

03 December 2025

India | Equity Research | Company Update

Heritage Foods

Dairy

Beyond the dairy aisles – structuring for broader FMCG growth

Heritage Foods Ltd (Heritage) aims to become a full-fledged FMCG player, rather than just a dairy company – the key inference from its recently held investor meet. Discussions encompassed: (1) Heritage aims to grow revenue at 15–16% CAGR by FY30 on the back of stronger VAP mix and higher realisation. (2) Organised sector's share in revenue climbed to ~18% in Q2FY26, from ~6% in FY22. Under-penetration of VAP and GST rate cuts provide further headroom for growth. (3) It plans to incur capex of ~INR 2,000mn every year on expansion of VAP categories, procurement efficiencies and other general purposes. (4) Heritage acquired 51% stake in Peanutbutter and Jelly Pvt Ltd (which owns Get-a-Way brand). It plans to aggressively invest in ice cream business. (5) It aims to deepen the penetration in its key existing markets. It does not have any plan to enter new geographies.

(6) Management reiterated their intent on investing to build capital assets, brand and distribution network without impacting the company's financial metrics. We maintain **HOLD** with a DCF-based TP of INR 475 (implied target P/E of 15x of FY28E EPS) as we model near-term earnings impact led by inflation in milk procurement prices.

Vision 2030: Clear KPIs for scalable growth

Heritage aims to reach 600k+ retail outlets and ~30mn consumer base by 2030 through omni-channel execution. The company is looking towards increasing revenue by 15–16% CAGR, supported by ~9–10% volume growth and higher net revenue per litre. VAP (ex-fats) contribution should rise to ~45% by FY30. We believe these KPIs provide visibility on steady top-line growth.

Margin expansion led by operating leverage

Margin gain will likely stem from automation, mega-hubs, and better supply-chain efficiencies. Management expects opex, as a share of revenue, to fall by ~1% by FY30 driven by better utilisation. We believe execution on these levers could drive gradual margin expansion.

SOAP (Strategy on a Page): Formula for Vision 2030

Heritage's SOAP framework lays out four simple imperatives: (1) Drive balanced growth across key categories. (2) Reduce earnings volatility by increasing net revenue per litre faster than opex. (3) Improve farmer income and productivity. (4) Establish leadership in core markets. We reckon that SOAP provides a clear blueprint that links procurement strength, brand-building and financial discipline.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	41,346	45,555	51,367	57,925
EBITDA	2,904	3,371	3,801	4,286
EBITDA Margin (%)	7.0	7.4	7.4	7.4
Net Profit	1,565	2,110	2,450	2,879
EPS (INR)	16.9	22.7	26.4	31.0
EPS % Chg YoY	45.9	34.8	16.1	17.5
P/E (x)	28.6	21.2	18.3	15.6
EV/EBITDA (x)	15.0	12.5	10.6	8.9
RoCE (%)	14.4	15.5	15.1	14.9
RoE (%)	17.6	19.8	19.4	19.3

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Market Data

Market Cap (INR)	45bn
Market Cap (USD)	498mn
Bloomberg Code	HTFL IN
Reuters Code	HEFI.BO
52-week Range (INR)	542 /352
Free Float (%)	46.0
ADTV-3M (mn) (USD)	2.8

Price Performance (%)	3m	6m	12m
Absolute	(0.1)	15.0	(0.4)
Relative to Sensex	(6.3)	10.4	(6.5)

ESG Score	2024	2025	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

17-10-2025: [Q2FY25 results review](#)

20-07-2025: [Q1FY26 results review](#)

Strategy for growth of VAP

The company plans to accelerate curd growth by increasing household penetration and creating more consumption occasions, especially in southern markets. Paneer growth will likely come from localisation campaigns that integrate paneer into daily south Indian dishes. Ice-cream expansion would be driven by a significant capacity expansion and increase in distribution reach. These categories would anchor VAP momentum and meaningfully lift mix and margin in medium term, in our view.

Growth drivers: Winning customers, deepening markets and scaling efficiency

The company's growth plan is centred on increasing the customer's purchasing occasions and deepening long-term partnerships with farmers. Supply chain efficiencies are expected to improve unit economics. In our view, these drivers position the company for sustained margin expansion and increased competitive strength.

Focus on brand building and innovation

Heritage is investing heavily in brand equity. The company's 360-degree media activation plans have increased its products' visibility. QR-linked quality reports, and R&D-backed innovation reinforce the product differentiation. We believe, brand investment will likely allow heritage to sustain its premium positioning compared to the co-operatives.

Deepening the distribution and consumer access

The company is building depth rather than breadth with a focus on metros and tier-1 clusters. Omnichannel presence across traditional trade, modern trade, Q-commerce and owned parlours increases trials and visibility. We believe deeper penetration in existing markets allows it to sustain its growth momentum.

Procurement moat and farmer stickiness

The company's relationship with 300k+ farmers remains its most defensible advantage. Transparent measurement, fair pricing, thrice-monthly payments and no milk holiday policy ensure reliable supply. The federated model, with chilling centres placed within 25kms of villages, reduces transit time and improves milk quality. This stable supply is the backbone of the company's VAP strategy.

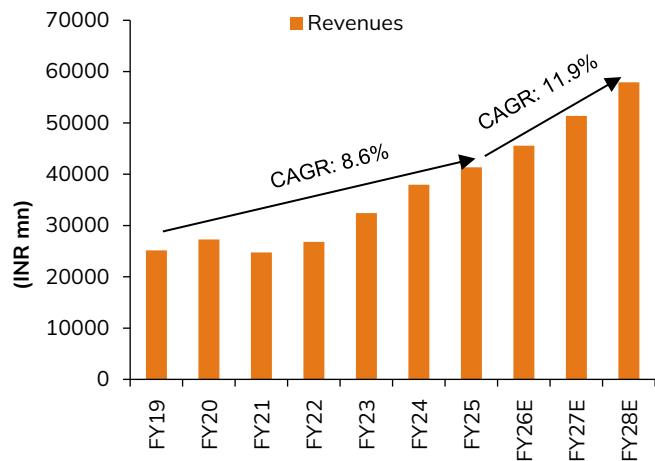
Valuation

We model Heritage to report revenue/PAT CAGRs of 11.9%/22.5% over FY25–28E and RoCE to remain strong (>CoC) over FY25–28E. Maintain **HOLD** with a DCF-based TP of INR 475 (implied target P/E of 15x FY28E EPS).

Key risks: Higher competitive pressures; steep inflation in raw material prices; and stronger-than-expected economic recovery.

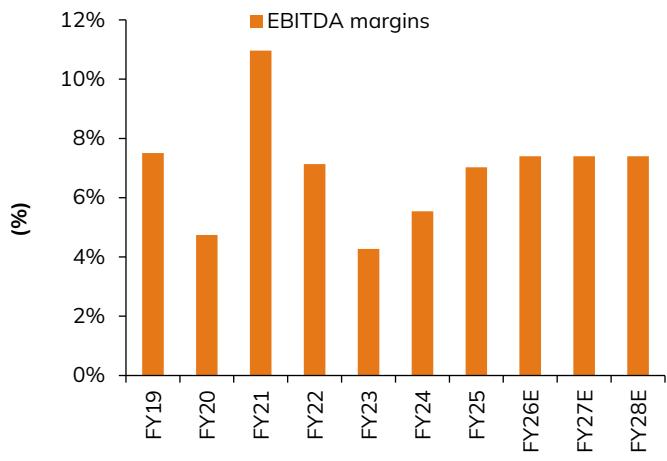
Key highlights – annual

Exhibit 1: Revenue growth trend



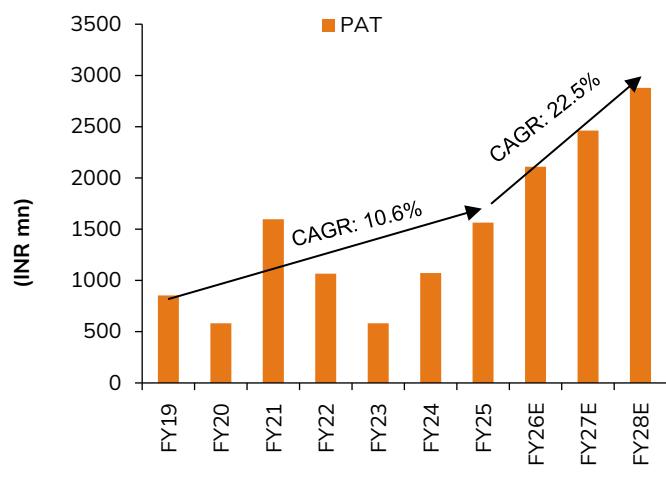
Source: Company data, I-Sec research

Exhibit 2: EBITDA margin trend



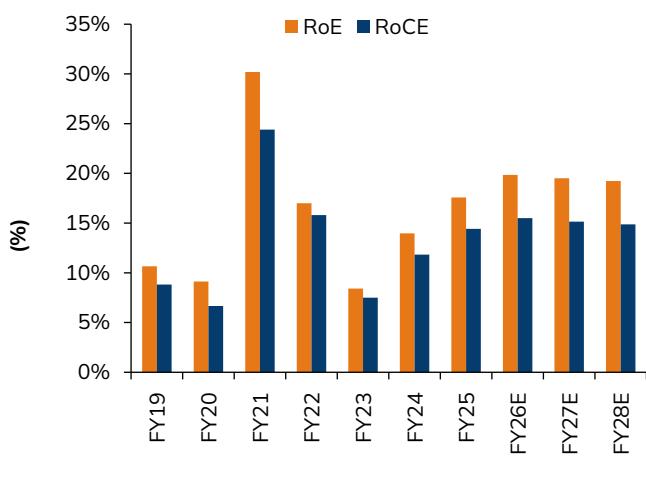
Source: Company data, I-Sec research

Exhibit 3: PAT growth trend



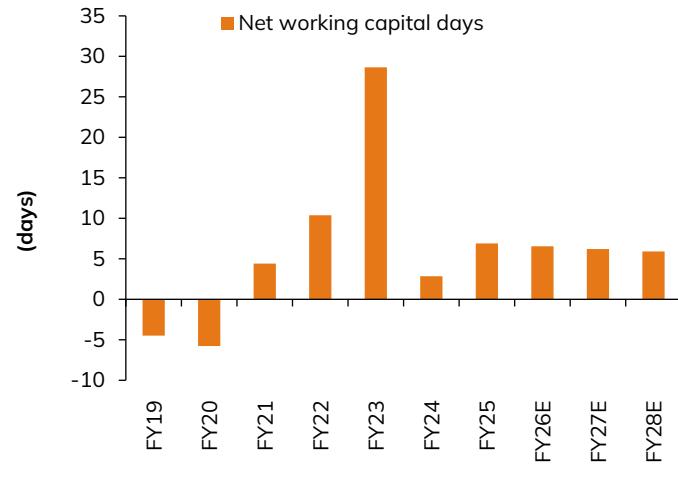
Source: Company data, I-Sec research

Exhibit 4: Return ratios trend



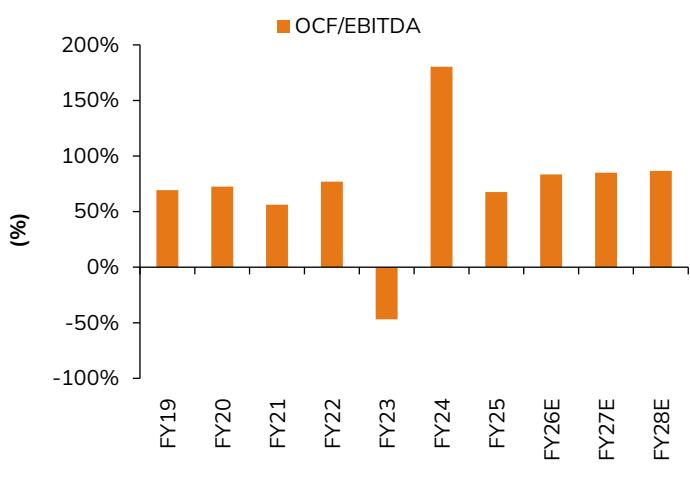
Source: Company data, I-Sec research

Exhibit 5: Net working capital days



Source: Company data, I-Sec research

Exhibit 6: OCF/EBITDA



Source: Company data, I-Sec research

Valuation

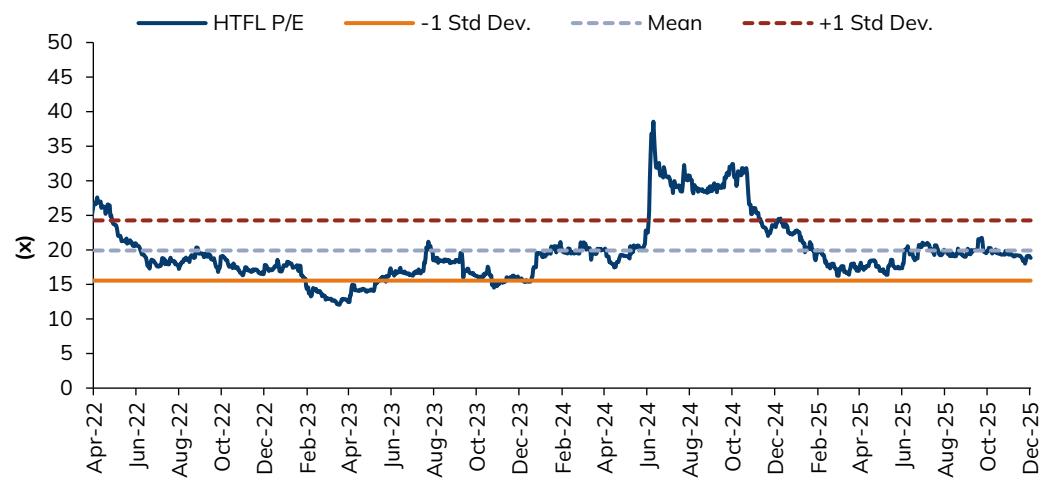
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Exhibit 7: DCF-based valuation

Particulars	
Cost of Equity (%)	11.0%
Terminal growth rate (%)	4.0%
Discounted interim cash flows (INR mn)	17,474
Discounted terminal value (INR mn)	26,605
Total equity value (INR mn)	44,078
Value per share (INR)	475

Source: Company data, I-Sec research

Exhibit 8: Mean PE (x) and standard deviations



Source: Company data, I-Sec research

Risks

Sharp increase in input prices and/or competition

Any major increase in commodity prices and/or competitive intensity may result in a downside to our estimates.

Economic recovery

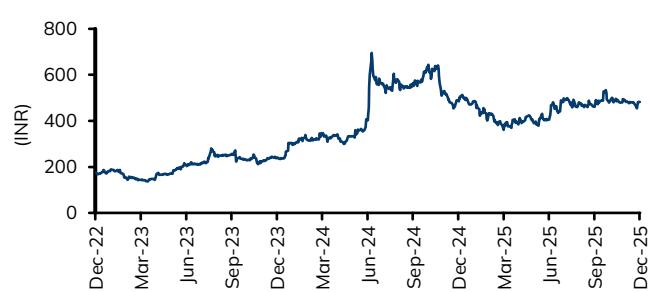
Stronger-than-expected economic recovery.

Exhibit 9: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	41.3	41.3	41.3
Institutional investors	10.5	10.3	8.9
MFs and others	3.8	3.9	3.9
FIIs/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.0
FIIs	6.7	6.4	5.0
Others	48.2	48.4	49.8

Source: Bloomberg, I-Sec research

Exhibit 10: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	41,346	45,555	51,367	57,925
Operating Expenses	38,442	42,184	47,566	53,639
EBITDA	2,904	3,371	3,801	4,286
EBITDA Margin (%)	7.0	7.4	7.4	7.4
Depreciation & Amortization	696	739	829	901
EBIT	2,209	2,632	2,972	3,386
Interest expenditure	154	134	134	134
Other Non-operating Income	279	336	451	611
Recurring PBT	2,333	2,834	3,288	3,862
Profit / (Loss) from Associates	(69)	(10)	(10)	(10)
Less: Taxes	700	714	829	973
PAT	1,634	2,120	2,460	2,889
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	(107)	-	-	-
Net Income (Reported)	1,458	2,110	2,450	2,879
Net Income (Adjusted)	1,565	2,110	2,450	2,879

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	4,989	4,237	4,698	5,312
of which cash & cash eqv.	697	232	228	318
Total Current Liabilities & Provisions	3,512	3,189	3,596	4,055
Net Current Assets	1,478	1,048	1,102	1,257
Investments	2,504	4,504	6,304	8,504
Net Fixed Assets	7,411	8,351	8,622	8,821
ROU Assets	-	-	-	-
Capital Work-in-Progress	680	-	-	-
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	12,071	13,903	16,028	18,582
Liabilities				
Borrowings	2,065	2,065	2,065	2,065
Deferred Tax Liability provisions	287	287	287	287
other Liabilities	-	-	-	-
Equity Share Capital	464	464	464	464
Reserves & Surplus	9,256	11,087	13,212	15,766
Total Net Worth	9,720	11,551	13,676	16,230
Minority Interest	-	-	-	-
Total Liabilities	12,071	13,903	16,028	18,582

Source Company data, I-Sec research

Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Dec-24	Mar-25	Jun-25	Sep-25
Net Sales	10,339	10,485	11,368	11,125
% growth (YOY)	9.9	10.3	10.1	9.1
EBITDA	741	805	739	772
Margin %	7.2	7.7	6.5	6.9
Other Income	83	65	53	52
Extraordinaries	(3)	(99)	(3)	94
Adjusted Net Profit	431	475	405	416

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	1,965	2,814	3,221	3,714
Working Capital Changes	(544)	(35)	(58)	(66)
Capital Commitments	(1,764)	(1,000)	(1,100)	(1,100)
Free Cashflow	173	1,814	2,121	4,814
Other investing cashflow	(549)	(2,000)	(1,800)	(2,200)
Cashflow from Investing Activities	(2,314)	(3,000)	(2,900)	(3,300)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	441	-	-	-
Dividend paid	(232)	(278)	(325)	(325)
Others	-	-	-	-
Cash flow from Financing Activities	209	(278)	(325)	(325)
Chg. in Cash & Bank balance	(140)	(465)	(4)	89
Closing cash & balance	645	232	228	318

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	16.9	22.7	26.4	31.0
Adjusted EPS (Diluted)	16.9	22.7	26.4	31.0
Cash EPS	24.4	30.7	35.3	40.7
Dividend per share (DPS)	2.5	3.0	3.5	3.5
Book Value per share (BV)	104.7	124.5	147.4	174.9
Dividend Payout (%)	14.8	13.2	13.3	11.3
Growth (%)				
Net Sales	9.0	10.2	12.8	12.8
EBITDA	38.2	16.1	12.8	12.8
EPS (INR)	45.9	34.8	16.1	17.5
Valuation Ratios (x)				
P/E	28.6	21.2	18.3	15.6
P/CEPS	19.8	15.7	13.7	11.9
P/BV	4.6	3.9	3.3	2.8
EV / EBITDA	15.0	12.5	10.6	8.9
P / Sales	1.1	1.0	0.9	0.8
Dividend Yield (%)	0.5	0.6	0.7	0.7
Operating Ratios				
Gross Profit Margins (%)	25.0	21.3	21.3	21.3
EBITDA Margins (%)	7.0	7.4	7.4	7.4
Effective Tax Rate (%)	30.0	25.2	25.2	25.2
Net Profit Margins (%)	4.0	4.7	4.8	5.0
NWC / Total Assets (%)	6.5	5.9	5.5	5.1
Net Debt / Equity (x)	(0.1)	(0.2)	(0.3)	(0.4)
Net Debt / EBITDA (x)	(0.4)	(0.8)	(1.2)	(1.6)
Profitability Ratios				
RoCE (%)	14.4	15.5	15.1	14.9
RoE (%)	17.6	19.8	19.4	19.3
RoIC (%)	19.6	22.5	24.6	27.1
Fixed Asset Turnover (x)	4.1	4.0	4.0	4.2
Inventory Turnover Days	33	27	27	27
Receivables Days	4	4	4	4
Payables Days	31	25	25	25

Source Company data, I-Sec research

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