

Short Term Fundamental Pick

Wednesday, 10 September



Rating: **Buy**

Cmp: ₹261.88 as on 09th Sept 2025

Sector: FMCG (Dairy Products)

Target: ₹310

Upside Potential: 18.37%



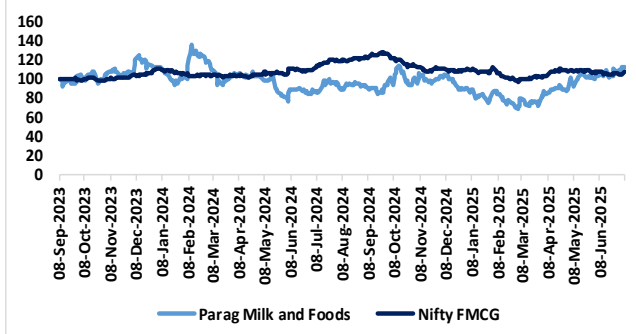
Key Data

Nifty/Sensex	24868.60/81101.32
BSE Code	539889
NSE Code	PARAGMILK
Bloomberg Code	PARAG:IN
Industry	Dairy Products
Market Cap(Cr.)	3126.8472
No. of Shares(Cr.)	11.94
Face Value	10
52 Week High/Low	269.70/135.49

Shareholding Pattern

Particulars	Q1FY26
Promoter	42.61%
MF	0.00%
FII	9.24%
Public	41.16%
Others	7.00%

Relative Price Performance



Robust Growth, recent GST rationalization and Strong FMCG sectoral performance, which will augur sound for future performance...

Parag Milk Foods Limited is one of India's leading private dairy and FMCG companies, offering a wide range of products made from 100% fresh cow's milk under renowned brands like **Gowardhan, Go, Pride of Cows, Topp Up, and Avvatar**. Its product portfolio spans ghee, cheese, paneer, butter, dahi, whey protein, flavoured milk, and other value-added dairy items, catering to both domestic and international markets. The company is a **dominant player in the cheese category with a 35% market share and a leader in the branded cow ghee segment with a 22% share**. With integrated operations from procurement to branding, it ensures international quality standards while focusing on premium offerings. Demand for health and protein-rich dairy products continues to drive growth, and the company recently achieved its **highest-ever quarter one revenue of ₹852 crore in Q1 FY26**, reflecting its strong market momentum.

Highlights and Investment Rationale

Strong Growth Momentum – Highest-ever Q1 revenue of ₹852 Cr, up 12% YoY, led by 9% volume growth and 14% value growth in core categories (ghee, cheese, paneer) contributing 57% of revenues.

Market Leadership – Retains leadership with 22% share in branded cow ghee (Gowardhan) and 35% share in cheese (Go), reaffirming strong positioning in value-added dairy.

Resilient Margins Despite Higher Milk Prices – Average milk procurement price rose 18% YoY, yet EBITDA margin was sustained at 7.7% with gross margin expansion to 27.4% aided by premiumization and product mix.

Premiumization via New Age Brands – Avvatar (sports nutrition whey protein) and Pride of Cows (premium fresh milk & dairy) contributed 9% of revenues (vs. 6% LY), growing 57% YoY, reflecting rising consumer shift toward premium & health-focused products. ₹1,600 Cr whey protein market growing at 30% CAGR.

Brand Building & Visibility – 360° marketing campaigns (digital + mass media) with influencers like Faye D’Souza, Raj Shamani, and brand tie-ups (Zee Cine Awards, Maharashtra Hasyajatra) are strengthening recall and driving premium brand trust.

Government Policy Support – GST rate cuts on UHT milk and Paneer to nil and on ghee, butter, cheese reduced to 5% from 12% and income tax relief up to ₹12.75 lakh are likely to boost consumer demand, making products more affordable and increasing rural–urban consumption.

Robust Procurement Network – Milk procurement at 16.5 lakh litres/day (+10% QoQ) ensures supply security and strong farmer connect, supporting stable raw material sourcing and long-term sustainability.

Key risks:

- **Volatility in raw milk prices** - Fluctuations in milk procurement costs due to seasonality, supply-demand imbalance, or fodder price inflation can impact margins.
- **Quality & supply chain risks** -Ensuring consistent quality, cold-chain management, and hygiene standards is critical; any lapse may hurt brand trust and sales.
- **Regulatory & consumer preference changes**- Shifts in food safety norms, rising competition from plant-based alternatives, and evolving consumer health trends may affect demand.

Key Financial Indicators & Valuation (Consolidated)					
YE March (Mns.)	FY23	FY24	FY25	FY26E	FY27E
PAT	53.25	90.59	118.79	191.00	235.00
EBITDA Margin(%)	4.15%	6.29%	7.36%	9.74%	10.23%
EBIT Margin(%)	2.17%	4.37%	5.40%	7.82%	8.30%
Net Profit Margin(%)	1.84%	2.89%	3.46%	4.90%	5.34%
ROE(%)	6.59%	9.93%	11.60%	14.50%	15.10%
Current Ratio	1.92	1.86	1.91	1.95	2.00
EPS	4.5	7.6	9.9	16.0	19.7
PE	15.99	27.38	15.0	16.4	13.3
BV/S	68.93	76.52	85.86	101.8	121.3
P/BV	1.05	2.72	1.74	2.56	2.16

Variance Analysis (Consolidated)					
Particulars (Rs. In Cr.)	2025-June	2024-June	YOY %	2025-March	QOQ %
Net Sales	851.52	757.93	12.35	918.25	-7.27
Total Expenditure	793.64	701.74	13.1	856.25	-7.31
PBIDT (Excl OI)	57.88	56.19	3.01	62	-6.65
PAT	27.58	27.3	1.03	26.21	5.23
PBIDTM% (Excl OI)	6.80	7.41	-8.23	6.75	0.74
PBIDTM%	7.69	8.14	-5.53	8.18	-5.99
PATM%	3.24	3.6	-10	2.85	13.68
Adj. EPS(Rs)	2.31	2.29	0.87	2.2	5

Valuation and Outlook

Parag Milk Foods delivered its highest-ever Q1 performance, reporting revenues of ₹852 crore, supported by a strong distribution network of 4,500 distributors and 4.6 lakh retail touchpoints. The company maintains market leadership with a 22% share in branded cow ghee (Gowardhan) and a commanding 35% share in cheese (Go), reaffirming its stronghold in the value-added dairy segment. Its Avvatar nutrition brand has expanded rapidly, recording an 8x growth over the last three Q1s, leveraging a unique farm-to-shaker traceable model. The recent GST rationalization, coupled with income tax exemption up to ₹12.75 lakh and multi-year low inflation, is expected to fuel consumer demand by making dairy products more affordable and spurring consumption across both rural and urban markets. Over FY25–FY27E, Parag’s revenue, EBITDA, and net profit are projected to grow at a robust CAGR of 13.22%, 33.45%, and 40.65%, respectively, showcasing strong operating leverage. On the valuation front, the stock closed at ₹261.88 on September 9th, trading at a trailing P/E of 26.26 (TTM EPS ₹9.97). Forward valuations remain attractive at 16.4x for FY26E and 13.3x for FY27E, reflecting earnings-led re-rating potential. **We maintain a bullish outlook on PARAGMILK, with a target price of ₹310, implying an upside of 18.37% over the next 9–12 months.**

Profit And Loss Statement (Consolidated)					
YE March (Mns.)	FY23	FY24	FY25	FY26E	FY27E
I. Income					
Net Sales	2,892.6	3,138.7	3,432.2	3,900.0	4,400.0
Net Sales	2,892.6	3,138.7	3,432.2	3,900.0	4,400.0
II. Expenditure					
Raw Material Cost	2,166.7	2,197.6	2,489.5	2,820.0	3,180.0
Change in Inventory	72.1	55.0	-57.3	70.0	50.0
Employee Cost	102.9	125.8	150.0	170.0	190.0
Other Expenses	575.1	672.8	482.8	600.0	630.0
Total Expenditure	2,772.6	2,941.2	3,179.5	3,520.0	3,950.0
EBITDA	120.0	197.6	252.7	380.0	450.0
Depreciation	57.3	60.3	67.2	75.0	85.0
EBIT	62.7	137.3	185.5	305.0	365.0
Interest	56.7	76.7	93.1	95.0	100.0
Other Income	45.0	25.2	40.3	45.0	50.0
Earnings Before Tax(EBT)	51.1	85.9	132.6	255.0	315.0
Tax	-2.2	-4.7	13.8	64.0	80.0
Profit After Tax(PAT)	53.2	90.6	118.8	191.0	235.0
EPS - Basic	4.5	7.6	9.9	16.0	19.7
No. Shares(Cr.)	11.74	11.94	11.94	11.94	11.94

Investment Rating Matrix

Ratings	Expected Return
Buy	>15%
Accumulate	10% to 15%
Hold	0% to 15%
Sell	< - 15%

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