Operator: Good afternoon, everyone. This is the second day of {? Bharat Connect Conference ?}. I welcome you all to the call of Parag Milk Foods Ltd. Today, from the management side, we have Ms. Akshali Shah, Executive Director; Mr. Rahul Kumar Shrivastava, Chief Operating Officer; Mr. Ankit Jain, Chief Strategy Officer; and Mr. Brian De Pena, Head of Investor Relations. Before I hand over the call to management, I will outline the flow of the event. We will first start with a brief introductory remark by management, followed by a Q&A session. Over to you.

Ankit Jain – Chief Strategy Officer: Hi, everyone. Good afternoon. I am Ankit, and I am the Chief Strategy Officer of the company. It is a pleasure to have you on the call. We welcome all of you, and we will open the floor for questions after a quick introduction.

Rahul Kumar – Chief Operating Officer: Hi, good afternoon, everybody. My name is Rahul. I am working here as the Chief Operating Officer, and we will be very happy to answer your questions and queries.

Akshali Shah – Executive Director: Good afternoon, everyone. I am Akshali Shah. I am a second-generation entrepreneur from the promoter family and the Executive Director at Parag. I have been working here for the last 16 to 17 years.

Brian De Pena – Head, Investor Relations: Hi, I am Brian De Pena. I head Investor Relations at Parag. It has been a journey of 1.5 years so far, and I am happy to answer your questions.

Operator: Thank you so much. Any participant who would like to ask questions may raise their hand or put the question in the chat box. The first question is from Vishal Gupta. Please go ahead.

Akshali Shah – Executive Director: Before we move on to the questions and answers, we would like to give you a brief note on what Parag does, how we see ourselves over the coming quarters, and then we can proceed with the questions and answers.

Operator: Sure, ma'am. Over to Ankit.

Ankit Jain – Chief Strategy Officer: Parag, as most of you will know, has been a listed entity since 2016. However, the entity was formed more than 3 decades ago. We started with liquid milk, and in 1998 we identified an opportunity in the cow ghee segment, where we started our own brand, {? Gowardhan ?}, with pure cow ghee, which was not prevalent at that point in time. Today, we command a leadership position in the branded cow ghee segment with a 22% market share, and we are priced at a premium compared with the number-one, number-two, and number-three players.

This is the position in branded cow ghee. In 2008, we commissioned a cheese plant with a capacity of 40 metric tons, which was equivalent to India's cheese consumption at that point in time. This showcases and demonstrates the visionary approach of our Chairman at that point in time, when he institutionalized this plant.

Thereafter, we had the brand called {? Pride of Cows ?}. We had already started an R&D center with a couple of cows to improve milk productivity. From there, we identified an opportunity because there was a lot of adulteration in milk, and consumers were not getting the purest form of milk. We therefore started with {? HF cows ?} and had one farm. Today, we have more than 500 acres of

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farms comprising 2 farms, and the milk is delivered to consumers' doorsteps as farm-to-home milk from a single origin. The brand enjoys a premium positioning compared with any other regular product.

Similarly, in 2017, when we started speaking more about protein, we made an investment from the IPO proceeds. After that, we created a consumer brand called {? Avvatar ?}, which focused more on sports nutrition. Sports nutrition typically consists of whey protein, and people used to buy more imported products. There was no one, or rather there is still no one, in India producing the type of whey that we produce.

Whey is the leftover from cheese manufacturing, but there are different grades of whey protein that need to be filtered. It is like a refinery process: the more we filter, the finer the output we get in terms of the protein and its quality. In that sense, we are the largest producer of whey in the country. Besides that, we started this consumer brand so that we could deliver the freshest whey while knowing the source of the whey protein.

These are 4 powerful brands. All of them are organic brands. We have not acquired any brands, and we have made significant investments in brand building over the years. {? KBC ?} is an association that we have had for the past 5 consecutive years. We believe more in impact-led marketing rather than simply running a TVC or larger media campaigns.

For other brands such as {? Pride of Cows ?} and {? Avvatar ?}, we have been more digitally savvy, targeting influencers in addition to {? MTV Roadies ?} and our current partnership with {? India's Got Talent ?}. Overall, we have put all the right frameworks in place in terms of brands and products.

We have created a distribution network with 29 depots across the country. We are present across India, reaching 4.6 lakh outlets. Overall, if we look at the business model, we have more than 4,500 distributors. On the backend, we procure from BMCs. We have more than 300 bulk milk coolers, and we also procure through aggregators. Overall, we reach more than 5 lakh farmers, both directly and indirectly.

I think this summarizes the business. The latest development is that Akshali has been awarded as one of the most powerful women by {? Business Today ?}. Thank you very much. We are happy to help and answer your questions.

Operator: Thank you so much. Any participant who would like to ask a question may raise their hand. I would request all participants to restrict their questions to 2 only. The first question is from Kunal. Please go ahead.

Kunal: Hello, Ankit.

Ankit Jain – Chief Strategy Officer: Yes, Kunal. Hi.

Kunal: Hello, hi, everyone. My first question is on the new-age business, specifically {? Avvatar ?}. Could you help us understand how the ready-to-drink and wafer portfolio of {? Avvatar ?} has performed, especially after the many promotional activities that you have undertaken, including {? Roadies ?}?

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Ankit Jain – Chief Strategy Officer: As a product portfolio, we will not be able to provide a segregation by product and sub-product. However, if you look at the new-age business, it accounted for 3-4% of turnover 4 years ago, whereas today it comprises almost 13% of turnover on the basis of Q1 FY25.

Overall, the new-age business has grown multifold. Last year, it grew by 90%, and in Q1 it grew by almost 59%. We have launched products in various formats. Ready-to-drink is another format, and we introduced bars last year. I can give you that number: the bar's contribution to brand revenue is around 8% for the bar category as a whole.

The ready-to-drink product was launched recently, as were the chips. The protein pop chips were launched last week, or about 10 days ago. We will publish our quarterly results and share more detailed information that we can disclose during Q2.

Kunal: Would you at least be able to give us the volume growth numbers for whey protein? Pricing has been driving a lot of growth in this particular product, but what is more important for investors is the volume growth number, to show how you are performing compared with the many competitors flooding the market.

Ankit Jain – Chief Strategy Officer: Certainly. I agree that volume growth is critical, and we have always provided volume growth for the flagship categories because it is more relevant there. However, to answer your question, even for {? Avvatar ?} and {? Pride of Cows ?} put together, which recorded 90% growth during FY24, volume growth was similar, at around 84-85%. This means the brand has grown on the back of volumes and not merely value.

Regarding inflation, there are various categories of whey protein. A whey protein isolate that was priced at 3,000-3,500 rupees approximately 1.5 years ago is priced at around 7,000+ rupees today.

There is a series of products that we offer: whey blend, performance whey, fuel whey, beginner whey, mass gainer, and alpha whey. There are various categories of whey protein that consumers purchase. Therefore, I would say that the volume growth, or the growth in the new-age business, is backed by volumes.

Kunal: Understood. May I ask another question?

Operator: Sir, could you please come back to the question? Okay, sure. Thank you, Kunal. The next question is from Amish. Please go ahead.

Amish: Hello.

Ankit Jain – Chief Strategy Officer: Hi, Amish.

Amish: The price of milk, at least in this part of the country, particularly Maharashtra and surrounding areas, is increasing. We have been highlighting that we receive the benefit of price increases with a certain delay. Regarding this latest round of price increases, how are we dealing with it? Are we passing it on again with a delay, and should we expect Q2 to also be soft? I am not asking for specific numbers, but directionally, could you help us understand how we are dealing with this price increase and whether we are seeing some signs of stability after this? That is my first

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question.

Rahul Kumar – Chief Operating Officer: Normally, after summer and during the monsoon, milk availability declines somewhat, resulting in scarcity and then a price increase. This time also, that has happened, and we have increased the price paid to farmers because we have to remain competitive and pay the market price to the farmers. We cannot do anything there.

The only thing we can do is protect our pricing power. Whatever increase we have given in prices, we need to compensate for it by increasing our selling prices so that we do not face significant pressure on margins. We have done that. We have increased the prices of our products, including all the flagship products as well as some other products.

As far as the future is concerned, the festivals are approaching, mainly Diwali, so there will be some pressure on the supply side. There is significant demand for {? khoa ?}, {? paneer ?}, ghee, and other cheese products. This may have some impact on prices here and there.

After Diwali, when milk availability increases with the onset of the seasonal winter, prices should stabilize. This is what we expect to see over the next 2–3 months until Diwali.

Ankit Jain – Chief Strategy Officer: With respect to cost pressures, at a blended portfolio level, we definitely mitigate cost pressures by taking measured price increases in a calibrated manner across products, channels, schemes, and MRP. Overall, we have been able to mitigate the cost pressures.

Rahul Kumar – Chief Operating Officer: I am sure you would have observed in Q1 as well that milk prices increased sequentially, but we have been able to maintain our gross margins overall at a blended portfolio level.

Amish: Regarding the recent capacity increase that we announced, I believe there was a significant increase in paneer capacity, as well as capacity increases in some other products. Was this planned, or are we seeing a meaningful surge in demand? Are we operating at peak capacity and seeing that this additional capacity can be easily absorbed?

Second, is it related in any way to the regulatory crackdown, particularly in Maharashtra, where many adulterated and mixed products are being targeted, including products used by restaurants? We are very large in the HoReCa segment. Are we benefiting from this? Are we seeing a surge in demand because of it?

Rahul Kumar – Chief Operating Officer: That is a very good point, {? Amish ?}. First of all, we have been pioneers in branded paneer and have been selling it for at least the last 15 years. Paneer demand itself is increasing across the country, and this is also being driven by our distribution and expansion plan.

We now have 29 depots, and we are opening new markets continuously. Paneer is reaching all parts of India. Even today, it is being distributed across India through all channels, especially quick commerce and e-commerce.

Coming to your point about the regulatory direction that analog paneer will not be sold in India, it means that all paneer manufactured by companies will have to be made with milk. That is very

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important.

To give you some figures, total paneer consumption in India is approximately 4 million kilograms per day. Of this, 70% was analog paneer, because it was used throughout HoReCa, catering, and other segments, including hotels, small hotels, large hotels, and canteens.

This is obviously going to increase demand for real paneer. Since we are very strong in HoReCa, we see this as an opportunity, and without wasting any time, we have decided to expand our capacity 4 times.

I am quite sure that by the time the plant is commissioned and operating, it will be utilized at 60-70% immediately, and then we will undertake another capacity expansion.

Let me explain the kind of volume that could be generated because of this regulatory direction. Out of 40 lakh kilograms of paneer per day, 70% is analog paneer. Even if 10%, 20%, or 30% shifts to real paneer, the rest can still be sold as something else. It may not be paneer, whatever it is called, but there is still significant demand emerging.

Our strength is that our brand is well established in HoReCa. Our consumer brand is also very strong, and we sell across India through all channels. I see this becoming a good opportunity for us, and we are going to capitalize on it.

Management: To add to what Rahul is saying, the playing field for organized dairy players is going to become level. Earlier, we were competing with analog cheese or analog paneer, which was labeled as paneer, and the cost of making it was substantially lower.

Now, I think we will compete on the basis of product quality, the procurement process, and cold-chain infrastructure. This is going to be quite game-changing for the organized dairy segment.

In addition, a large amount of paneer is still unorganized. Only 6-7% of the total market is organized. There is going to be a rapid shift as consumers evolve and begin preferring more convenient, consistent, and high-quality products. Overall, we believe paneer is going to be a great opportunity for any organized dairy player.

Regarding cheese, it was also a planned capacity enhancement. We said that we would increase capacity from 60 metric tons to 120 metric tons over the next 1-1.5 years. This also means that our whey protein capacity will double. That was also a well-thought-out and well-planned capex program.

Operator: Thank you so much, ma'am. I would request all participants to restrict their questions to 2 only. The next question is from Parikshit. Please go ahead.

Parikshit: Thank you for the opportunity. Could you provide the bifurcation of the EBITDA percentage between the new-age business and the core-category business? What percentage margin does the new-age business have, and what percentage margin does the core category have?

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Rahul Kumar - Chief Operating Officer: Hi, Parikshit. We do not provide an EBITDA split at the product-category level. However, during multiple concalls, we have stated that the gross-margin profile for the new-age business is substantially higher and is almost double the company's average gross margin.

Parikshit: Currently, how much is paneer contributing to value-added product revenue? If we scale up to 4 times, what will its contribution be in percentage terms?

Rahul Kumar - Chief Operating Officer: Again, when we refer to the flagship categories, which comprise ghee, cheese, paneer, and yogurt, we do not provide a percentage split even among the flagship categories.

However, to update you, paneer has grown by 28% year-on-year for each of the past 2 years. We observed this trend, and because of this specific industry tailwind relating to analog paneer, we decided to invest in and increase capacity by 4 times.

The current capacity is 20 metric tons and is almost fully utilized. You can therefore assume that an additional capacity of approximately 60 metric tons per day will be available in the future once production begins.

Parikshit: I wanted to ask one more question. We have a dominant market share in cheese, which I believe is 35%. Are we trying to shift our focus from cheese to paneer? We sell approximately 70% of cheese to B2B customers, and cheese also contributes significantly to our inventory days, with a substantial amount of money tied up in cheese. Are we trying to shift our focus from cheese to paneer, which would result in better working-capital days?

Rahul Kumar - Chief Operating Officer: Parikshit, are you done?

Parikshit: Yes.

Rahul Kumar - Chief Operating Officer: I do not think the two are interrelated, because both are very good categories for the Indian market.

For example, in India, cheese consumption is only 500 grams per capita per year. In the United States, it is 17 kilograms, and in Europe it is 25 kilograms per capita per year. We are still a country that has only recently started consuming cheese.

I do not think the cheese market will stop growing or that its growth will decline significantly. I believe cheese will continue to record good double-digit growth as people have started consuming it both at home and outside the home.

Therefore, I do not think this is related to paneer. We will focus on both categories, and we have very strong brands in both paneer and cheese. The market is wide open for strong growth in both paneer and cheese. That is why we have doubled our cheese capacity and are increasing paneer capacity 4 times.

Management: We are equally excited about paneer and cheese. I will discuss paneer first. As awareness of protein increases in India, paneer is already very familiar in the Indian diet, and people

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naturally accept it as a source of protein. Consumption is increasing and paneer has effectively become a new vegetable category, just as we have traditionally consumed other green leafy vegetables or regular green vegetables. Paneer is now being added to that basket.

Cheese is completely different. As Rahul mentioned, it is highly underpenetrated. Cheese penetration in India is less than 26%, and the market is growing by almost 30-35%.

You should also view the expansion in cheese somewhat differently, because it is not only cheese that we obtain; we also obtain whey protein along with it. Historically, whey protein was a byproduct of cheese. However, as our new-age business has grown, the situation has completely reversed for us. Cheese has now become the byproduct, while whey protein has become strategically relevant and is growing in its own right.

The focus will therefore be on both categories. Cheese and paneer cater to the consumer segment, while whey protein caters to the nutrition, health, and nutrition side of the business.

Operator: Thank you. We have the next question from {? Rishit ?}. Please go ahead.

Rishit: Hello, sir. My question is about the chips that we recently launched. What is your view regarding their growth in the future?

Management: Have you finished asking your questions?

Rishit: No, ma'am, I have not finished.

Management: Traditionally, when we began the Avvatar brand, we focused primarily on the sports-nutrition segment. Today, protein is no longer a topic discussed only by gym-goers or bodybuilders. It is becoming an everyday conversation and part of people's routines.

With the Avvatar brand, we are moving beyond being a supplement brand and becoming more of a habit-based brand. Products such as protein chips, ready-to-drink products, and our protein wafer bars open up different occasions, consumption patterns, and consumer segments.

Over the next 2-3 years, when we have a complete basket of ready-to-drink and ready-to-eat protein categories, these products could represent approximately 40-45% of Parag's protein portfolio.

Rishit: Can you provide an approximate revenue percentage that the chips could achieve by 2030?

Management: I just said that around 40% of our total portfolio will come from newer formats of sports nutrition. In the Avvatar business, around 40% will come from newer formats, while the remainder will come from the traditional powders business.

Rishit: I have one more question.

Management: This is just the beginning of the entire initiative. Last year, we launched the protein wafer bar, then we introduced ready-to-drink coffee, and soon we will launch the 26-gram protein ready-to-drink product as well.

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We have now introduced pop chips, which are not fried or baked. They are completely oil-free. We will soon introduce more categories to complete the basket.

Rishit: Could you please tell me the approximate revenue percentage that the chips will achieve by 2030?

Management: I just said that around 40% of our total portfolio will come from newer formats of sports nutrition. In the Avvatar business, around 40% will come from newer formats, and the remainder will come from the traditional powders business.

Operator: Thank you. We have the next question from Chintan Mody. Please go ahead.

Chintan Mody: Just for clarification, you mentioned that 40% of our revenue will come from new-age products. Is that the correct understanding?

Management: No, I said that 40% of the Avvatar business will come from newer formats of protein. The question was specifically about how much revenue would come from pop chips, but it would be very difficult for us to provide that figure because the product was launched only 10 days ago and we will have a broader basket of products.

It will not be limited specifically to chips or ready-to-drink products. Anything we develop in value-added or different protein formats will contribute approximately 40% of Avvatar's total revenue in the near future.

Chintan Mody: During Avvatar's expansion to a nationwide distribution scale, which markets have we captured, and through which channels are we growing the fastest?

Management: That is an interesting question. Approximately two-thirds of our business comes from our own website and marketplaces such as Amazon and Flipkart, all of which are managed by the company. Two-thirds of the business comes from these channels.

Our fastest-growing channels are our website and quick commerce. We entered the quick-commerce business through Avvatar only in the last 1-1.5 years. These are the 2 routes to market that are growing the fastest.

Now that we have launched newer formats that perform well on quick commerce and at consumption outlets, we are expanding through our general-trade distribution as well.

Chintan Mody: You have guided for EBITDA margins in the mid-teens, which would represent an incremental EBITDA margin improvement of 7-8% from current levels. How much of that will come from gross-margin expansion?

I understand that one clear lever is the growth of the new-age business in the mix, which will drive gross margins. Could you also help us understand how you intend to improve costs, including milk procurement?

A related question is that, given our intention to reach almost 10,000 crores of revenue, milk procurement will be another important metric for us. How much of the incremental procurement will come from direct procurement and how much through third parties?

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Management: I will answer with respect to EBITDA-margin improvement. We are currently at approximately 8.5%, or 8%, EBITDA overall. We are looking to increase this to double digits in the medium term, and as we move toward 10,000 crores, we expect it to reach the teens, possibly the early teens or the next level.

One important lever is the product portfolio. As you rightly mentioned, we expect the new-age business to almost double from approximately 13% to approximately 25%. That is one lever for improving gross margins.

However, gross margins are not limited to changes in the product portfolio. There are other levers as well. We are working on improving the existing product profile. For example, in certain categories, we have consciously chosen specific channel-led distribution strategies. We have taken certain decisions to improve profitability in bulk sales.

We have also improved the product profile in ingredients. For example, we have upgraded lactose to edible-grade lactose, and we intend to upgrade it further to pharmaceutical-grade lactose, which will improve the overall margin profile.

When we launch newer product formats, they are also more premiumized. For example, under Pride of Cows, we have launched Greek yogurt and lactose-free milk. We have launched newer product formats that generate a better margin profile and better margins compared with the regular products that we currently offer.

Overall, the product composition, new products, and improvements in existing products will improve gross margins.

Besides that, we are also undertaking several cost-saving initiatives to optimize costs and identify inefficiencies. We are working with good consultants, although I am not naming them at this point. A couple of cost-optimization projects have already been initiated to improve costs.

As scale improves, we will also benefit from scale through fixed-cost amortization. This is how we view overall improvement and expansion in gross margins, as well as expansion through other costs, or a reduction in other costs as a percentage of sales.

With respect to your question on procurement, I will add something, and perhaps Rahul can add further. Today, we procure through BMCs in our own network. We have more than 300 BMCs, which account for almost one-third of our total procurement.

However, to clarify, even today, when we consider the total landed cost of milk at the factory gate, there is hardly any difference between milk procured through BMCs and milk procured through aggregators.

Therefore, a change in the procurement mix will not significantly improve margins. Nevertheless, we continuously work to improve and increase our sourcing strength by expanding our BMC network.

We also undertake joint business plans with BMCs to improve not only the overall number of BMCs but also their current utilization and the quantity of milk obtained from the existing BMC network.

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Management: I think you have covered most of it. The only question was whether we have an adequate number of milk-collection points for our future roadmap toward 10,000 crores.

To provide 2-3 figures, we are currently collecting approximately 2 million litres of milk, or slightly more than 2 million litres. We have the capacity to collect 3.5 million litres of milk. That capacity is available in our bulk milk coolers and other areas.

Second, when we discuss our roadmap toward 10,000 crores, our milk requirement will be close to 4 million litres. We are investing in new BMCs because this needs to be done in advance. Milk collection has to be established in advance.

Milk availability is not an issue, which was perhaps the basis of your question. We currently collect only about 11-12% of the milk available in our areas. There is significant milk availability in Maharashtra as well as in the southern regions where we procure milk.

Therefore, it is not that milk is unavailable. The only factor is that we have very good loyalty among the farmers we work with, including the aggregators.

There is absolutely no issue in terms of overall milk availability, our capability to collect milk, or our infrastructure. We will continue working on this to collect milk. Milk collection is not an issue and will not be a bottleneck or hindrance to achieving our targeted turnover, for which we need milk. Up to 4 million litres of milk, there is absolutely no issue.

Operator: Thank you, sir. I would request every participant to restrict their questions to 1 only. The next question is from Bharat Gupta. Please go ahead.

Bharat Gupta: Hello, am I audible?

Ankit Jain - Chief Strategy Officer: Yes, Bharat. Hi.

Bharat Gupta: I wanted to ask about the competitive environment, particularly the new listed player that has entered the market and scaled up across cheese, yogurt, and paneer. What has been our strategic response, and how do we intend to safeguard our market share, given that they will also be entering the whey-concentrate market?

Management: To provide some context, the dairy industry is enormous. Even the largest player, with revenue of more than 1 lakh crore, or {? 120,000 crores ?}, accounts for only around 7-8% of the total industry size.

The entire industry is highly unorganized. Only 40% is organized and 60% is unorganized. The categories in which we operate are also growing at double-digit rates.

Paneer is growing by 12%, cheese is growing by approximately 25-30%, and yogurt among organized players is also growing by 20%. The market is extremely large.

I would say that to serve the market fully, we would need 10 Amuls and probably 20 Parags. This is how we view the industry.

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Our product portfolio is also very different and ahead of the curve, particularly our new-age business. We are the only whey-protein manufacturers in India, and we are able to do this because we have a large cheese base.

We started well ahead of time, in 2008, when we established a 40-metric-ton plant, which was equal to the entire country's consumption at that time. We thought about this well in advance, and our product portfolios are genuinely different from those of the rest of the industry.

We are trying to create a business focused on health and nutrition. Of course, there will be some commodity products that overlap with those of other players, but the market is very large.

Management: As you rightly said, the market is very large. I always say that the competition is not between competitors; it is between the unorganized and organized sectors.

When you consider an unorganized sector of 35-40%, which will improve from 35% to 40%, then from 40% to 45%, and from 45% to 50%, you can see that across the developed world, 95% of the market is organized, and in some places it is 100% organized.

That is the growth opportunity we have to capture. For that, we need to have all the dairy categories that we can sell. We need to be present in all the geographies that require extensive distribution.

We also need significant distribution efforts in retail across all the channels in which we operate. In addition, we need brands that support consumption and create consumer pull. This is what we are discussing.

I do not think anyone competes directly with anyone else in branded dairy, because the market is so large. That is the underlying message.

Management: I think that was explained very well. The conversation is not actually between 2 brands. The opportunity is so large that the conversation is between the unorganized and organized sectors.

Operator: Thank you. We have the next question from Darshika Khemka. Please go ahead, ma'am.

Darshika Khemka: Thank you for the opportunity. I see that we have been very active in terms of sponsorships for several upcoming reality shows. How much has this helped in converting awareness into sales, and what cost are we incurring for this?

Management: I will discuss 2-3 major associations that we have undertaken. One is our largest association with Kaun Banega Crorepati, with which we have been associated for almost 5 years. The other is India's Got Talent for Avvatar. This is our first year with the show, and it is going well.

A show like this, or impact marketing, works very well at the top of the funnel, which is awareness. It works particularly well in that segment. The association between Avvatar and India's Got Talent has been truly wonderful.

To provide some numbers, our searches have increased by almost 250%, and on the day an episode is broadcast, searches increase by almost 500%.

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As I mentioned earlier, almost two-thirds of our business comes from our own website and marketplaces. Therefore, an increase in searches like this also helps boost sales.

These initiatives work extremely well in the first layer, which is the awareness funnel.

Regarding the cost, it would not be fair for me to disclose a number because these are closely held contracts. Overall, we spend approximately 140 crores on marketing. A large portion goes toward performance marketing, and we allocate funds for associations such as these.

Darshika Khemka: Would you also be able to provide a figure for what portion of sales comes from performance marketing, or would it be very difficult to track that specifically?

Management: For Avvatar and Pride of Cows, a large portion of the marketing spend goes toward performance marketing. As I said, regarding the new-age business, two-thirds of the business comes through our website.

We track that. We track the number of repeat purchases and undertake significant marketing automation to understand how we acquire customers and related metrics. That is a completely different calculation.

For Gowardhan or Go Cheese, and when we use quick commerce and marketplaces, it is a mix of multiple factors.

Management: We undertake significant performance marketing for quick commerce. We do not look only at how much of our sales come through quick commerce. Overall, we also consider it an awareness initiative and, of course, performance-led awareness. This also helps growth in the general-trade business.

Darshika Khemka: Thank you very much. That is all from me.

Operator: Thank you. We have the next question from Chirag. Please go ahead.

Chirag: Hello, I hope I am audible. Thank you for the opportunity. I have 2 basic questions. First, what is the unorganized market, or how do you define the unorganized market, given the unique nature of Indian agriculture and dairy? We could classify almost everything as unorganized, or a large part of it could be classified as semi-organized or organized. How do you define it internally? That is my first question. I will come to the—

Ankit Jain - Chief Strategy Officer: Chirag, can you hear us? We cannot hear you.

Operator: We will answer part A of the question. I think he had a couple of questions. According to the IMARC report, the overall dairy market is approximately 10 lakh crores. Of this, 59% is unorganized and only 41% is organized. The organized segment is approximately 4 lakh crores.

Management: To explain it in simple terms, and Rahul can explain this very well, if a farmer produces milk, he retains approximately 45% of it for himself.

Rahul Kumar - Chief Operating Officer: To give you one simple example, India produces approximately 67 crore litres of milk per day. Of this, around 35-40% is retained by the farmers

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themselves, either for their own consumption or for consumption by people in rural villages who may not produce milk but consume it.

The remaining 60-65% comes to the market. Of the 65% that comes to the market, only 40% goes to the organized sector.

The rest goes to local sweet makers and the loose-milk market. If you go to Indore, Lucknow, or tier-2 cities, you will find loose milk. Consider paneer as well. If you go to any shop in Delhi or any sweet shop in Delhi, it will sell loose paneer. Even in some places in Uttar Pradesh, vegetable markets will have paneer being sold.

This represents a huge unorganized market. This is the unorganized market that is going to undergo a major shift toward the organized sector.

As Ankit said, 4 lakh crores is organized, so 6 lakh crores is unorganized. You can therefore consider how many Amuls and how many Parags can accommodate the next 6 lakh crores. That is the important point to understand.

Ankit Jain - Chief Strategy Officer: Traditionally, people who buy liquid milk in pouches and make ghee, yogurt, and paneer at home would also be considered part of the unorganized market.

Rahul Kumar - Chief Operating Officer: Yes. People are now buying yogurt. Very few people make yogurt at home today, which was not the case 10-20 years ago. Yogurt is now a very large market, whether in the south, north, or anywhere else in the country. This represents a major shift from the unorganized to the organized sector.

Operator: We have the next question from Bhavya Gandhi. Please go ahead.

Bhavya Gandhi: Thank you for the opportunity. I hope I am audible. My first question is regarding the overall capex plan for the next 3-4 years. Could you provide that number and the overall revenue that we are targeting from this capex? This is to revalidate the entire 10,000-crore revenue target. Could you also share the current utilization levels, if possible?

Ankit Jain - Chief Strategy Officer: Bhavya, I will answer this in 2 parts. We have clearly explained that we are looking at doubling our cheese capacity from 60 metric tons to 120 metric tons. This will involve an outlay of approximately 105 crores.

Since this is a brownfield expansion, we can achieve an additional capacity of 60 metric tons at this cost. If we were to undertake a greenfield expansion for the same capacity, the cost would probably be 4.5-5 times what we are going to incur.

In addition, we have stated that we are quadrupling our paneer capacity, increasing it 4 times from 20 metric tons to 80 metric tons. These are 2 capacity-led expansions, and the paneer expansion will involve an outlay of 100 crores.

Taken together, the outlay for these 2 projects is 205 crores.

Apart from this, we have routine annual capex of approximately 80-90 crores. We need to invest in packaging machines, utilities, and various small-format initiatives that require capex. Dairy is

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somewhat capital intensive.

For the last 2 years, we have funded most of this through internal accruals. The annual capex of 80-90 crores also includes the Bhagyalaxmi capex, because as the number of cows increases, we also have to construct additional cowsheds.

Over the next 3 years, including routine capex and the specific capex that we have communicated to the market, you can easily build in approximately 500 crores.

Bhavya Gandhi: What will the asset turn be?

Ankit Jain – Chief Strategy Officer: Today, my gross block is more than 900 crores, or slightly less than 1,000 crores, and I generated turnover of 3,800 crores based on last year's numbers.

If we add this capacity, I think that over the next 3 years, as we build our journey toward 10,000 crores, all of this will support that objective.

I will not be able to provide a specific asset-turn number because that would effectively allow the additional turnover to be calculated from a single number. We have stated our aspiration to reach approximately 10,000 crores, and these are stepping stones toward achieving that.

We are not only changing capacity; we are also adding hygiene capex.

Capex may not be a limitation in achieving the targeted turnover. For example, we introduced protein wafer bars in Avvatar through subcontracting. Similarly, the recently launched Pop Chips have also been subcontracted.

Therefore, the capex decision does not always have to be based only on increasing in-house capacity. We can use outsourcing as a lever for manufacturing and focus more on sales and marketing. That is the main point.

Bhavya Gandhi: What are your thoughts on ice cream? I believe that is the only category in which we are not present among the various categories, and it has relatively stable gross margins.

Rahul Kumar – Chief Operating Officer: That is a good idea, and we will be working on it. We do not want to launch ice cream as a run-of-the-mill product. It has to be a very unique and differently positioned ice cream. It is on our agenda and will be launched soon.

Bhavya Gandhi: Thank you very much, and all the best to the entire team.

Ankit Jain – Chief Strategy Officer: Thank you, Bhavya.

Operator: Thank you, sir. We can take 1 last question from Vishal Gupta. Please go ahead.

Vishal Gupta: Hi, good evening, management.

Ankit Jain – Chief Strategy Officer: Hi, Vishal. I think there is an echo in your voice.

Vishal Gupta: Just a second. Is it clear now?

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Ankit Jain – Chief Strategy Officer: No, there is still an echo.

Vishal Gupta: Is it clear now?

Ankit Jain – Chief Strategy Officer: Yes, it is clear now.

Vishal Gupta: I would like to ask 2 questions. First, regarding the 100-crore capex for paneer, when is it expected to be commissioned?

Second, regarding capex and debt, do we have any further capex in the pipeline over the next 1-2 years? I am not referring to a very long period, but to the coming 1.5-2 years.

Regarding debt, how strong is our position?

Ankit Jain – Chief Strategy Officer: I will answer that. Your question is regarding total capex over the next 1.5 years.

For paneer, we have provided guidance that it should be commissioned by June 2026. That is our conservative estimate. We should probably be ready much earlier. However, we should be able to complete it by June 2027, I mean, sorry.

For cheese, the guidance we have provided is the next 1.5 years. Therefore, the guidance is that it will definitely be completed by March 2028. However, we have fast-tracked it and should be able to institutionalize the commissioning very soon. Once commissioning is completed, we will provide an update.

Both projects are definitely going to be completed within the next 1.5 years.

In addition, as we discussed, there is routine capex of approximately 80-90 crores annually. For the current year as well as the next financial year, we can assume this additional capital expenditure.

Coming to the debt profile, we have improved our debt metrics in multiple ways. We have reduced net debt to 485 crores as of March 31.

There are 2-3 things happening. We have improved the debt-to-EBITDA multiple from 3.2 to 1.6x. Overall, our debt-to-equity ratio is 0.4 times equity, which gives the company a very comfortable overall leverage position.

A debt-to-equity ratio of 0.4 represents a very healthy position to increase debt further, if required, to undertake these capacity expansions.

However, to add to that, equity will be further enhanced by the balance amount expected in November 2026 from the preferential warrants issued in May 2025.

Only 25% of the money, approximately 40 crores, was received in May 2025. Within another 2 months from now, we should receive almost 120 crores of equity capital.

Taken together, these funds will be required for the capital expansions.

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From here, we see debt increasing to a certain extent because we have already moved down the curve from a 3.2 debt-to-EBITDA level to 1.6x or 1.4x EBITDA levels. We are now quite comfortable, and we will increase debt somewhat, toward 2x, as we progress.

Operator: Thank you very much, sir. Due to time constraints, we will have to close the call. On behalf of Arihant Capital, I would like to thank the management for sparing time and sharing insights about the company. If participants have any further questions, they can contact the Arihant Capital team. Any closing comments, sir?

Ankit Jain – Chief Strategy Officer: Thank you all for joining us and for your participation. We have an active Investor Relations cell headed by {? Brian DeSouza ?}. If you have any queries and would like to connect with us, Brian can be reached. Separately, we now have the Adfactors team working with us in Investor Relations.

Please feel free to reach out for any clarifications. We will be happy to answer your questions. Thank you very much.

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.

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