Milky Mist Dairy

Operator: Ladies and gentlemen, good day and welcome to the Milky Mist Dairy Food Ltd. earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star, then zero, on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Devika Shah from Adfactors PR. Thank you, and over to you, ma'am.

Devika Shah – Adfactors PR: Thank you. Good morning, everyone, and welcome to the Q2 FY27 and H1 FY27 earnings conference call of Milky Mist Dairy Food Ltd. Today, we have with us Mr. T. Sathishkumar, Chairman and Managing Director; Dr. K. Rathnam, Whole-time Director and CEO; and Mr. Biswajit Mishra, Chief Financial Officer. We will begin with the opening remarks from the management, followed by a Q&A session.

Please note that this call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand over the conference to the management for their opening remarks. Thank you, and over to you, sir.

T. Sathishkumar – Chairman and Managing Director: Good morning, Devika, and good morning, everyone. I welcome you all to our Q2 and H1 FY27 earnings conference call. Thank you for your continued interest in and support of Milky Mist. We had a very successful Q2 FY27. We achieved a significant milestone, with revenue, EBITDA, and margins reaching new peaks during the quarter.

During the quarter, we continued to strengthen Milky Mist's value-added packaged food business while navigating a dynamic operating environment. Our efforts remained focused on diversifying our portfolio, expanding our market presence, and strengthening our operational capabilities to support the next phase of growth. We continue to balance growth opportunities with operational discipline, keeping our long-term business objectives in focus.

Allow me to throw some light on the industry environment that prevailed in the September quarter. During September 2026, the FMCG sector navigated a challenging demand and cost environment. Retail inflation rose to 5.54% in September 2026, while food inflation accelerated to 7.74%, putting additional pressure on household budgets ahead of the festive season. Industry commentary also pointed to a slower-than-expected recovery in festive demand and the possibility of more moderate FMCG growth in H1 FY27.

Input cost pressures also remained significant for food companies. Cattle feed costs were reported to be 15%–20% higher year-on-year in September, while milk prices in some markets were around 30% higher than the previous year. These trends reinforced the importance of efficient procurement and disciplined cost management across the value chain. At Milky Mist, our strong procurement ecosystem and stable demand for our products allowed us to navigate this situation.

Coming to the products in general, paneer continued to be a leading category for Milky Mist in the September quarter as well, with year-on-year growth of 44%. The category witnessed greater regulatory scrutiny, especially for analogue products, and increased emphasis on product

Report is AI-generated and may contain inaccuracies.

identification and food safety matters. Milky Mist was a clear beneficiary of this situation, as we are a clean-label, quality-led branded paneer player across the country.

Our current paneer production is 100 tonnes per day, with an installed capacity of 150 tonnes per day. Current capacity utilization stands at close to 65%, but we still have significant headroom to increase production within our existing capacity. Our continued priority is to increase capacity utilization by expanding distribution, expanding the market, and strengthening the brand position.

Next is our protein-focused portfolio. We have been witnessing growing demand for and interest in protein-rich foods as consumers become increasingly conscious of their nutritional needs. As you know, we introduced high-protein paneer cubes in Q1 FY27, extending our presence in the protein-focused segment.

The cheese and curd segments offer significant opportunities to deepen our presence in the packaged product category. With regard to cheese, it grew at 34% year-on-year, and the curd segment grew by 22% year-on-year. The yogurt category has been the fastest-growing category in Q2 FY27, with revenue growth of 168% year-on-year.

In September 2026, we commissioned our new manufacturing facility for skyr and Greek yogurt at the Perundurai plant. Built with an investment of 40 crores, the facility uses the latest ultrafiltration technology, increasing the current capacity from 20 tonnes per day to 180 tonnes per day. We have strengthened our ability to scale our high-protein yogurt portfolio to meet this demand.

Currently, we manufacture about 35-40 tonnes a day. For consumer convenience, we have also introduced, like other markets in Europe and other parts of the country, a pack of four containing skyr and Greek yogurt. This gives consumers the option to buy four packs at one time and takes the protein to a level of 42 grams per day of consumption.

To augment the protein category, we recently launched high-protein lactose-free milk in October 2026. The 250 ml pack contains 25 grams of protein. Together with high-protein paneer, high-protein cheddar cheese, high-protein milk, and the high-protein yogurt category, these products give us a broader presence in the protein-focused segment.

The protein category has emerged as one of the fastest-growing segments as far as Milky Mist and the country as a whole are concerned, and it contributed to our overall sales and volume mix to the extent of 12%-13% of our top-line sales.

As you are all aware, the protein market in India is currently valued at 31,000 crores and is growing at an 18% CAGR. It will reach approximately 150,000-160,000 crores by 2036. Milky Mist has invested well ahead of time, with a capacity of around 150-180 tonnes per day. We are at the sweet spot, harnessing this demand with our agile strategic efforts.

We are also expanding our consumer reach, and our distribution network remains a key priority for us. Our focus goes beyond increasing the number of retail outlets to ensuring wider product availability, improving market penetration, and enhancing the productivity of our distribution network.

Report is AI-generated and may contain inaccuracies.

We continued to implement this approach during the year, and now we have close to 4 lakh retail touchpoints across the country, 4,200 distributors supported by over 45,000 visi coolers and freezers. Our distribution architecture has general trade as its foundational base. However, quick commerce has emerged as a strong channel, and we are focused on expanding this in a margin-building manner.

Our online channels contributed 21% of revenue in H1 FY27, compared with 11% in H1 FY26, reflecting the growing contribution of digital platforms to our overall business model.

When we talk about the geographical mix, South India continued to be our largest market, contributing approximately 70% of our revenue in H1 FY27. Tamil Nadu was the leading state, with a sales contribution of approximately 26%, followed by Karnataka at 23%.

While South India remains our core market, we continue to focus on expanding our presence and increasing our contribution from other parts of the country. To increase our penetration in Western and Central India, as informed earlier, we have acquired 50 acres of land in Baramati, Maharashtra, and we are in the design, development, and approval stages of setting up a facility that will be operationalized in 3 years from now.

We will continue our efforts to explore other opportunities to further strengthen our ability to serve the market more effectively, while aligning our infrastructure, product portfolio, and distribution strategy with regional demand.

When we talk about procurement and manufacturing utilization, our procurement ecosystem remains a key strength of the company. During H1 FY27, we procured 246.5 million litres of milk, with 31% volume growth from H1 FY26. We were able to maintain this volume growth despite unfavorable conditions such as an extended summer and deficient rainfall in certain parts of the country.

While that was a disadvantageous situation, Milky Mist continued to expand its milk procurement network, and we were able to procure more than 30% volume growth during the current financial year, H1 FY27. As of Q2 FY27, we have a network of more than 92,000 farmers. This expanding sourcing network is strengthening our ability to ensure a reliable supply of quality milk and support the growth of our value-added product portfolio.

As a value-added food business, our performance is driven by more than milk prices alone. Volume growth, product mix, and realizations across our categories play an important role in our revenue growth and profitability. While we remain mindful of movements in milk procurement prices, our focus is on calibrated pricing, efficient procurement, operations, better utilization of our manufacturing capabilities, and strengthening the distribution system to sustain profitable growth going forward.

As we expand, we will continue to strengthen our sourcing network and align procurement, production, and distribution to support the growing demand, while maintaining product quality, operational efficiency, and profit margins as a whole.

Report is AI-generated and may contain inaccuracies.

Turning to our financial performance, Q2 FY27 delivered a very strong financial performance, with revenue growth, gross profit improvement, and EBITDA margins reaching their highest-ever quarterly level. Revenue from operations grew 41.06% year-on-year to 1,089 crore in Q2 FY27. Gross profit increased by 46.4% to 368.8 crore, with gross margins improving by approximately 112 basis points to 33.9%.

Sales growth during the September quarter was supported by steady demand and increasing consumption across our value-added dairy portfolio. Paneer, yogurt, and ice cream contributed to the sales mix and volume growth. Ice cream revenue increased by 43% year-on-year, benefiting from the extended summer conditions. As I told you, the yogurt category continued to grow at more than 160%.

EBITDA rose 53.9% year-on-year to 165.2 crore, with EBITDA margin increasing to 15.2% from 14% in Q2 FY26. The increase in EBITDA and EBITDA margin on a year-on-year basis was mainly due to operational efficiencies, higher volume growth, capacity utilization, and product mix.

Profit after tax increased threefold to 77.9 crore, compared with 28.4 crore in Q2 FY26, taking PAT margin to 7.2% from 3.7% in the previous quarter. The increase in reported PAT was mainly due to EBITDA expansion, repayment of loans, and the deferred tax asset recognized in accordance with the applicable accounting standards.

When we talk about H1 performance, revenue from operations touched 2,062.9 crore, up 42.5% year-on-year. Gross profit increased by 50.9% to 701.9 crore, while EBITDA, including other income, rose 62.9% to 310 crore. EBITDA margin expanded to 15.03% from 13.2% in H1 FY26. Profit after tax increased to 142.6 crore from 34.9 crore, an increase of 308.4%, with PAT margin reaching 6.9% [cut off]

Management: from 2.4% in H1 FY26. We remain focused on the quality of our growth and efficient utilization of capital. Our ROCE stood at 16.1% on an annualized basis, and ROE stood at 21.1% in H1 FY27.

Net debt stood at 32.6 crores as of September 30. When I say net debt, I mean the amount of debt we carry on the books less the amount of deposits we carry in the banks after the realization of the IPO proceeds. The net debt is 32.62 crores.

Our performance this quarter and in H1 also reflected the resilience of our business model. In spite of inflationary pressure, the impact of El Niño, and geopolitical uncertainties, we continued to deliver while improving profitability.

Our focus on value-added categories, disciplined pricing, capacity utilization, and operational efficiencies has helped us navigate these challenges while maintaining a clear focus on profitable growth.

As you are all aware, paneer is the star product as far as Milky Mist is concerned. With value growth of 43% and volume growth of 28%, we have been growing year-on-year very steadily, with increasing consumption demand from the existing market as well as penetration into newer markets.

Report is AI-generated and may contain inaccuracies.

Even though we have paneer production capacity of 150 tonnes per day as of today, with 100 tonnes of capacity utilization and about 28% volume growth, we see the capacity reaching its maximum level in a 24-30-month span. In order to augment our capacity, and because paneer is the star product, we are exploring the possibility of setting up another 200-tonnes-per-day paneer manufacturing facility at our Perundurai plant.

The design and development activities are under way, and with the additional 200 tonnes, the manufacturing capacity will be 350 tonnes, which will take care of further growth until 2035.

With regard to IPO proceeds utilization, we have already undertaken, as indicated in the RHP, the utilization of the funds according to the projects identified in the RHP, and the work is under progress. We have already issued purchase orders for this.

Since Milky Mist has been growing at 40% plus year-on-year since this year, and at a 30% CAGR over the last 5 years, we see a larger opportunity going forward to become the largest player in the country.

This indicates that we need to strategize our growth pattern going forward by looking at other manufacturing facilities, either in the form of setting up our own project or factory in Maharashtra, where we already have the land, or obtaining contract manufacturing capacity elsewhere.

With this aim in mind, and looking at the current growth of 40%, we expect the capacity utilization of the Perundurai plant to be fully operational by approximately 2030. Therefore, we need a second manufacturing facility with a very moderate investment in Maharashtra.

The work has already commenced in terms of design, development, and approval activities. We will let you know as and when we commence the actual civil works and placement of purchase orders.

When we talk about the outlook, our priorities going forward are very clear: focusing on milk procurement volumes; expanding product categories; increasing utilization of our existing capacities; deepening consumer reach; expanding our presence in newer markets; and building our high-protein range and other value-added products.

We see opportunities in the growing demand for nutritious products, the expansion of quick-commerce channels, and the continued development of our farmer and retail network. Our investments in manufacturing, product innovation, and distribution provide a foundation for pursuing these opportunities going forward.

As we move forward, the emphasis will be on execution, building demand for newer products, improving utilization of our manufacturing facilities, and expanding distribution in a disciplined manner. We will continue to balance growth and procurement efficiency, cost management, and careful use of capital to maintain the current growth pattern, current margins, and capital utilization going forward.

Thank you once again for your continued support and engagement. I look forward to your questions, and we will take your questions from now.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Mehul Desai from JM Financial Services Limited. Please go ahead.

Mehul Desai – JM Financial Services Limited: Hi, sir. Good morning, and congratulations on another stellar quarter. My first question is whether you could help us with the salience of the four protein products that you highlighted. One is high-protein lactose-free milk, followed by high-protein cheddar cheese, yogurt, and high-protein paneer. What is the current salience of these four key SKUs in percentage terms? How do you see the salience of these four products increasing over the next 2-3 years? That is the first question.

Also, could you tell us how the margins in these four categories compare with your base business? That is my first question.

Management: Thanks, Mehul. Good morning. As I told you, protein is the platinum—I would say it is the gold, it is the platinum—of the business today. As you are all aware, the protein segment has been growing by leaps and bounds with increasing consumer awareness regarding protein requirements.

As I told you, the protein market in India as of today is 31,000 crores, growing at an 18% CAGR. Since Milky Mist set up the plant well in advance, immediately after COVID, and continued expanding this category, as you rightly said, with the launch of high-protein products such as milk, Promilk, yogurt, skyr, and high-protein paneer, the revenue from these four products in the high-protein category is currently 12% of the top line.

We see this as one of the strong emerging categories in the coming years, at least over the next 2-3 years, and we expect the top-line contribution to move from 12% to at least 18%-20% going forward. This is going to be one of the strongest-growing categories as far as Milky Mist is concerned, apart from the strong growth coming from paneer, cheese, and other categories.

With regard to gross margins, Biswajit, can you respond to that?

Biswajit: Hi, Mehul. This is Biswajit.

Mehul Desai – JM Financial Services Limited: Hi, sir.

Biswajit: Mehul, the margins vary by product. We have the highest margin in yogurt, and that same margin continues across the protein category. The yogurt margin is higher than that of all the other products. Along with ice cream, we have those margin levels there.

Mehul Desai – JM Financial Services Limited: Okay. The second question is on the input cost side. If you could highlight how milk price inflation was in the first half year-on-year, how you see that inflation in the second half, and whether you would require any further price hike.

Report is AI-generated and may contain inaccuracies.

Could you comment on the milk inflation in the first half and how we should view it in the second half, along with your commentary on gross margin sustainability for the second half?

Management: In the first half of this year, the input costs increased by 11%, both in terms of milk and other packaging materials. We have also taken a price hike in a similar range. We offset the increase in milk prices with calibrated price increases in certain categories of our products.

Looking at the second half, earlier we had a deficit of rain in Tamil Nadu and other parts, but in the last month Tamil Nadu has received a good amount of rain—more than what was required, with surplus rain—and we are seeing green fodder, feed and fodder growth, and water availability.

As far as procurement in Tamil Nadu is concerned, where we undertake more than 85% of our procurement, we do not see much increase in milk prices. In Karnataka, milk prices have also increased, but the current milk price is Rs. 42 per litre after passing on this {? Rs. 7 ?} to the farmers.

Therefore, we do not see much further inflation as far as milk prices are concerned. At the same time, even if prices increase to a level of 3.5%-5%, we still have significant headroom to implement calibrated price increases in certain categories.

In order to maintain profitability and margins going forward, growth is going to come in any case. Growth is not an issue for us. However, in order to sustain, maintain, or improve our margins—both gross margins and EBITDA margins—we have a high-margin category product contribution from the fastest-growing yogurt category, as Biswajit rightly said, with more than 50% gross margin, as well as from ice cream and paneer.

We will have a focused approach toward high-margin categories, apart from the growth of other product categories. Increasing our product capacity utilization and deepening our penetration within the existing market will help us sustain and improve margins from here on.

We do not see many problems as far as margins are concerned, and we will be able to sustain and grow further.

Mehul Desai – JM Financial Services Limited: Understood. Is it correct that the second half is typically slightly better than the first half for Milky Mist in terms of your categories? Is it fair to assume that the growth rate will sustain and that the 15%, or mid-teens, margin can also sustain in the second half?

Management: We will be able to sustain the current H1 growth, and we will be able to sustain 15% EBITDA margins going forward. There would not be [trails off] Yes, sorry.

Operator: Sorry to interrupt, Mr. Desai. I request you to join the queue again for further follow-up questions.

Mehul Desai – JM Financial Services Limited: Sure. Thank you so much.

Operator: The next question is from the line of Pratik Dharamshi from Union Mutual Fund. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Management: Hi, Pratik.

Operator: Mr. Dharamshi, we are not able to hear you.

Pratik Dharamshi – Union Mutual Fund: Am I audible now?

Management: Yes, you are audible.

Operator: Yes, you are audible.

Pratik Dharamshi – Union Mutual Fund: Many congratulations, Rathnam, sir, and Satish, sir, on a steady set of numbers. My question is a follow-up from the first participant. For protein-based milk, as a new category that you have entered, what sort of distribution strategy are you planning? Will it be more e-commerce-focused, or will it be broad-based modern trade, D2C, or something else? What would be your strategy?

Also, as you are entering the milk category for the first time, would you restrict yourself to protein-based milk, or could more products potentially be introduced, such as flavored milk? Thank you.

Management: Thanks, Pratik. Unlike many of the players in the high-protein milk category, who offer fresh milk with a limited shelf life of approximately 3-5 days or less than a month and which also requires refrigerated temperatures, we have the technology. We use the same ultrafiltration technology that we already have, and we convert milk into high-protein milk without adding anything and by subtracting only the lactose, providing 25 grams of protein.

This milk has a longer distribution capability and a 6-month shelf life. Therefore, this product is mainly for A-class outlets, modern trade, and quick commerce.

We see a lot of demand coming from quick commerce, modern trade, and A-class outlets. This product is primarily a fast-moving product for Milky Mist on quick-commerce platforms.

Going forward, we see significant volume demand for this because there are only very limited players in this category, with limited shelf life and limited reach. In our case, we will have a very clean-label product with good gut health and high nutritional value, so we see significant traction coming from this category.

With regard to extending the category, as you rightly asked, this is a base, natural product—simply milk. There will be some category expansion with other variants, such as chocolate or other flavors.

Management: [mid-sentence] We would like to be the market leader.

Pratik Dharamshi – Union Mutual Fund: Understood. That was very helpful. Thanks a lot, and all the best.

Management: Thanks. Thank you, Pratik.

Operator: Thank you. The next question is from the line of Abneesh Roy from Nuvama Wealth Management. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Abneesh Roy – Nuvama Wealth Management: Thank you. My first question is on the lactose-intolerance product. India has a very large population with lactose intolerance, but awareness is very limited and Indians generally improvise. Even if they have a problem, they consume the product and then manage it. My specific question is: how will you create awareness? What is the market size? How is your pricing different from that of some of the other players? I know this is a very nascent category. Could you explain why this will succeed, given that awareness in India is very low?

Management: [pause] Yes, thank you, Abneesh. You are correct that more than 60% of the Indian population is lactose intolerant, but many people do not know about it. That is number one.

Number two, we already have lactose-free milk in our product portfolio, and awareness regarding lactose intolerance is growing. It is a continuous process for Milky Mist to educate consumers through various channels. We will undertake complete brand building going forward.

When it comes to pricing, we have priced the 250 ml pack at an MRP of Rs. 99 compared with others, and we are much better off in terms of margins in this category.

Abneesh Roy – Nuvama Wealth Management: The second question is on the regulatory side. We are seeing both the national regulator and most state regulators conducting surprise checks at the dark stores of quick-commerce platforms. They have found a lack of cleanliness, a lack of refrigeration, and expired products.

My specific question is: how do you ensure that your product does not face this issue? For example, in the case of ice cream, during nighttime many chemists, kirana stores, and perhaps dark stores may switch off their refrigeration, creating configuration and quality issues. This impacts your brand. I wanted to understand this in the context of your products, where this is very relevant. Could you elaborate on that?

The second point is analogue paneer. There are many bans taking place. The rules are always there in India, but execution is usually poor. When the media highlights the issue, the ban is imposed for a few days, but then those products return. Could you elaborate on the status of analogue paneer as well?

Management: With regard to dark stores and quality, we have a very strong system for monitoring the movement of our products with the platform on a regular basis. That is number one.

Considering the inspections that have taken place and their outcomes, we are also holding regular meetings with channel partners at the top and highest levels. We have also provided SOPs to all platforms regarding what needs to be followed and the required temperature and storage conditions.

This is an ongoing process in which we will have to work together. The online and e-commerce platforms are more than willing to listen to the players and try to improve their storage and temperature conditions. This is a continuous process. It will not happen overnight, but we are taking whatever action is required as far as Milky Mist products are concerned.

Report is AI-generated and may contain inaccuracies.

When it comes to analogue paneer, in the South there is no paneer known as analogue paneer. Everything is branded paneer, and whatever is sold is branded paneer. Milky Mist commands more than 65% market share in this segment.

When you are talking about other parts of the country, paneer is sold in loose, unbranded formats. While this may not be eliminated 100%, as you rightly said, there is growing demand and awareness among consumers.

Thanks to FSSAI and other regulatory authorities, consumers are being made more aware of the product. Consumers are becoming increasingly conscious, and we are seeing consumers convert from unbranded, loose paneer to branded and organized players.

We expect the organized paneer sector, which is currently approximately 10%, to increase to 25%–30% in the coming years. There are significant opportunities for a player like Milky Mist to capture this opportunity and convert it into a business.

As you rightly said, public memory is very short, but at the same time, consumer awareness is increasing day by day. That will help Milky Mist and other players better channelize these opportunities.

Abneesh Roy – Nuvama Wealth Management: One final quick question, and I will end there. Great quarter, but—

Operator: [crosstalk] Sorry to interrupt, Mr. Roy. I request you to—

Abneesh Roy – Nuvama Wealth Management: Understood. Thank you.

Operator: Thank you. The next question is from the line of Harish Adhvani from Axis Capital Limited. Please go ahead.

Harish Adhvani – Axis Capital Limited: Congratulations on a great set of results. My first question was regarding the earlier comment about a price hike of 10%–11%. When were these price hikes taken? Were they taken in Q4, or were they taken recently?

Management: They were taken in Q1 and Q2.

Harish Adhvani – Axis Capital Limited: Understood. So then—

Management: Let me clarify. Some price hikes were taken in Q4 and continued in Q1 and Q2.

Harish Adhvani – Axis Capital Limited: Understood.

Management: Harish, let me clarify this. Earlier, we were referring to H1 versus H1. That was a comparison between the previous H1 and the current H1, where we said that we had taken a price increase of 11.5%.

If you look at the current Q1 to Q2 period, we took a price increase in Q2, which was close to 10%, but we did not fully reflect it in Q2 because of the pack structure. The pricing impact will come in Q3. The actual price impact in Q2 was around 1.5%–2%.

Report is AI-generated and may contain inaccuracies.

Harish Adhvani – Axis Capital Limited: Understood, sir. That was what I was coming to.

Management: Yes.

Harish Adhvani – Axis Capital Limited: My next question is on the cheese capacity that we have. Given that we have put up a sizeable capacity on the cheddar cheese side, could you talk to us about the strategy to absorb this capacity? Are we thinking more about retail, HoReCa, or is this more for the B2B side? That is my second question.

Management: Cheddar cheese is an input material for processed cheese. We have a capacity of 100 tonnes per day, and current utilization is 20%. As cheese volumes are growing—26% in volume and 34%-35% in value year-on-year—capacity utilization will continue to increase. That is number one.

Having 100 tonnes of capacity is also helpful to us because, if there is a glut of milk and a large amount of milk is available, instead of converting it into powder and a commodity, we can convert it into cheese and store it for a longer period for ripening. That will help us handle a larger quantity of milk coming into the system at a lower price when milk volumes are very high. That is number two.

Number three, we will improve cheese sales further. We are not satisfied with 33%-34% growth; our value growth has to be much higher. We are also looking at other variants in the same cheddar cheese category, such as a snack-type product, and work on this is under way.

Therefore, we will be able to make use of this plant going forward. At the same time, I would like to mention that all the plants we have built, including the cheddar plant, have a residual lifecycle of 15-20 years.

Considering that we set up this plant over a 10-year period, current utilization is 20%, and we expect utilization to increase to 50% over the next 2-3 years.

Harish Adhvani – Axis Capital Limited: Understood, sir. Very clear. My last question is on the growth rates that we have been delivering. As we move forward, we are also expecting similar growth rates. If I were to break this down into a growth chart, how are you thinking about volume growth, pricing growth, and distribution growth?

Management: As you rightly said, we have been growing at 40% plus, and we will be able to sustain this growth going forward in the next quarter as well. There is no doubt about it.

This growth is coming from the existing market, number one. We are in a position to, and have been continuously, increasing our distribution within existing markets in a deeper manner. We are also building newer markets such as Uttar Pradesh, Bihar, and other parts through our distribution system.

With a larger distribution system, as we want to become a pan-India brand, we are already present in most states. In Q1, we had 4,000 distributors in our network. We have now increased the number by another 200 and added 200 more distributors. We have also added approximately 40,000 retail touchpoints.

Report is AI-generated and may contain inaccuracies.

All these activities, including the background activities and infrastructure building, are a continuous process. With volume growth and value growth, we will be able to sustain our growth model.

When it comes to volume growth and value growth, as I said, weighted average volume growth is around 28%–30%, and value growth is around 42%. That is the difference between volume and value.

This volume growth is coming across categories, not only from yogurt but also from paneer, cheese, ice cream, curd, and beverages. We will be able to continue with this type of growth momentum through the product mix as well as the market and channel mix. We are growing across all categories in line with our strategy.

Harish Adhvani – Axis Capital Limited: Perfect, sir. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Sanjay Manyal from DAM Capital Advisors Limited. Please go ahead.

Sanjay Manyal – DAM Capital Advisors Limited: Congratulations on a strong set of numbers. I have a few questions, although most of my questions have been answered.

On the procurement price side, this seems to be a very extended cycle of higher procurement prices. Is it possible that, because of the El Niño effect and lower monsoon, this could extend for another 3–4 quarters, followed by a deceleration in the conversion from unbranded to branded products? Is that a possibility?

Also, you are planning to set up this plant in Baramati, Maharashtra. Will you procure milk in advance there? If yes, will it be 12 or 24 months in advance, or how will that work for you?

Management: Let me take the last question first. We know that we are going to set up the plant in Maharashtra. In order to do that, from the first day itself we would like the plant to be utilized at 40% capacity.

Considering that, we have already initiated milk procurement activities in Maharashtra. We have already set up 25 bulk milk coolers in 25 villages, and by the end of this year we will have approximately 70 bulk milk coolers. By the end of this year, we plan to procure approximately 1 lakh litres of milk every day.

Currently, we are procuring approximately 65,000–70,000 litres a day. The milk is being chilled and concentrated, and is then brought to the Perundurai factory. We will continue this and increase the milk volume to 2–3 lakh litres before we commission the plant.

That will take care of our plant utilization when we start operations in Maharashtra. I hope that is clear to you.

The second point is that there has been an extended summer and also an El Niño impact. There is no denial about it. In some parts of the country, there has been a milk deficit, including Rajasthan, Gujarat, parts of Maharashtra, and Karnataka.

Report is AI-generated and may contain inaccuracies.

However, as I see it now, volumes are improving slightly. At the same time, we expect this volume growth to continue in the coming quarter as well as the next quarter because, during the winter season, we normally expect milk volumes to increase.

At the same time, we do not see any softening of milk prices as of today. We will have to wait and see how it develops over one quarter. However, we are in an advantageous position where we will be able to sustain our margins.

Sanjay Manyal – DAM Capital Advisors Limited: I have one question on the high-protein products. As their salience increases, would your B2B whey protein sales be flat or decline? How do the margins differ? I may have missed the number you mentioned about high-protein product sales in the first half. Also, how has quick commerce—

Sanjay Manyal – DAM Capital Advisors Limited: —channels changed over the last 1-2 years? That probably would also be driving the growth of these high-protein products.

Management: The growth of online platforms has increased from 11% to 21%. It was 11% in H1 FY26 and has now become 21% of the top line in H1 FY27. The growth of online platforms has been tremendous as far as Milky Mist is concerned. This is because we have a wider range of products, and the products are suitable and fast-moving on online platforms.

The high-protein category is the fastest-moving category on quick-commerce platforms, and we will continue to meet their demand. In fact, some of them are asking for exclusive arrangements for certain products, but we respect all the platforms and provide them with our services.

Therefore, that should not be a problem. With regard to the contribution of the high-protein products category, it is currently approximately 12% of the top line, and we expect this to increase to 20% going forward.

Sanjay Manyal – DAM Capital Advisors Limited: It was 7% last year.

Management: It was 7% last year, it has increased to 11%-12% this year, and we expect this category to grow to 20% over the next couple of years.

Sanjay Manyal – DAM Capital Advisors Limited: Gross margin—

Management: The margins are above 50%.

Sanjay Manyal – DAM Capital Advisors Limited: Thank you very much, sir. I will come back in the queue.

Management: Thank you.

Operator: Thank you. The next question is from the line of Siddharth Hegde from CWC Limited. Please go ahead.

Siddharth Hegde – CWC Limited: Congratulations, Satish, sir, Rathnam, sir, and Biswajit, on a stupendous performance. I have three questions.

Report is AI-generated and may contain inaccuracies.

First, could you help us understand the expansion of the farmer network? Is this from new centers or existing centers? Could you give us that split? I think you mentioned that the network increased from 41,000 to 45,000.

On ice cream, could you give us a sense of how many freezers you currently have and what kind of throughput per freezer you are seeing?

Also, could you help us with sales growth by channel? Is the stronger growth in modern trade and e-commerce resulting in a slight increase in receivable days?

Management: Thank you, Siddharth. The increase in the farmer network is from adding new centers and new villages. We have increased the network from 75,000 farmers to 92,000-94,000 farmers.

At the same time, we have taken a very structured approach to bringing in small and moderate farms. For example, for farmers who have five cows, we are tying up with banks to provide financing. We increase the number of cows from five to seven or five to eight, depending on their ability.

The improvement in the procurement network is driven by increasing the procurement area, number one; increasing the number of centers, number two; increasing the number of cows or milking animals, number three; and, number four, implementing artificial insemination in a structured manner to improve the breed as well as the throughput. I hope that is clear as far as the farmer network is concerned.

The second point relates to ice cream. As of today, we have 29,000 freezers for ice cream. Am I right, Shakthivel? This has increased from 16,000.

The current throughput on an annualized basis is approximately Rs.9,000-Rs.10,000 per freezer. During peak summer, this increases to approximately Rs.20,000-Rs.22,000. We have a target of achieving Rs.15,000 per freezer per month in the coming years. That is our target, and we are on track. Is there anything else we missed?

Siddharth Hegde – CWC Limited: On sales growth by channel, sir, if you could.

Management: As I told you, e-commerce platforms contribute 21% of the top line. Modern trade is 22%; in fact, there is a slight decline in modern trade because quick commerce has taken some of it. The HoReCa segment continues to be at 14%-15%. General trade is at 28%-30%. B2B is a very small number, around 6%, and exports contribute approximately 4% of the top line. This is the channel mix.

Siddharth Hegde – CWC Limited: Understood. Thank you, and all the best for H2. I look forward to the continued performance.

Management: Thank you, Siddharth.

Operator: Thank you. The next question is from the line of Sameer Gupta from India Infoline Limited. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Sameer Gupta – India Infoline Limited: Good morning, everyone, and thank you for taking my question. Congratulations on a very good set of numbers.

Firstly, I am looking at the cash flow statement and saw capex of around 240 crore. I understand that there was a 40-crore investment in the yogurt plant, which you have mentioned. Excluding that, would the remaining 200 crore in the first half be largely for milk procurement and front-end assets such as visi coolers and freezers? Would that be a fair understanding?

As a follow-up, how should one look at capex for the full year and the coming years, given that you have already reached 50% plus utilization in most categories and that there is also the Baramati plant coming up?

Management: Biswajit, would you like to take it?

Biswajit: Hi, Sameer. You are right that we spent 40 crores on the yogurt plant. However, this is also a follow-on capitalization from approximately 70 crores that we carried over from last year. If you look at our balance sheet last year, we had CWIP—

Sameer Gupta – India Infoline Limited: I am looking only at cash capex, so capitalization would not result in cash capex.

Biswajit: I do not think there is much cash capex here. A lot of it actually follows from CWIP, and of this 144 crore, perhaps only 50 crore would be cash capex.

Sameer Gupta – India Infoline Limited: No problem. Can you tell me about the future outlook here?

Biswajit: We currently have 70 crores of CWIP, and there is no major capex planned for the next 6 months. The spending that we have planned, including IPO capex, is continuing. Therefore, no major capex is planned yet for H2.

Sameer Gupta – India Infoline Limited: And thereafter?

Management: The Maharashtra plant is also at the design stage. As you rightly said, since we have been growing at 40% plus, we do not want to be left behind as far as growth is concerned. We will continue to maintain our margins.

In order to meet this strong growth in a strategic way, we started planning for Maharashtra, but we have not set any budget at this moment. It is only at the planning and approval stages.

Biswajit: We will undertake very basic cash capex there, which will be very small, perhaps in the single digits. That is how we have planned for Maharashtra, expanding into Maharashtra very gradually.

Sameer Gupta – India Infoline Limited: Understood, sir. That explains it. My second question—

Operator: Sorry to interrupt, Mr. Gupta. I request you to join the queue again for further follow-up questions.

Report is AI-generated and may contain inaccuracies.

Ladies and gentlemen, in order to ensure that management is able to address questions from all participants, please limit yourself to two questions per participant.

The next question is from the line of Ankur Agrawal from Search Capital Limited. Please go ahead.

Ankur Agrawal – Search Capital Limited: Hi. Am I audible?

Management: Yes, very much.

Ankur Agrawal – Search Capital Limited: Firstly, with the IPO proceeds, are we looking to prepay some of our long-term debt, or will we hold that cash and perhaps use it for incremental working capital or capex requirements?

Management: As per the plan, we have already completed the repayment of loans in the month of the IPO itself. We have repaid all debt, including pre-IPO and post-IPO debt, amounting to 750 crore. The money we are carrying in fixed deposits is for the projects planned for this year, next year, and the coming years, according to the plans we have provided. Therefore, all repayment of debt is complete.

Ankur Agrawal – Search Capital Limited: Currently, a decent portion of our growth is also coming from the price hikes we are taking because of increasing raw material prices. I wanted to understand how, sometime in the future, when raw material prices are correcting, that might impact our growth.

Would we see a situation where we take price cuts in our products, volume growth is higher, and overall revenue growth slows? Do you foresee that kind of situation?

Management: The gap between volume growth and value growth is around 12%, or 10%-12%. This will remain as it is. We do not count price increases as growth; we consider volume growth to be our growth.

We will continue to improve and maintain volume growth. Some product categories are growing much faster because we still have significant headroom in ice cream, yogurt, and cheese. Therefore, volume growth will continue. If volume growth occurs, value growth and top-line growth will also continue, and we will be able to sustain the momentum.

Ankur Agrawal – Search Capital Limited: In a period of softening raw material prices, we would take price cuts, correct? That would be a fair assumption.

Management: If there is a drastic reduction in procurement prices—for example, a reduction of Rs.5-Rs.10 per litre—there will be a downward price adjustment of approximately 2%-5%. Not everything will be passed on, but in a very calibrated manner there will either be offers, margin offers, or downward price adjustments.

It can happen in either way, but it will not have a significant impact on our growth.

Ankur Agrawal – Search Capital Limited: Lastly, just a clarification. Out of the 11%-12% value growth over volume growth, part of it would also be coming from improved product mix, correct? It would not all be from price increases.

Report is AI-generated and may contain inaccuracies.

Management: I think you are right.

Ankur Agrawal – Search Capital Limited: Would it be possible for you to give us some sense of how much would be from improved product mix versus price increases?

Management: If you look at the product mix, it would be around 5%.

Ankur Agrawal – Search Capital Limited: 5%. So price increase is basically only 4%–5%, then, and nothing much more.

Management: Yes.

Ankur Agrawal – Search Capital Limited: That is all. That was very helpful. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of CA Vijay Jhangir from Systematix. Please go ahead.

CA Vijay Jhangir – Systematix: Hello, sir. Thank you for the opportunity. My question is on procurement prices. In the industry, many players have witnessed milk procurement price inflation of up to the mid-teens. How much milk procurement price inflation are we witnessing in Q2 FY27?

My second question is on channel mix. We generate more than 20% from HoReCa and B2B. Are our EBITDA margins significantly lower in the B2B and HoReCa segments than in modern trade and on e-commerce platforms?

Management: As I explained earlier, there has been a milk price increase of approximately 11% in H1, covering the last 6 months, and Q2 was also around 11%–12%. We have been able to take the price increase in a calibrated manner.

As for other players, when you compare them, there has been margin pressure and other issues. Since we are in the business of 100% value-added products, we are able to sustain the increase in procurement prices. Even if prices increase by another 5%, we will be able to absorb it, as we have significant headroom in terms of product mix and calibrated pricing.

When it comes to the channel mix, as I told you, HoReCa contributes 14%–15% of top-line sales, modern trade is approximately 22%–23%, and quick commerce is approximately 21%. There is some variation in margins, but overall margins are maintained at 33%–34% gross margin.

CA Vijay Jhangir – Systematix: On the procurement front, what is the mix between buffalo milk and cow milk?

Management: In the South, we do not have any buffalo milk. Approximately 97%–98% is cow milk.

CA Vijay Jhangir – Systematix: Thank you very much, sir.

Management: Thank you, Vijay.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. The next question is from the line of Resham Mehta from Green Edge Wealth Limited. Please go ahead.

Resham Mehta – Green Edge Wealth Limited: Thank you, and congratulations on a very strong set of numbers. I have two questions.

First, we are growing at a very fast pace and have ambitious plans. At the same time, approximately 85% of our procurement is from one state, Tamil Nadu. From a risk standpoint, how do you think about this?

If we go back in history over the last 20-30 years, there may have been instances of a severe drought. How would we have managed milk procurement then, given the concentration in one state? Now, of course, our size is—

Resham Mehta – Green Edge Wealth Limited: —much bigger than it would have been two decades ago. How do you think about this risk?

My second question is regarding channels. Could you talk about the two top-selling products in the HoReCa and B2B channels? Also, how are we looking at exports in terms of growth?

Management: Thank you. Would you like to take the procurement question first?

Satish – MD: Good morning. I am Satish, the MD. We started in the South, and earlier we were focused only on the South. Over the last 2 years, we have expanded into Andhra Pradesh, Karnataka, and Maharashtra. We are now procuring from 3-4 states and are getting a good amount of milk.

Management: As you rightly said, since our plant is in Perundurai near Erode, all our procurement was centered around it. Now, because our volume requirement is higher and milk is a key input due to the nature of our products, as Mr. Satish rightly said, we have expanded procurement activities into Karnataka and Maharashtra and partly into Andhra Pradesh.

Therefore, some de-risking has already taken place. With increasing procurement from Maharashtra and Karnataka, we expect approximately 30% of our milk to come from these two regions, resulting in further de-risking.

With regard to channel contribution, perhaps Parthiban can respond.

Parthiban: Good morning. In terms of product contribution, especially in the channel mix, daily-use products have greater consumer relevance on e-commerce and modern-trade platforms. Consumers purchase more daily-use products through quick-commerce platforms.

We see a lot of paneer, which is a daily-use cooking product, as well as yogurt and curd, gaining an advantage in this channel.

Management: The top three products are paneer, yogurt, and curd. These are daily-use products, followed by beverages, chocolates, and so on.

Report is AI-generated and may contain inaccuracies.

Resham Mehta – Green Edge Wealth Limited: My question was specifically about the top 2-3 selling products in the HoReCa and B2B channels.

Management: In HoReCa, the products are 1 kg paneer, mozzarella cheese, and curd.

Resham Mehta – Green Edge Wealth Limited: And in B2B?

Management: In B2B, we do not make commodities. The only commodity we make is whey powder, which comes out of cheese and paneer manufacturing. That is the only product we sell in business-to-business.

Resham Mehta – Green Edge Wealth Limited: All right. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Kaustubh Pawaskar from ICICI Mutual Fund. Please go ahead.

Kaustubh Pawaskar – ICICI Mutual Fund: Good morning, sir. Thank you for giving me the opportunity. Congratulations on a good set of numbers.

I have a couple of questions. My first question is on the high-protein products. You mentioned that high-protein products are gaining traction. Large players are also entering this space. You mentioned that this segment has approximately 50% margins. With large players entering this space, do you expect these margins to decline because of competition, or is it still too early to say and there is significant opportunity in this space?

Management: [sighs] It is too early to say anything right now. Number two, regardless of the players, they need to have the right technology, capacities, and product. That is what we always look at, because consumers of high-protein products are completely different from consumers of normal products.

The product requires the right taste, palatability, nutrition, and so on. That is one point.

The second point is that even if 10 competitors enter, consider the size of the middle-class population, which is expected to be approximately 600-700 million going forward. The population segment we are currently serving is not even 1% of the total population for high-protein products.

There is significant opportunity. If, for example, more than 15%-20% of high-end consumers start demanding high-protein products, Milky Mist is in a much better position, but we would need another 5-10 brands like us. Therefore, there will be a huge opportunity and significant headroom. No single company can feed the entire nation.

The second point is that, as you are all aware, whey powder imports into India amount to approximately 22,000 crores every year, or 22,000 metric tonnes of whey powder. As I told you, the protein category is a 31,000-crore market.

How much are we selling? Ten percent of our top line, which is approximately 400 crores even if I say 4,000 crores of top line. Where is 31,000 crores and where is 400 crores? There are significant

Report is AI-generated and may contain inaccuracies.

opportunities available.

Therefore, margin will not be a problem at all because these are all high-margin products. Even if other players enter the market, margin will not be a problem.

The opportunity is to determine how we can ride the wave and meet consumer demand with a better product, better service, and better availability. That is all.

Kaustubh Pawaskar – ICICI Mutual Fund: My second question is on the ice cream category. This quarter, we saw 43% growth. Normally, Q2 is a weaker quarter, but this time the monsoon was relatively weak. I think this growth is because of that. Does it also include an element of distribution expansion?

Management: There are three factors. One is that [hesitates] we are now driving ice cream as an everyday product. It is not a summer product or a product of a particular season.

If you look at Europe and Russia, ice cream consumption takes place on a daily basis. I want you to consume 30 litres of ice cream in a year. That is what I expect and advise all consumers. [laughs]

Ice cream is not a seasonal product. At the same time, we expanded our market reach. We added approximately 10,000–12,000 freezers, which means we increased the number of retail outlets by 10,000–12,000. We have also continuously monitored and increased stock pressure.

For us, as far as ice cream is concerned, we consider only one season, which is summer. In the South, there is no winter. Therefore, we continue to grow in ice cream irrespective of the seasons. Of course, the summer season will provide higher growth, but we expect growth of approximately 35%–40% across all quarters.

Kaustubh Pawaskar – ICICI Mutual Fund: Thank you, and all the best for the coming quarters.

Operator: Thank you. Due to time constraints, we will take that as the last question from the participants. I now hand the conference over to Dr. K. Rathnam for his closing comments. Over to you, sir.

Management: [line issue] [long pause]

Operator: Mr. Rathnam, sir? You are not audible.

Management: [line issue] [long pause]

Operator: Mr. Rathnam, sir? We are not able to hear you.

Management: [line issue] [long pause]

Operator: Mr. Rathnam, sir, we are not able to hear you. Kindly unmute your line. On behalf of Milky Mist Dairy Food Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Report is AI-generated and may contain inaccuracies.

Milky Mist Dairy

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.