.4	173.8	-3.36%	0.86%
EBIT	606.8	590.9	577.1	2.69%	5.15%
Finance costs	205.4	208.0	251.6	-1.25%	-18.36%
Exceptional Items	-	-	-		
PBT	401.4	382.9	325.5	4.83%	23.32%
Tax Expense	79.0	30.0	63.4	163.33%	24.61%
<i>Effective tax rate</i>	<i>12.00%</i>	<i>12.00%</i>	<i>19.48%</i>	<i>0bps</i>	<i>-748bps</i>
PAT	322.4	352.9	262.1	-8.64%	23.01%
<i>PAT margin</i>	<i>3.34%</i>	<i>3.45%</i>	<i>2.81%</i>	<i>-11bps</i>	<i>53bps</i>
EPS (INR)	2.58	2.37	2.20	8.86%	17.27%

Scalability of High-Margin New Age Business: The company's New Age segment (Avvatar and Pride of Cows) has emerged as a primary growth engine, recording 91% annual growth and contributing 10% to total revenue. The company expects this segment to reach INR 10,000 mn in revenue within 3 to 5 years, accounting for 20% to 25% of the total mix. Critically, this business delivers margins nearly double the company's average, providing a structural tailwind for overall profitability.

Market Leadership in High-Growth Categories: The company maintains dominant market positions in high-value segments, with a 35% market share in Cheese and 22% in Ghee. Its sports nutrition brand, Avvatar, has secured a 14%-15% market share across quick-commerce and marketplace channels. These leadership positions allow the company to benefit from the growing consumer shift toward quality protein and branded dairy products.

Geographic Diversification and Distribution Depth: The company is aggressively expanding its footprint beyond its traditional stronghold in Maharashtra to tap into the high-potential North and South Indian markets. The company is currently adding approximately 30,000 General Trade outlets every quarter. This expansion into densely populated regions like Uttar Pradesh is viewed as a game-changer for long-term volume growth.

Structural Shift from Unorganized to Organized Sector: A significant investment tailwind is the ongoing consumer transition from unorganized, often adulterated dairy products to trusted organized brands. Management highlighted that government regulations and increased consumer awareness regarding "analog" products are providing a strong impetus for brands like Parag to gain market share in categories like Paneer and Ghee.

Efficient Asset Augmentation and Capex Strategy: The company is expanding its cheese manufacturing capacity from 60 metric tons to 80 metric tons, with a long-term roadmap to 120 metric tons. Notably, this is being achieved through adjacency expansion rather than greenfield projects, allowing for more capital-efficient growth. The guided FY27 capex of INR 600–700 mn remains focused on high-ROI projects like the lactose plant and cold chain infrastructure.

Income Statement					
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue from operations	34,322	38,175	42,804	49,008	57,011
Cost of materials consumed	25,467	27,977	31,190	35,564	41,201
Employee benefit expenses	1,500	1,843	2,140	2,450	2,851
Other expenses	4,828	5,788	6,549	7,547	8,837
EBITDA	2,527	2,568	2,925	3,446	4,123
EBITDA Margin	7.36%	6.73%	6.83%	7.03%	7.23%
Depreciation & amortisation expense	672	707	859	921	986
Finance Cost	931	814	688	748	823
Other income	403	535	556	637	741
PBT after exceptional items	1,326	1,524	1,934	2,414	3,055
Cash Tax	138	173	213	266	336
PAT	1,188	1,351	1,721	2,148	2,719
EPS after exceptional items:					
Basic (INR)	9.97	10.80	13.77	17.19	21.75
Diluted (INR)	9.80	11.61	14.20	17.72	22.42
Balance Sheet					
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Equity Share Capital	1,192	1,250	1,250	1,250	1,250
Preference Capital	-	-	-	-	-
Other Equity	9,042	11,336	12,997	15,086	17,746
Net Worth	10,234	12,586	14,247	16,336	18,996
Total debt	7,077	6,662	5,641	6,135	6,747
Deferred tax liability (net)	105	273	273	273	273
Other non current liabilities	47	76	86	98	114
Total Liabilities	7,229	7,012	6,000	6,506	7,134
Net Block	4,880	5,301	5,280	5,194	5,075
CWIP	193	374	435	467	500
Other intangible assets	20	68	76	87	101
Biological assets other than bearer plants	877	1,062	1,275	1,530	1,836
Investments	474	558	625	716	832
Other non current assets	303	2,132	2,140	2,450	2,851
Net Working Capital:	10,598	10,070	10,229	10,771	11,174
Inventories	5,780	7,303	6,890	7,061	6,984
Trade receivables	2,595	2,445	2,949	2,958	3,289
Cash and cash equivalents	119	33	188	1,627	3,760
Bank Balances	132	150	165	181	200
Other current assets	4,955	3,381	3,852	4,411	5,131
Trade payables	2,557	2,670	3,079	3,281	3,860
Other current liabilities	306	539	549	559	569
Total assets	17,463	19,597	20,247	22,844	26,132
Cash Flow					
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Profit before tax	1,326	1,524	1,934	2,414	3,055
Depreciation & amortization	672	707	859	921	986
Tax paid	138	173	213	266	336
Working capital Δ	607	-528	159	543	403
Operating cash flow	1,253	2,586	2,421	2,526	3,302
Capital expenditure	1,165	1,310	899	867	900
Free cash flow	88	1,277	1,522	1,659	2,402
Equity raised	26	1,061	-	-	-
Investments made	138	84	67	91	117
Other asset purchases	84	2,062	229	576	720
Debt financing	69	-415	-1,021	494	612
Dividends & other appropriations	119	63	63	63	63
Other items	172	201	12	15	19
Net Δ in cash	13	-86	155	1,439	2,133
Opening cash balance	106	119	33	188	1,627
Ending cash balance	119	33	188	1,627	3,760

Source: Arianth Research, Company Filings

Ratios	FY25	FY26	FY27E	FY28E	FY29E
Growth Matrix (%)					
Revenue	9.35%	11.23%	12.13%	14.49%	16.33%
EBITDA	28.17%	1.62%	13.89%	17.84%	19.64%
EBIT	39.25%	6.11%	9.50%	20.59%	22.64%
PBT	54.43%	14.93%	26.93%	24.80%	26.56%
PAT	31.14%	13.69%	27.47%	24.80%	26.56%
PAT after OCI	32.55%	12.17%	27.41%	24.75%	26.53%
Profitability (%)					
EBITDA Margin	7.36%	6.73%	6.83%	7.03%	7.23%
EBIT Margin	5.34%	4.81%	4.76%	5.09%	5.43%
Net Profit Margin	3.42%	3.49%	3.97%	4.33%	4.71%
Net Profit Margin after OCI	3.47%	3.50%	3.98%	4.33%	4.71%
RoCE	10.71%	9.67%	10.39%	11.24%	12.19%
RoNW	11.61%	10.73%	12.08%	13.15%	14.31%
RoA	7.07%	7.29%	8.64%	9.97%	11.10%
Per Share (INR)					
Basic EPS	9.97	10.80	13.77	17.19	21.75
Diluted EPS	9.80	11.14	14.20	17.72	22.42
DPS	1.00	0.50	0.50	0.50	0.50
Basic Cash EPS	15.83	17.52	21.96	26.13	31.54
Diluted Cash EPS	15.34	16.97	21.28	25.31	30.56
BVPS	84.40	103.79	117.50	134.72	156.65
Sales	292.13	324.93	364.33	417.13	485.25
Valuation (x)					
P/E	22.28	20.55	16.12	12.92	10.21
P/CEPS	14.02	12.67	10.11	8.50	7.04
P/BV	2.63	2.14	1.89	1.65	1.42
P/Sales	0.76	0.68	0.61	0.53	0.46
EV/EBITDA	13.23	13.39	11.35	9.36	7.45
EV/EBIT	14.81	14.36	12.66	10.20	7.93
EV/Sales	0.97	0.90	0.78	0.66	0.54
Dividend Yield	0.00	0.00	0.00	0.00	0.00
Liquidity (x)					
Current Ratio	4.74	4.15	3.87	4.23	4.37
Quick Ratio	2.72	1.87	1.97	2.39	2.79
Defensive Interval Ratio	89.55	61.60	65.48	73.52	85.44
Cash Ratio	0.04	0.01	0.05	0.42	0.85
Activity (x)					
Receivables turnover	13.63	15.15	15.87	16.59	18.25
Inventory turnover	4.27	4.28	4.40	5.10	5.87
Payables turnover	10.79	10.71	10.85	11.18	11.54
Total asset turnover	2.04	2.06	2.15	2.27	2.33
Fixed asset turnover	6.07	5.98	6.17	6.83	7.71
Working capital turnover	3.24	3.79	4.18	4.55	5.10
Days					
Receivable days	26.79	24.10	23.00	22.00	20.00
Inventory days	85.51	85.34	83.05	71.59	62.21
Cash Conversion cycle	112.30	109.44	106.05	93.59	82.21
Payable days	33.84	34.10	33.64	32.64	31.63
Operating cycle	78.46	75.34	72.41	60.95	50.58
Leverage (x)					
Interest Coverage	2.42	2.94	3.81	4.23	4.71
Debt Equity	0.69	0.53	0.40	0.38	0.36
Net Debt Equity	0.68	0.53	0.38	0.28	0.16
Assets to Equity	1.64	1.47	1.40	1.32	1.29
Du Pont					
Tax burden	0.90	0.89	0.89	0.89	0.89
Interest burden	0.59	0.64	0.74	0.76	0.79
EBIT Margin	0.07	0.06	0.06	0.06	0.07
Asset turnover	2.04	2.06	2.15	2.27	2.33
Leverage	1.64	1.47	1.40	1.32	1.29
ROE	0.12	0.11	0.12	0.13	0.14

Source: Arianth Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100/101 CIN: L66120MP1992PLC007182

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%

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