



## **HERITAGE FOODS LIMITED**

### **Q4 and FY '25 Earnings Conference Call**

**May 19, 2025**



#### **MANAGEMENT:**

**Mrs. N Brahmani** – Executive Director

**Dr. M Sambasiva Rao** – Whole Time Director

**Mr. Srideep M Kesavan** – Chief Executive Officer

**Mr. A Prabhakara Naidu** – Chief Financial Officer

**Mr. J Samba Murthy** – Chief Operating Officer

**Mr. Umakanta Barik** – Company Secretary & Compliance Officer

**Mr. Upendra Pandey** – Chief Executive Officer, Heritage Nutrivet Limited

#### **INVESTOR RELATIONS REPRESENTATIVE:**

**Ms. Garima Singla** – GO India Advisors



**Moderator:** Ladies and gentlemen, good day, and welcome to Heritage Foods Limited Q4 and FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions when the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Garima Singla from Go India Advisors. Thank you, and over to you, Ms. Singla.

**Garima Singla:** Thank you. Good afternoon, everyone. I'm Garima Singla. It's my pleasure to welcome you on behalf of Heritage Foods Limited. Thank you for joining us today for quarter four and full year financial year '25 earnings call. This call is being hosted by Go India Advisors. Please note that today's discussion may include certain forward-looking statements. Therefore, they must be viewed in conjunction with the risks that the company faces.

Today on the call, we are joined by Mr. N. Brahmani, Executive Director; Dr. Sambasiva Rao, Whole-Time Director; Mr. Srideep Kesavan, CEO; Mr. A. Prabhakara Naidu, CFO; Mr. J Samba Murthy, COO; Mr. Upendra Pandey, CEO, Heritage Nutrivet; and Mr. Umakanta Barik, Company Secretary and Compliance Officer.

Without further delay, I now invite Dr. Rao to present the company's business outlook and performance, after which we will open the floor for Q&A. Thank you, and over to you, sir.

**M. Sambasiva Rao:** Thank you. Good afternoon and a warm welcome to Heritage Foods Q4 and full year FY '25 earnings call. FY '25 marked a pivotal chapter in the Heritage journey, a year not only of strong performance, but of purposeful transformation. It was about more than just financial outcomes. It was about laying the foundation for a future-ready consumer-centric dairy enterprise. For over three decades, Heritage has earned the trust of millions, building a brand synonymous with quality, reliability and reach.

This year, we took bold and deliberate steps to evolve that legacy, aligning ourselves with the aspirations of a new generation of consumers. We embraced digital acceleration, strengthened our go-to-market strategies and significantly expanded our presence in the value-added and premium dairy segments. These efforts were executed

with both agility and discipline, reflecting our commitment to profitable innovation-led growth.

FY '25 was not just a milestone, it was a momentum builder. We are proud of the progress made and energized by the road ahead as we continue to shape the next era of Heritage with purpose, passion and precision. India continues to be the largest dairy market globally with a fast-evolving demand landscape. Consumers today are no longer just buying dairy. They are buying trust, traceability, taste and nutrition. And in this shift, organized dairy players like Heritage are uniquely positioned to lead.

The industry continues to navigate a dynamic and challenging landscape within the dairy sector. This year, we saw rising input costs, including increased fuel and fodder prices, which led to price hikes across the country. In response, we at Heritage Foods made a strategic adjustment to our pricing to ensure sustainability for our farmers and to maintain product quality.

The government's focus on strengthening rural dairy economy through subsidies, infrastructure investments and tax exemptions has been a positive step towards supporting the sector. Additionally, innovations in value-added products and greater adoption of digital technologies have opened new avenues for the growth.

Our focus this year has been crystal clear, that is strengthen our business through operational efficiency and consistent quality, scaling up our value-added products like Paneer, Lassi, flavored milk and curd. Farmer's first approach deepening partnerships to ensure quality at source, sustainable procurement and timely payments, accelerating green operations and digitalization to future-proof the business. I'm happy to report that we delivered on every front.

FY '25 was a strong year yet and Q4 capped it off with robust momentum, anchored by healthy volume growth, premiumization and continued margin resilience. Our Q4 revenue of INR10,485 million, up 10% year-on-year, supported by broad-based volume gains. Not only that we delivered on all four quarters of the year more than INR10,000 million. Full year revenue is INR41,346 million, a 9 % increase over FY '24.

Value-added products contribution grew 2.3%, now accounting for 32% of total revenues without considering fat products. EBITDA, INR3,310 million, up 58% year-on-year with margin expansion of 248 basis points to 8%. PAT, INR1,833 million, a



77% year-on-year increase. What truly differentiates Heritage is our deep-rooted partnership with over 300,000 farmers built on fairness, trust and mutual growth.

In FY '25, we processed an average of 1.72 million liters of milk per day with no milk holidays and timely payments as a matter of principle. Our omni-channel distribution footprint is equally formidable. Our retail reach of 180,000 outlets served via 7,300-plus distributors. Our Heritage franchisee-operated outlets, 859 parlors and 386 happiness points. In modern channels, a strong foothold in modern trade, quick commerce and e-commerce.

On the sustainability front, our renewable energy investments now stand at 12.14 megawatt capacity installed, making Heritage one of the very few Indian dairy brands to embed green power directly into its operations. Across our brands, Heritage Toned Milk or Heritage Paneer or Heritage Lassi, whatever, we have upheld superior standards of quality, traceability and freshness. We believe that superior quality commands a premium and our consumers consistently validate that belief with their trust and loyalty.

By maintaining the highest standards from sourcing to shelf, we continue to earn our place in millions of households. In FY '25, we also ramped up our marketing from regional campaigns and digital-first activations to seasonal SKUs and customer loyalty initiatives. These efforts are helping us expand our brand recall across both urban and Tier 2 markets. As part of our strategy to scale up our value-added portfolio, I'm pleased to announce that Heritage Foods has acquired majority stake of Novandie, transitioning from a joint venture to a subsidiary company.

The state-of-the-art facility near Mumbai, previously dedicated to yogurt production is now being repurposed to start a broader portfolio, including curd and a diverse range of value-added dairy products. This transition reflects our commitment to maximizing asset productivity while aligning with evolving consumer demand.

This move strengthens our footprint in Western India and supports our vision to become a nutrition-powered innovation-led food enterprise. As we look forward -- look towards FY '26 and beyond, Heritage is no longer just a dairy company. We are evolving into a nutrition-first food enterprise with sustainability embedded as a key enabler of long-term growth and operational resilience.

Our strategic focus areas include strengthening the core milk and curd portfolio, scaling up other value-added products, expanding urban-centric offerings that bridge urban

aspirations and rural reach, deepening our green and renewable energy programs, building a resilient future-fit balance sheet. With strong brands, a farmer-first mindset, disciplined governance and a highly motivated team, we are confident in leading the next phase of the growth in India's dynamic dairy ecosystem.

With this, I conclude the business update and open the floor for questions. Thank you very much for your attention.

**Moderator:** Thank you. The first question comes from the line of Sameer Gupta with India Infoline.

**Sameer Gupta:** Sir, firstly, just wanted to get an update on price hike. We've seen Amul take a price hike announced INR2 per liter on 1st May. And in the Analyst Meet, in March, I remember you had mentioned that you had taken a INR1.6 per liter price hike. So have we taken more after Amul has taken? Any sense on that, sir?

**Srideep Kesavan:** Yes. So Sameer, yes, you're right. Actually, we had already taken up the price increase sometime during the fourth quarter. And the cooperative, some of the leading brands had increased the prices in the beginning of May. At this point in time, we are now comfortable in our situation. We are evaluating selectively whether it is in a regional level or in a variant level, if there is any opportunity to take any price hikes, we'll be looking at it.

**Sameer Gupta:** Got it, sir. That's helpful. Secondly, sir, on the employee and other expenses, seeing that this has been growing at a rate which is higher than our overall sales growth. Now we have been supported by a declining milk prices trend, but now that trend is largely behind. So if you are to continue to expand distribution for VAP that would also mean that employee and other expenses will continue to grow at a faster rate. With no benefit of gross margin expansion, do you see that the EBITDA margin overall should now start moderating from the current level?

**Srideep Kesavan:** No, you shouldn't read too much into that. See, if you see actually the employee cost as a percentage of revenue was growing much faster a few quarters back. And actually, the rate of growth has actually slowed down in this quarter if you compare it with the previous year same quarter. That said, you're absolutely right, Sameer, that currently, I believe employee benefits have actually increased at around 14.5% compared to revenue growth, which is around 10%.

So that is not the desirable scenario. Ideally, we would like the employee cost to increase lower than the revenue increase. But the trend is what you should look at. You see that actually the trend is going the other way around. So you should expect revenue growth to pick up and go ahead of employee cost in the shortest possible time. And I don't think that this has anything to do with any -- this is not any indication of any change in EBITDA percentages.

**Sameer Gupta:** Let me rephrase the question, sir. So what I meant was that there was a tailwind in gross margins or input costs, which probably allowed you to expand faster and more aggressively. Now with that tailwind no longer there because it's almost anniversarised, just an outlook on this aggressive growth approach.

**Srideep Kesavan:** What makes you feel that there is no tailwind? See, fundamentally, let me just talk about the tailwind. I understood your question. I was just trying to give a very summarized answer if you would like to delve a little deep into it. See, the growth opportunity in India has not gone away, right? The GDP growth might have come down from 8% to 6.8% -- it doesn't mean that it is still quite high, right?

And any time we expect the overall GDP to bounce back to the high growth scenario that we had seen a few quarters back. It should happen. Secondly, the consumption growth that we had seen post-COVID had slowed down a little bit in the past couple of quarters, but doesn't mean that there is no bounce back possible. We are already hearing great stories of bounce back from industry leaders like Unilever and Nestle and all who are already talking about a bounce back that is visible around the corner.

That is the second thing. Third, as far as the raw material prices are concerned, we had a long period of stability, almost 18 months of no price increase as far as the raw material price is concerned or the milk prices are concerned. So the milk prices having gone up 3% in the last quarter is fairly normal. And I don't think that there is anything much to read in it. And we have also passed on a large percentage of this increase through consumer price increases in the last quarter.

And of course, the entirety of that price increase is not reflecting in the quarter because the price increase was taken during the quarter. So the quarter numbers is actually an average of January, February, March, whereas if you look at the March numbers, most of the price increases have been affected. So I don't see in the long run how -- why we should have any difference in opinion on the potential of growth of the country, potential of growth of consumer industry, potential of growth of dairy industry.

And within that, the potential of growth of value-added products, everything is looking very bullish. There might be some seasonal impacts. There might be some certain months or quarters where you might have impact due to external factors or seasons. But I don't think in the long run, there is anything that should tell us the story otherwise.

**Moderator:** Next question comes from the line of Disha Giria with Ashika Institutional Equities.

**Disha Giria:** Sir, my question is regarding the statement that you made in your opening remarks that is you are evolving into a nutrition-first company, not only a dairy company. Could you explain the rationale behind it? Because unlike our immediate peers, we are not doing geographic expansion. We are doing vertical expansion. So what is the rationale behind it?

**Srideep Kesavan:** The reason why we say nutrition-first company is that the focus of the company is on nutrition and in terms of the products that we formulate in terms of our focus on value-added products in terms of the focus on increasing the nutritional value of the food that people consume. That's primarily the way we are building our product categories and the brand.

That is what is the essential story behind that particular statement. I don't think that, that has got anything to do with unless if I misunderstood your question, Ms. Disha, in the core markets where we are operating, this is still valid. For example, if the consumer has a basket of consumption, which she today in which he probably has 8 percentage of the basket or the expenses going towards dairy product.

The growth, we expect the growth to come from expanding this 8 percentage to, let's say, 10% or 12 percentage. And that primarily will happen by focusing the conversation more on nutrition. Nutrition is a very large term at this point in time. It could start from micronutrients to macronutrients. As far as micronutrients are concerned, all our milk, 100% of the milk is fortified with Vitamin A and D. So that's a conversation that we are trying to drive at this point in time, shifting consumers from unpackaged or non-fortified milk towards dairy.

Secondly, if we take our value-added products, the conversation is around macro nutrients such as protein, et cetera, which is what is the growth for categories like Paneer, Curd, et cetera. Even category like flavored milk, we are shifting the conversation towards nutrition and not just, let's say, a refreshment. I think that is the broad purpose of that particular line that you mentioned. I hope I'm able to answer.



- Moderator:** Next question comes from the line of Sandy Mehta with Evaluate Research.
- Sandy Mehta:** Congratulations on a strong year overall. Two questions. One is there was an INR87 million charge in Q4. And the footnote there, it related to Novandie impairment. Without that charge, your fourth quarter profit before the exceptional item was up 15%. So should we look at that charge as a sort of a one-off item? It sounds like a one-off item. And now that you have consolidated Novandie with the majority stake, what sort of revenues do you expect from Novandie going forward?
- Nara Brahmani:** You're right. Our partner has expressed their desire to reduce their stake. And this gives Heritage a tremendous opportunity in both yogurts as well as other value-added products in a strategically very important location for us. And as we speak, we are also in the process of synergizing these operations with Heritage Foods and also talking to other players for co-packing opportunity. And within a quarter or two, we believe that we will be able to turn around the operations and keep growing fast and reach our max capacity utilization very, very soon.
- Sandy Mehta:** So that charge is it sounds like a one-off charge just with the acquisition. So we should look at the results ex the charge for a more sort of ongoing operational view.
- Nara Brahmani:** That is right. It's a onetime charge.
- Sandy Mehta:** Yes. And my second question is your EBITDA margin reached 8%. Earlier, your goal that you have stated for many years was 7% to 8%. On Slide #28 of your presentation that was released yesterday, you talk about higher gross margins by 2028. So margins seem to be going up for the next couple of years. That's what you said in your presentation. So what is your goal on EBITDA margins now? Should we expect 9% to 10% going forward?
- Srideep Kesavan:** Let's say one of the things that you should see is the margins expand. It's natural because we are doing three things. The first is that we are shifting our business more and more towards value-added products. So because of which surely, if you work out the weighted average, the weighted average margins will continue to expand, right? So that's a no-brainer. The second is we are constantly trying to increase the premium that we are able to get from our brands and products.
- That is the reason why I think Director sir when he was reading out the opening remarks, he spoke about how we are investing in our brands and some of the categories. The idea



of those investments is that we are able to expand the net revenues from those value-added product categories. So in milk, you have a certain disadvantage in terms of pricing beyond a particular point. But in value-added products, there's nothing like that.

Let's say, for example, if you have a buttermilk and then we add a probiotic buttermilk, there is a particular revenue premiumisation that we are able to do. So that's the second way in which we will continue to expand. And the third is the investments that we are making in our capex, which is allowing us more and more automation in our factories and reduction in costs, which will also expand our EBITDA margin. And this is a journey.

So we should continuously look at expansion of the margin potential in the business. But that said, I think we should be very, very conscious that still a good percentage of our cost. Currently, in this quarter, 74% of our cost is related to the materials, raw materials. And as long as raw materials continues to be a large percentage of our cost item, which is volatile, you understand that the milk prices do go down.

Hence, these kinds of trends are only visible over a very long period in time, and it's unfair to look at it on a quarter-to-quarter basis. So it is possible that next quarter or in any of the quarters, we might have expanded the value-added products. We might have premiumised our products. We might have reduced our operating expense, but the milk price might have moved against us and the EBITDA might have come down. But over a longer period in time, you will see that the expansion of EBITDA is inevitable.

**Sandy Mehta:** So like with the 2-year view, as you stated in your own slide, something like 9% to 10% is possible then in a multiyear view?

**Srideep Kesavan:** I wouldn't want to give any numbers, but we are very ambitious, I should tell you that.

**Moderator:** Next question comes from the line of Sunil Kothari with Unique PMS.

**Sunil Kothari:** Sir, congratulations, Mr. Rao, Srideep and team for doing a really good job during the last 3, 5 years, the way we increased our milk procurement from 8 lakhs to more than 17 lakhs. My question is milk sales is not that growing and milk sales is giving a good -will always give good ROCE. So what is the strategy to increase milk sales? If you can little elaborate and throw some light on your strategy?

**Srideep Kesavan:**

Sunil, thank you for your compliments. So nice of you. If I can just give you some numbers. Yes, of course, milk is growing slower than value-added products. While value-added products are growing in high teens, in fact, value-added products grew at 20% in the last quarter, but milk grew only 4.5%. It is a fact, right? So yes, we would like milk to grow at around 7 percentage to 8 percentage, right? That's ideally what we are also trying to do. There are multiple strategies that we are working on at this point in time.

So one very simple straightforward strategy is distribution expansion. Distribution expansion helps us make our products more and more available, whether it is in the cities and regions where we operate or in newer geographies. Let's say, for example, if it is a state like Telangana, we are covering now Tier 2, Tier 3 cities, going beyond Hyderabad to smaller towns, which is another a lot of district capitals right now, which are suddenly growing and we are seeing potential.

We are expanding our presence in these markets. And that is what is -- which is one of the factors that is driving the growth. So both geography as well as number of outlets covered, right? The second is we are coming up with new innovative variants. You must have seen in the Investor Presentation, we have launched a new variant called Sarvaguna. Sarvaguna is a variant that we launched in this quarter.

And in the previous quarter, this Sarvaguna was a variant that we launched in Delhi NCR and which is actually doing very well. It's been only a couple of months since we launched, and we are getting fantastic response from the market. And we also launched another variant called Sampurna. Sampurna was a variant that we launched in Maharashtra and that is also doing great, right? So these variants are especially formulated for the taste and expectations of the local population.

So we are not expanding just a toned milk or a full-cream milk and copy pasting across. We are understanding exactly what the consumer needs, and we are creating those formulations uniquely for these markets. So that's the second aspect that is driving the growth of milk. Together with the new variants as well as market expansion, we feel that we will be able to bring milk back to 7 percentage to 8 percentage kind of growth.

**Sunil Kothari:**

Okay. Great, sir. And sir, second question is, say, during last 3, 4 years, we really invested well on brand establishment expansion or product expansion in new geography and categories. We have done a remarkable job on VAP increase from 20% to 28% and

then 32% and now we are targeting another maybe 2, 3 years, 40%. Our gross margin expansion also will happen because of that.

And the loss which we make on some -- these fat products or some consumer ghee products also should increase the way we are expanding our size and prices we want to premiumize. So it clearly reflects that there should be an expansion of margin. So which are the risk factors other than this sudden milk price increase, procurement prices, which are other risk factors you see which will prevent the expansion of EBITDA margin?

**Nara Brahmani:**

If I may just expand upon Srideep's previous answer, I think like Srideep has been saying and you also rightly mentioned, we have invested into marketing, not just in terms of making our products more visible, but also in terms of improving our understanding of the consumer and thinking about consumer-centric approach. So that's something that's significantly yielded results in specific markets for us.

Value-added products expansion is very significant growth factor. So in fact, if we were to combine value-added products along with consumer packed fats such as ghee as well as butter, we're seeing a significant growth. So in Q4, the contribution was 37.8% of revenues from value-added products and consumer packed fats, which was an increase from last year Q4, which was at about 34.1%. So there was about a 3.7% increase year-on-year when it comes to that.

And aside from that, a lot of efficiency initiatives are being taken within the organization, as mentioned by Srideep. And of course, I think cutting down fat losses by improving sales of consumer packed fat is something that's a big initiative. In fact, the past financial year, we've seen a growth in revenues from this particular category of about 35% year-on-year, which is tremendous. It is big, and that will only continue to grow at a fast rate.

So as a function of these four initiatives that we are taking in terms of premiumization through scientific marketing efforts, value-added products, operational efficiencies and focusing more and more on consumer packed fat sales, we believe that we will be able to get closer to the margins that is expected.

**Moderator:**

Mr. Kothari, are you done with your questions? Since there's no reply from the line of Mr. Kothari, we'll move to the next. The next participant is Mr. Raghav from Quadrun. Please go ahead.

**Raghav:** Good evening. Thank you for the opportunity. Your earlier in this financial year, you had given guidance of INR6,000 crores sales in FY '27. So what is our stand on that? And how are we going to achieve that?

**Srideep Kesavan:** Yes, Raghav, the guidance is a pretty strong word. We have always maintained that it's our ambition to reach INR6,000 crores in FY '27. So, which is two years away, right? So we are working towards that. This year, we have crossed INR 4,130 crores. So, which means that we will still gun for getting to that INR 6,000 crores mark in two steps, right? Step one is FY'26 and FY '27. But I wouldn't call these as guidance. I'm not giving you any guidance. This is just an ambition, and we are working hard towards that. That's all I can say.

**Raghav:** Okay. Thank you.

**Moderator:** Next question comes from the line of Resha Mehta with GreenEdge Wealth Services. Please go ahead.

**Resha Mehta:** Congratulations to the entire team. I think all the hard work and initiatives that we've taken over the last 2 years we are bearing fruits of that. So good to see that. And I think also versus peers, we've done one of the best top line growth just in terms of the dairy business. And even margins, I think they only want to expand Q-o-Q and Y-o-Y. So that's great.

So see, the first question is on the growth. If we just look at the Q4 numbers, do you all think that the growth numbers could have been better had it not been -- so we've seen that a bill was passed and there were some social media posts of particular community boycotting Heritage products. And this demography has a decent population in Hyderabad, which is our core market. And this has turned out to be a risk if we look at the other MNC brands when the Israel-Hamas war was at its peak, right?

So would that be one of the reasons probably why we would have done a 10% kind of a growth? And also, if you could comment that for Q4, did the unseasonal rains or the erratic summer play -- did it play a spoilsport for our VAP revenues in Q4?

**Srideep Kesavan:** Resha, thank you very much for your kind words and compliments. I'm very surprised by your statement. There is of course, there is always whenever you have a situation, there are extreme voices. But we should all remember these extreme voices are very miniscule when it comes to percentage population. And they have absolutely no

practically little or no impact on business at all. So we had no impact at all. And we reassure you, there is no impact at all on account of any of these things.

See, we have as a business, we have operated independent, our founder, our promoter family is a leading political figure. But the business is independent of all the political ups and downs. The biggest proof of it is that even when our leader was in opposition, our founder was in opposition, at that time also, our business was doing very well.

In fact, actually, those were the years of fastest growth. This has no impact whatsoever. Please understand this because the brand is loved by millions of consumers, is consumed by millions of consumers every single day. And consumers actually focus on what the brand brings to them, the value, the quality and our service. That's what they focus on and the value that we are able to deliver to them. So there was no impact at all, and there will be no impact in the future as well. And you guys have to believe us when we say this. And past is the proof of that, right? Last 33 years, we're not able to show it in the last 33 years. And whatever I say may not be of much help.

The second question is about seasonality. And I'll also link back to a previous person who asked about what risks could be there. Yes, one risk we have apart from the -- what you call the raw milk price volatility is actually the seasonal volatility. It's actually -- it's a risk that everybody should be aware of, and it's not just in our business. This is affecting many businesses. Weather is something that has become totally unpredictable and especially in South of India, the summer has been like it's raining a lot, yes. So those kind of things.

The business is very strong because when there is no rain, our business, we can see how it bounces back but then there's a lot of rain. So that's actually an uncertainty that we are faced with, and we can't do anything about it except try to expand the business so that the impact of such weather vagary is minimized.

**Resha Mehta:**

Right. So good to know on the first part. And also, so basically, I was just trying to understand that the erratic summer did play some spoilsport, right? I mean, in Q4, especially March and probably we would even be seeing that currently in the current quarter. So that was what I was asking. And also for the full year, worst case, can we assume that we would do -- we could do a 10% kind of a revenue growth in FY '26?

That's the worst case. I know we don't give guidance. Our aspirations are much higher, which are in high teens. But I'm just saying from a business scenario, internally, like

worst case, do you still think that we can do a 10% kind of revenue growth on this high base? So that's...

**Srideep Kesavan:** I believe you have answered yourself.

**Resha Mehta:** All right And on the margins, right

**Nara Brahmani:** Also just wanted to add to what Srideep said, which is the fact that we are also, again, investing into marketing and awareness building to more and more season proof of products. And that's where the nutrition proposition is becoming significantly important for us. Our buttermilk is significantly probiotic. In our core markets, we are building the awareness of the importance of protein and paneer and hence we're growing at over 50% year-on-year in terms of volumes.

And we are proactively taking initiatives in order to make dairy more accessible and improve consumer awareness about the nutrition profile of our products, which are primarily very healthy products. We're also ranked among the top products in the country for health benefits or health profile. Secondly, I think what we also want to share is that we are fairly diversified in terms of our channel mix.

So we are also strongly present in the fast-growing e-commerce and Modern retail formats (MRF) space, where we feel that more regular purchases versus impulse purchases of products do happen. And the channels themselves are growing at tremendous rates. And we are a very strong partner with most of these players, and we are witnessing that growth in terms of season proofing ourselves. I just wanted to add that.

**Resha Mehta:** Sure. And yes, some of your new products, especially like buttermilk are outstanding. So second is on the margin bit, right? So see, so we've maintained or probably actually improved margins both Q-o-Q and Y-o-Y in a very challenging quarter, right, which probably -- should that give us kind of enough confidence that, okay, hey, this is like 7% to 10% will be the new margin band from the worst dairy cycle to the best dairy cycle?

I mean, can we kind of take that as the new margin band from here on? And considering that the remarks that you all made initially that employee and other operating costs, the growth rates would now slowly, slowly start coming in line with the revenue growth and probably go lower than revenue growth as operating leverage kicks in. So that's on the margins bit.

**Srideep Kesavan:**

Yes. So see, if you ask me, Resha, we have -- the business is stronger in Q4 compared to, let's say, Q1, I mean, last, last year, okay? So every quarter, because we are continuously working on several initiatives to improve our business, right? And Q1 of last year would have been better than Q1 of previous year. But if you actually look at the numbers, if you look at the margins per se, the margins from Q1 to Q4 have dipped. You've seen that, right?

And that's primarily a function of raw material prices going up and mix change and several other variables. And this is why I'm saying that it's such a complex business that there are so many factors that are impacting.

So my suggestion is that if I could just say, put it in this way, that irrespective of competitive scenario or irrespective of the market volatility and the external forces, going forward, we would be stronger and stronger in our ability to withstand those external forces and be driving our performance based on internal parameters.

That's what eventually we want to take -- imagine a scenario, I don't know how many years it will take or decades. But imagine if we are able to build a truly dairy FMCG company where the brand equity is such that we are able to outprice our products and which has no relation to what is happening in the market and all of that, then we'll be unaffected by anything that happens around, right? That's the North Star, but we still continue to have 50% plus contribution coming from milk.

So these are things that cannot happen overnight. But that's what we are working hard towards. And that is why we'll say that over a long period in time, the impact of external forces acting on us will kind of diminish. And that is where we will have more command and control over the EBITDA that we deliver.

**Resha Mehta:**

Sure. And just the last one, on the margin bit again, see, Novandie, if we see, you know, after so many years, I think this JV was formed in 2018, maybe we had a hiccup with COVID, which caused delays. But after so many years, we see that it's just a INR6 crores to INR7 crores top line business. And PBT loss is now INR25 crores. Now after we consolidate this with our numbers going forward, right, this PBT loss of INR25 crores or maybe if it is higher, it will just hit us completely, right? And that could severely impact margins, PBT margins by around 70, 80 bps, right?

So what is the plan here? Do we have any hard timeline here that, let's say, if we are not able to turn around this business by, let's say, the end of next 2 to 4 quarters, are we

ready to kind of abort this project or are we very confident that, okay, in the next two quarters, we are going to kind of breakeven or some basically perspective and some thoughts if you can share here?

**Nara Brahmani:**

Thanks for the question. And I just wanted to repeat that the PBT loss that you are mentioning also includes a onetime impairment cost, which contributes half of that number. And it's purely onetime cost that we've taken on our P&L and that will continue to be there.

Secondly, it opens up an interesting opportunity, like I said, in a very important location of Maharashtra, wherein we are more efficiently able to consolidate the operations, not just in yogurts, but other value-added products with our existing operations and absorb overheads more efficiently and immediately, be it logistics, be it S&D, be it plant operations, etc.

So in addition to that, there are very interesting opportunities almost immediately coming up in the co-packing space. And we believe that the plant utilization will go north of 50% almost immediately. And within a quarter or two itself we should be able to turn around the operations very comfortably. And please also note that the JV plant is actually located in the same premises where Heritage's mother plant in Maharashtra is based. So basically the operations teams will be more or less the same and synergies will be significant and overheads will be immediately absorbed within our operations.

In addition, it gives us an opportunity to provide a wider, more attractive range of products to our customers in the Maharashtra market immediately and other surrounding markets as well. So please don't be under the impression that any losses will continue. We expect to turn around our operations there within a quarter or so.

**Moderator:**

Next question comes from the line of Rishi Kothari with Pi Square Investments. Please go ahead.

**Rishi Kothari:**

Thank you so much for the opportunity. And congratulations on good set of numbers for the whole FY '25. I had some specific questions regarding the geographical split for our distribution that we have for the products. But can you just give me a brief idea because as we are now expanding out of Hyderabad and different, different North and Northeast of India, can we have some sort of split what exactly revenue is coming from the outside Hyderabad market per se for us? And what exactly was it probably 2, 3 years ago before we just initially we entered at that time?



- Nara Brahmani:** I just wanted to mention that, of course, our Telugu states are the biggest markets, but the fastest-growing markets are the newer markets for us. And also outside of the core markets in the surrounding areas. More specific numbers can be shared one-on-one when we meet, but we are seeing exciting growth in our newer markets as of now.
- Rishi Kothari:** But just can you give me which states are we looking at for this expansion growth, of course, not numbers for now. We can talk about this later over some different calls. But in general, I wanted to have what states you are looking at for the growth market?
- Nara Brahmani:** Going forward, we intend to focus on the existing states of operations itself. We believe that there is huge untapped potential in milk as well as value-added products.
- Rishi Kothari:** Okay. Interesting. And the question regarding this acquisition /increase in stake in Mamie Yova, right? So we are saying that within a quarter, we'll make this turnaround, make it a profitable which will be beneficial for us. What exactly is the value add for this company? Are we just looking like a contract manufacturing for this? How exactly is it?
- Nara Brahmani:** Yes. So the company will continue to manufacture yogurts within the same brand within other brands, like I mentioned earlier, Heritage could also manufacture yogurts and other products. And of course, contract manufacturing, like how we had a relationship with Nestle is also an opportunity. In fact, as we speak now, we are also in the advanced stages of closing out on an agreement with a prominent player.
- Moderator:** Next question comes from the line of Ankur Gulati with Genuity Capital. Please go ahead.
- Ankur Gulati:** Thanks. First of all, congratulations for great results and very sensible capital allocation. Just from a strategy perspective, you guys have a brand, you have a distribution network. Any thoughts on using this platform to push non-dairy products, even if it entails using contract manufacturing? So broader strategy, any thoughts on non-dairy products being pushed through?
- Srideep Kesavan:** At this point in time, it is very tempting. I agree with you. But at this point in time, no is the answer. The reason is that we value opportunity loss more than opportunity that we could have. So we still have a long way to go as far as dairy is concerned. So we are not looking at any non-dairy at this point in time.

- Ankur Gulati:** Okay. And in the last question, you mentioned you are discussing something with another partner or I think if you can give me more details? Is this acquisition or is this distribution, what?
- Nara Brahmani:** So what I was saying, Ankur, is that there are several opportunities, including contract manufacturing opportunities to maximize capacity utilization of the JV plant, which is based in our existing premises in Maharashtra.
- Moderator:** Next question comes from the line of Kiran Kumar with Green Investors. Please go ahead.
- Kiran Kumar:** Congratulations on this good set of numbers. My question is more on the numbers. Like in the total revenue growth, how much is like because of the bulk, like for Q4 of this '25, what was the total bulk sale in value?
- J. Samba Murthy:** FY '25 total bulk sale is INR125.4 crores, whereas in FY '24 it was INR159 crores.
- Kiran Kumar:** Sir, this is for Q4 or full year?
- J. Samba Murthy:** Q4 it is INR38.6 crores.
- Kiran Kumar:** For last year?
- J. Samba Murthy:** Last year it was INR34 crores.
- Kiran Kumar:** Okay. I just asked about the numbers regarding the bulk sale and I got the numbers. Thank you.
- Moderator:** Next question comes from the line of Aditya with Securities Investment Management. Please go ahead.
- Aditya:** Yes. Hi, sir. Thanks for the opportunity. We have seen an increase in procurement prices this quarter. So have the procurement prices stabilized or we are witnessing further increase in April and May?
- Srideep Kesavan:** Yes, procurement prices more or less has stabilized is the way I'd like to answer, but that is only at this point in time. It's very difficult to predict over a very long period in time. As you know, that we are in the cusp of a flush season in the South of India. We will have to see how the flush progresses, how the demand in the market continue.

At the end of the day, it is just a demand and a demand-supply equation, right? So we'll have to see how it works out. And the Buffalo flush happens later in the year, calendar year, starting from October, November onwards. So that also is yet to be seen. But at this point in time, in this moment, it is stable.

**Aditya:** Understood. And sir, just wanted to understand when does the cow flush start in the South? And with unseasonal rains happening, shouldn't it be beneficial for a better cow flush in May and June?

**Srideep Kesavan:** Yes, the flush has started. And we are also hoping that it is beneficial. We'll have to see, but then there are lots of factors, yes.

**Aditya:** Understood, Sir.

**Moderator:** Thank you. Next question comes from the line of Ankit Minocha from Adezi Ventures Family Office. Please go ahead.

**Ankit Minocha:** Hi. I joined in a little late, so sorry if this is a repeat. But if you can just give an outlook on considering the current situation on raw milk prices with your prices, etc., what is the EBITDA margin outlook that you're looking at for the Q1 and Q 2 currently?

**Srideep Kesavan:** So yes, Ankit, if I can summarize what's happened in the quarter that we just concluded quarter four, we had raw milk prices, which had increased by 3% or so compared to previous year same quarter. And market milk prices had gone up. We had corrected the milk prices also relatively during this period by about 1.4% and that -- and various value-added products in the range of 4 to 5 percentage.

And this price correction is an average of January, February, March because the price correction started sometime from end of Jan or beginning or middle of February. So we didn't see the full impact of the price corrections, which you will see from quarter one onwards. So which means if I could just summarize, a large part of the raw milk price increases, we have passed on to the consumers.

So the net impact of -- due to price is minimal there. It is there because we have not completely passed on the entire price increase on the raw milk side to the consumer, a little bit of which we have absorbed, which is what you will see in terms of margins, in terms of milk, the milk margins have actually come down a little bit by about 0.5, 0.6 percentage due to this. But that said, while I was answering the previous person who asked this question on outlook. Currently, it is stable at this point in time. But does that

mean that the prices will further go up or come down? We are not sure. We are watching.

And just in the beginning of this month, month of May, the leading cooperative brands also increased their prices by about INR2 per liter. We have not taken up the prices, but we might look at selective increasing of prices in the coming months and quarters. So we will have to see all of that. The margin will be an evolution of all of that.

**Moderator:** Next question comes from the line of Rohit with Samatva Investments. Please go ahead.

**Rohit:** Good evening and thank you for the opportunity. So my first question is on the value-added products. So if I look in the last 1 year, 1.5 years, the horizontal expansion has been pretty aggressive in the value-added part. So I just wanted to know what are your plans going forward? Are we going to start consolidating the products that we have or are we going to continue to get into new product categories?

**Srideep Kesavan:** Yes. Thank you, Rohit, for that nice comment. Yes, we are -- see we are doing multiple things, right? I mean, if I can say there are three things that we are doing. One is we are building categories. What do I mean by building categories? The growth that we are getting is by converting unpackaged or unorganized consumption to organized branded consumption. That is the primary growth driver.

Let's say, for example, a product like curd, I don't think there is anyone in the country who hasn't eaten curd. Like it's not -- we are not selling things like cookies or laundry detergents and all of that, which like you'll still find large people who have never had that product, right? In our case, all the products everybody has had. It's just that they haven't had it in a branded form or in a packaged form, right?

We are accelerating the transition from unorganized to organized and that too under Heritage brand by offering certain advantages through our brand, right? So that's the category building that we are doing. At this point in time, or in the last 2 or 3 years, we were significantly focused on building curd and paneer. These two categories, these two categories -- these were the two categories that we have significantly invested in building, right, whether it is advertising or whether it is distribution, whether it is in terms of new products, new innovations, new packaging etc., right? And it has actually paid -- feel great returns.

Our Executive Director, Brahmani sometime back said that the paneer has been consistently growing upwards of 50% for us for quite a long time now. So this all have paid dividends. Now we are expanding. We are looking at newer categories. Right now, we are in the middle of reviving the whole drinkables category with investing and creating a new brand called as Livo. Livo is our new flavored milk brand. This, we hope will help revive the flavored milk category itself.

Milk is a fantastic -- flavored milk is a fantastic beverage to have when you think about sustained energy as in -- today, the market is full of all carbonated and noncarbonated sweetened artificial beverages. Compare that with the nutritious milk-based energy drink that you could have, right? That is Livo. So we are working on re-launching and repurposing that brand. So that will give us renewed growth in drinkables as a category.

The other categories that we are thinking of building over the next few years would be ice creams is one. We have made a capex investment in enhancing our capacity of ice cream plant, which will get commissioned by the end of this calendar year. And next financial year, we will have the full force of that new capex investment. So along with the capex, we are also investing in building ice cream as a category, right, creating new products, innovations, brand etc.

And the fifth one category that we'll be investing in the future would be ghee. Ghee is also something that we need to invest in building, growing in terms of increasing the consumer value so that we are able to reduce the losses, in fact, actually turn around and make it a hugely profitable business for us. So these are all things that we will do continuous -- so while curd and paneer are our mainstay as of today, we want to create more and more mainstay in terms of value-added products, which will actually expand the portfolio over the years to come.

**Rohit:**

Got it. So sir, the reason for me asking this question is to build a brand, it takes time, it takes money, and it may have a short-term impact on our profitability. So that was my reason for asking. So you said curd and paneer, it's been quite some time. But these new products that you have just said, drinkables and ice creams. So in terms of profitability, how much of a hit are we going to take? Because drinkables, it's been some time we have been in this segment...

**Srideep Kesavan:**

No, no. So, that's not how we do, okay. I get what you're asking. Yes. So see, we are very judicious in doing all of these things. As in previously, a lot of people who had questions, congratulated us on expanding our EBITDA margin, right? What you did not



notice probably is that in the meantime, while we expanded our EBITDA margin, we also increased our marketing spend by about 0.8% of revenue. So despite increasing our marketing investments by about 0.8 percentage of revenue, we were able to expand EBITDA margin also.

So it's a matter of judiciously taking those calls on what to spend, when to spend, how much to spend. So it's not like going all out and spending without a plan. And which is why we are taking category-by-category. And our expenses in advertising and marketing is also very judiciously done.

For example, in terms of ice creams, large part of the investments that we'll be making will be in innovations and not necessarily in above-the-line advertising, if you get my point, right? So it will be mostly in creating fantastic products, in creating wider placements. That is where probably we'll end up investing our money and not in, let's say, above-the-line advertising.

Ghee could be a different story where we will require some amount of monies in terms of advertising. Again, flavored milk is also. So each one has a different uniqueness, and we'll be making very judicious calls so that we will drive growth not at the expense of margins.

**Moderator:** Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**M. Sambasiva Rao:** Thank you very much to all the participants for your continued interest and very active participation. We take all the feedback positively and move forward. Thank you very much.

**Moderator:** Thank you. On behalf of Heritage Foods Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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