ADD (Maintain)

CMP: **INR 929** Target Price: **INR 1,000 (INR 1,020)** ▲ 8%

ICICI Securities

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22 July 2026

India | Equity Research | Results Update

Hatsun Agro Products

Dairy

Strong VAP demand; margins impacted by milk inflation

Hatsun Agro (Hatsun) reported robust revenue growth of 19.3% YoY in Q1FY27, supported by strong traction in VAP categories. We note: (1) Hatsun continued to see solid traction in summer-related products like ice-cream, buttermilk and lassi. We believe price hikes were in mid-single digits. (2) However, profitability remains impacted due to elevated milk procurement prices and higher packaging costs. (3) Its gross/EBITDA/PAT margin contracted 314/258/89bps YoY. (4) We note that the mini flush season of Apr-May'26 did not materialise as expected, causing milk procurement prices to remain elevated. We believe procurement prices could face inflationary pressure in the coming months as well. (5) Since cooperatives have raised prices, we believe there is an opportunity for private players such as Hatsun to raise prices to maintain/ expand margins ahead.

We believe that the company's focus on expanding its VAP portfolio, as well as strengthening the farmer and distribution networks, could support healthy earnings growth over the medium term. Maintain **ADD** with a DCF-based revised TP of INR 1,000 (earlier: NR 1,020; implied P/E works out to 38x FY28E EPS).

Q1FY27 result overview

Hatsun reported revenue growth of 19.3% YoY. However, EBITDA/adj. PAT declined by 2.8%/1.1% YoY. Growth was led by strong traction in VAP and summer products like ice cream, buttermilk and lassi. Gross margin contracted 314bps YoY due to higher milk procurement prices and steep inflation in packaging materials. EBITDA margin contracted only by 258bps YoY, led by cost-optimisation measures. Further, PAT margin contracted only by 89bps YoY due to lower interest costs (-27.1% YoY) and lower taxes (-24.6% YoY).

Potential price hikes due to elevated milk inflation

We note that dairy cooperatives have already raised milk selling prices. With procurement prices likely to remain elevated, further price hikes are expected. This presents a significant opportunity for private dairy companies to also implement price hikes. We see room for private firms, such as Hatsun, to follow suit and implement price hikes, thereby maintaining margins.

Financial Summary

Y/E March (INR mn)	FY25A	FY26A	FY27E	FY28E
Net Revenue	86,998	99,592	108,221	120,354
EBITDA	10,101	11,766	12,344	13,721
EBITDA Margin (%)	11.6	11.8	11.4	11.4
Net Profit	2,788	3,562	4,754	5,797
EPS (INR)	12.5	16.0	21.3	26.0
EPS % Chg YoY	4.3	27.8	33.5	21.9
P/E (x)	74.2	58.1	43.5	35.7
EV/EBITDA (x)	22.7	18.9	17.6	15.3
RoCE (%)	9.5	11.5	14.6	18.0
RoE (%)	16.9	19.5	22.7	23.8

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Market Data

Market Cap (INR)	207bn
Market Cap (USD)	2,149mn
Bloomberg Code	HTSMF IN
Reuters Code	HAPL.BO
52-week Range (INR)	1,179 /731
Free Float (%)	25.0
ADTV-3M (mn) (USD)	0.3

Price Performance (%)	3m	6m	12m
Absolute	(5.5)	(1.8)	(4.6)
Relative to Sensex	(3.2)	3.6	1.2

ESG Score	2024	2025	Change
ESG score	**57.2**	**56.2**	**(1.0)**
Environment	33.7	35.3	1.6
Social	59.4	60.9	1.5
Governance	78.0	72.4	(5.6)

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

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY27E	FY28E
Revenue	0.0	0.0
EBITDA	(3.4)	(3.4)
EPS	(9.4)	(9.4)

Previous Reports

20-05-2026: Q4FY26 results review

19-01-2026: Q3FY26 results review

Focusing on expanding premium VAP portfolio such as ice cream

Hatsun is focusing on high-margin VAP such as ice cream and protein-based products. We believe this upgrade could support medium-term margin expansion as premiumisation trends gain traction in urban and semi-urban markets.

Maintain ADD

We model Hatsun to report FY26–28E revenue/PAT CAGR of 9.9%/27.6%, respectively. At our DCF-based revised TP of INR 1,000 (earlier: NR 1,020), implied P/E works out to 38x FY28E EPS. Maintain **ADD**.

Key risks: Higher competitive pressure and material inflation in RM prices.

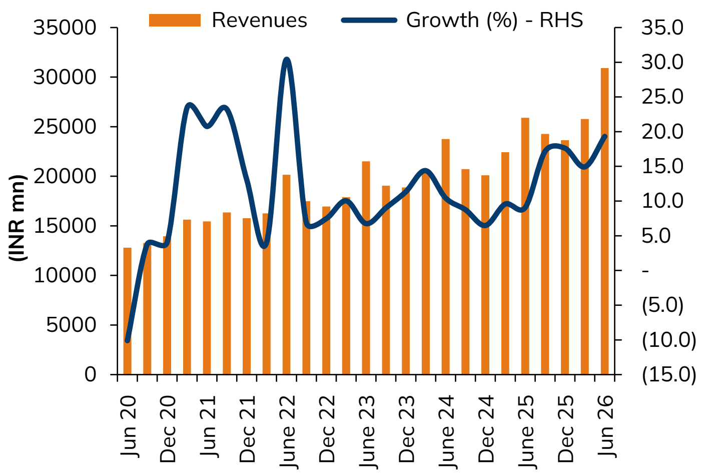
Exhibit 1: Q1FY27 financial performance

Y/e March (INR mn)	Q1FY27	Q1FY26	YoY % chg.	Q4FY26	QoQ % chg.
Revenue	**30,905**	**25,903**	**19.3**	**25,776**	**19.9**
Expenditure					
Raw materials	21,892	17,535	24.8	18,598	17.7
% of revenue	70.8	67.7		72.2	
Employee cost	850	689	23.4	799	6.4
% of revenue	2.7	2.7		3.1	
Other expenditure	4,657	4,071	14.4	4,027	15.6
% of revenue	15.1	15.7		15.6	
Total expenditure	27,398	22,295	22.9	23,423	17.0
EBITDA	**3,507**	**3,608**	**(2.8)**	**2,353**	**49.1**
EBITDA margin	*11.3*	*13.9*		*9.1*	
Other income	29	39	(26.3)	26	12.0
PBDIT	**3,536**	**3,648**	**(3.1)**	**2,379**	**48.6**
Depreciation	1,513	1,371	10.3	1,458	3.7
PBIT	**2,023**	**2,276**	**(11.1)**	**920**	**119.8**
Interest	316	434	(27.1)	323	(2.0)
PBT	**1,707**	**1,842**	**(7.4)**	**598**	**185.6**
Prov. for tax	370	491	(24.6)	89	316.6
% of PBT	21.7	26.6		14.9	
Adjusted PAT	**1,337**	**1,352**	**(1.1)**	**509**	**162.7**
Extra ordinary items	(4)	2	NMF	(6)	**(39.7)**
Reported PAT	**1,333**	**1,353**	**(1.5)**	**503**	**165.2**

Source: Company data, I-Sec research

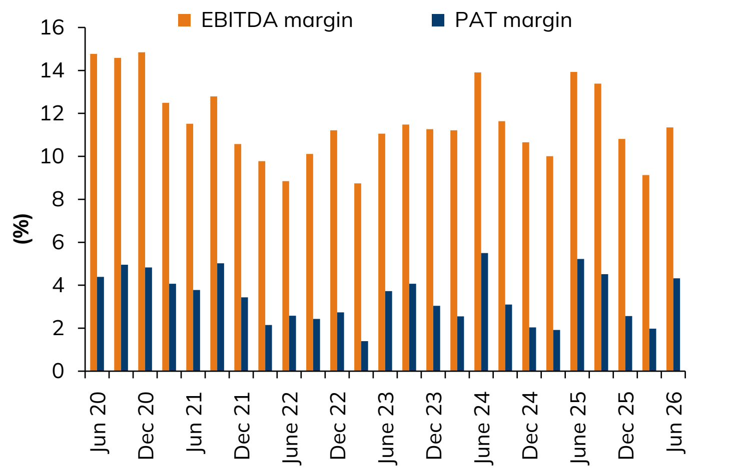
Key performance highlights

Exhibit 2: Revenue and revenue growth



Source: Company data, I-Sec research

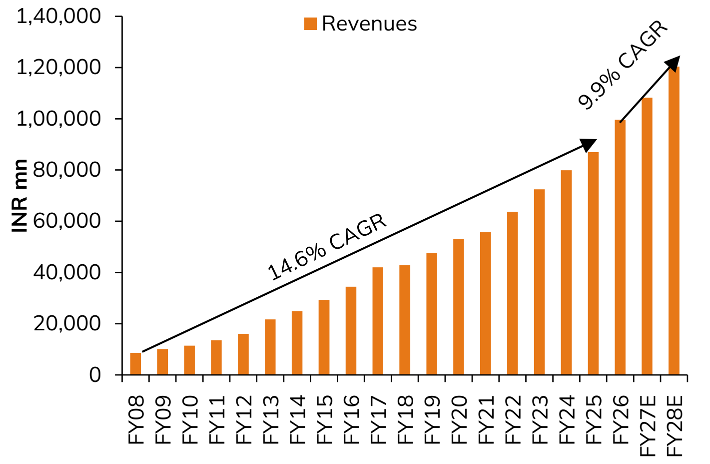
Exhibit 3: EBITDA margin



Source: Company data, I-Sec research

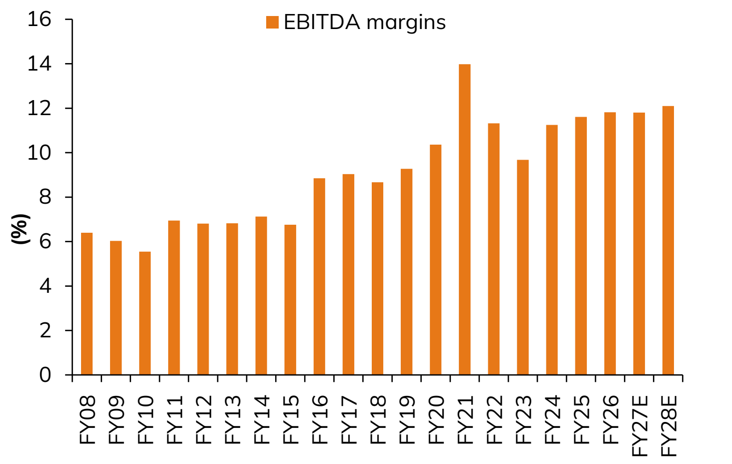
Key highlights – annual

Exhibit 4: Revenue growth trend



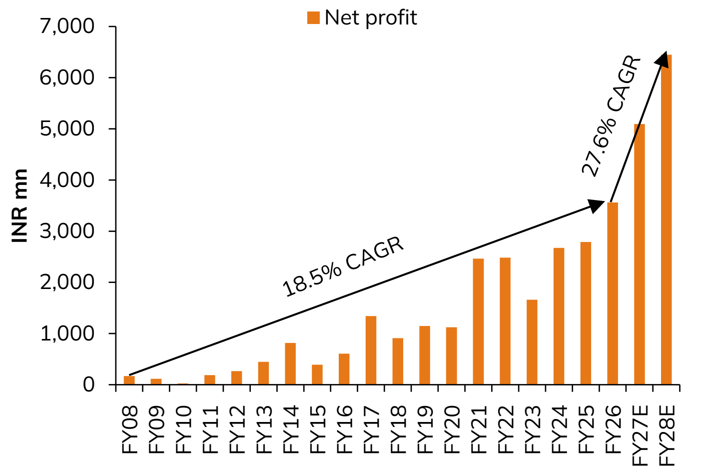
Source: Company data, I-Sec research

Exhibit 5: EBITDA margin trend



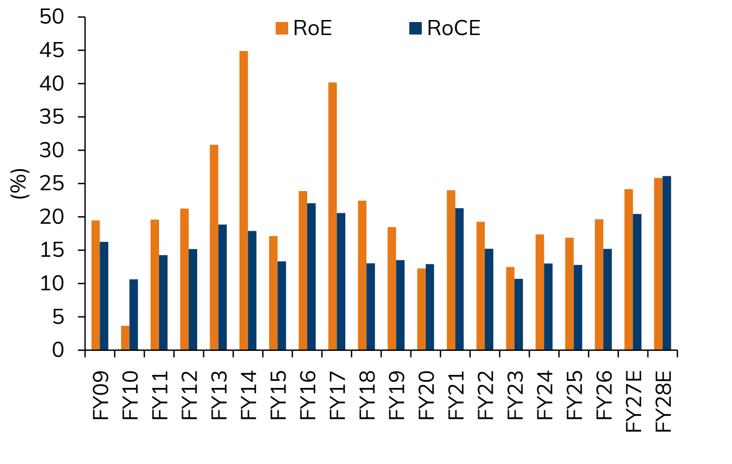
Source: Company data, I-Sec research

Exhibit 6: PAT growth trend



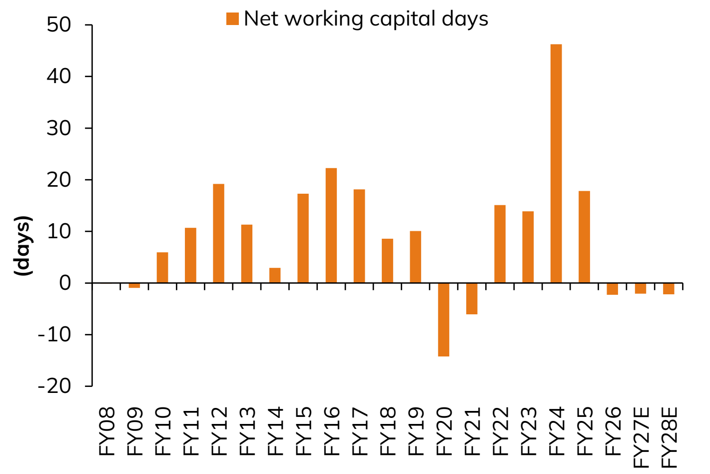
Source: Company data, I-Sec research

Exhibit 7: Return ratios trend



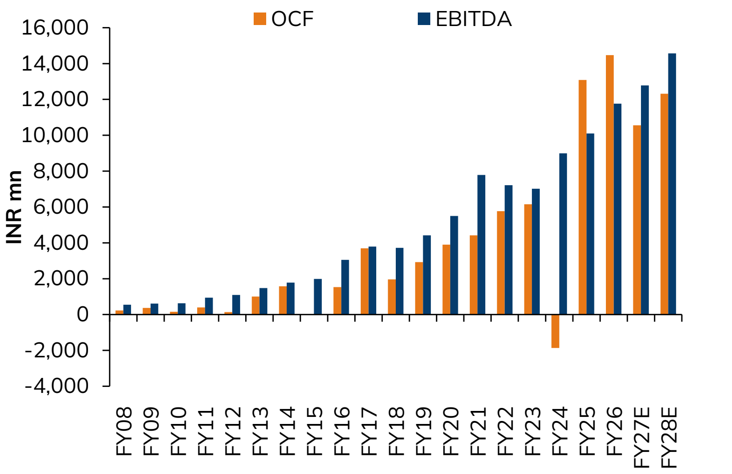
Source: Company data, I-Sec research

Exhibit 8: Net working capital days



Source: Company data, I-Sec research

Exhibit 9: OCF and EBITDA trend



Source: Company data, I-Sec research

Valuation

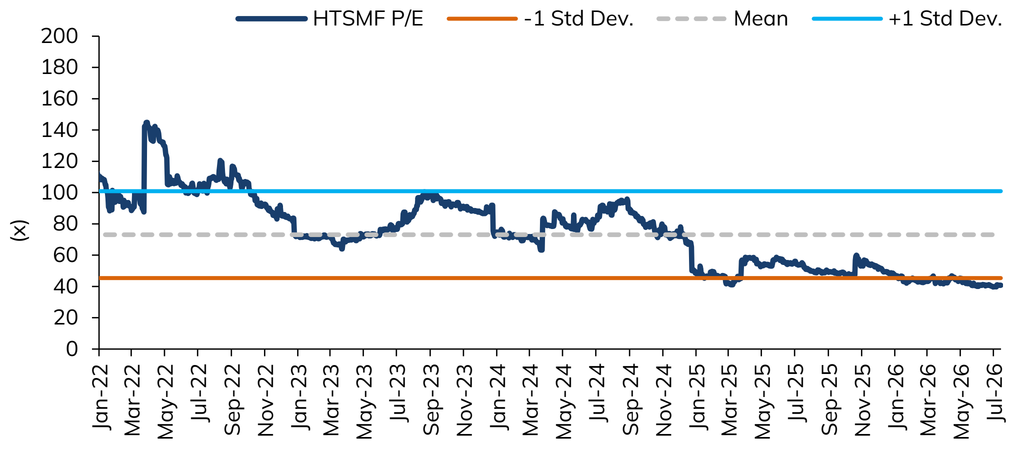
We model Hatsun to report FY26–28E revenue/PAT CAGR of 9.9%/27.6%, respectively. At our DCF-based revised TP of INR 1,000 (earlier: NR 1,020), implied P/E works out to 38x FY28E EPS. Maintain **ADD.**

Exhibit 10: DCF-based valuation

Particulars	
Cost of Equity (%)	11.6%
Terminal growth rate (%)	5.0%
Discounted interim cash flows (INR mn)	116,939
Discounted terminal value (INR mn)	105,862
Total equity value (INR mn)	222,800
Value per share (INR)	**1,000**

Source: Company data, I-Sec research

Exhibit 11: 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.

Delays in launch of new plants/products

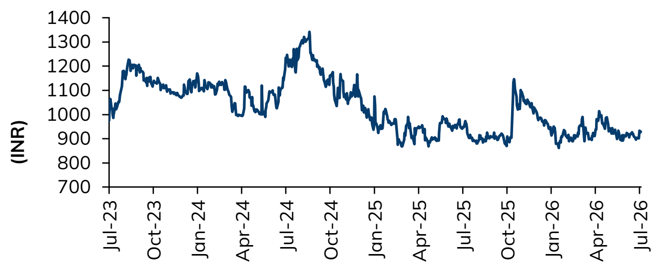
Any delays in launch of new products and/or plants may result in lower earnings than estimated.

Exhibit 12: Shareholding pattern

%	Dec'25	Mar'26	Jun'26
Promoters	73.2	73.2	73.2
Institutional investors	13.7	13.4	13.4
MFs and others	9.9	9.8	9.8
FIs/Banks	0.0	0.5	0.5
Insurance	0.0	0.0	0.0
FIIs	3.8	3.1	3.1
Others	13.1	13.4	13.4

Source: Bloomberg, I-Sec research

Exhibit 13: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Net Sales	86,998	99,592	108,221	120,354
Operating Expenses	**76,897**	**87,826**	**95,877**	**22,266**
EBITDA	10,101	11,766	12,344	13,721
EBITDA Margin (%)	**11.6**	**11.8**	**11.4**	**11.4**
Depreciation & Amortization	4,705	5,736	5,474	5,757
EBIT	5,396	6,030	6,870	7,964
Interest expenditure	1,819	1,463	745	463
Other Non-operating Income	196	137	131	127
Recurring PBT	3,773	4,705	6,255	7,628
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	**985**	**1,143**	**1,501**	**1,831**
PAT	2,788	3,562	4,754	5,797
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	2	44	-	-
Net Income (Reported)	2,790	3,606	4,754	5,797
Net Income (Adjusted)	**2,788**	**3,562**	**4,754**	**5,797**

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Total Current Assets	11,356	7,222	7,847	9,194
of which cash & cash eqv.	710	512	448	1,004
Total Current Liabilities & Provisions	6,398	7,329	8,008	8,906
Net Current Assets	**4,958**	**(107)**	**(162)**	**288**
Investments	1,714	1,664	1,664	1,664
Net Fixed Assets	32,031	34,223	31,749	29,292
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,844	586	586	586
Total Intangible Assets	705	705	705	705
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	**42,251**	**37,070**	**34,542**	**32,534**
Liabilities				
Borrowings	**24,954**	**17,651**	**12,151**	**6,351**
Deferred Tax Liability	**122**	**(26)**	**(26)**	**(26)**
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	223	223	223	223
Reserves & Surplus	16,953	19,222	22,194	25,986
Total Net Worth	**17,176**	**19,445**	**22,417**	**26,209**
Minority Interest	-	-	-	-
Total Liabilities	**42,251**	**37,070**	**34,542**	**32,534**

Source Company data, I-Sec research

Exhibit 16: Quarterly trend

(INR mn, year ending March)

	Sept-25	Dec-25	Mar-26	Jun-26
Net Sales	24,276	23,637	25,776	30,905
% growth (YOY)	17.2	17.6	14.9	19.3
EBITDA	3,250	2,555	2,353	3,507
Margin %	13.4	10.8	9.1	11.3
Other Income	43	30	26	29
Extraordinaries	2	46	(6)	(4)
Adjusted Net Profit	1,095	606	509	1,337

Source Company data, I-Sec research

Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Operating Cashflow	**13,085**	**14,466**	**10,218**	**11,662**
Working Capital Changes	5,429	5,033	(10)	108
Capital Commitments	(6,577)	(4,386)	(3,000)	(3,300)
Free Cashflow	**6,508**	**10,081**	**7,218**	**14,962**
Other investing cashflow	**(2,287)**	**19**	**-**	**-**
Cashflow from Investing Activities	(8,864)	(4,367)	(3,000)	(3,300)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(2,847)	(8,847)	(5,500)	(5,800)
Dividend paid	(1,337)	(1,337)	(1,782)	(2,005)
Others	-	-	-	-
Cash flow from Financing Activities	(4,183)	(10,183)	(7,282)	(7,805)
Chg. in Cash & Bank balance	**38**	**(84)**	**(64)**	**557**
Closing cash & balance	577	494	448	1,004

Source Company data, I-Sec research

Exhibit 18: Key ratios

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	12.5	16.0	21.3	26.0
Adjusted EPS (Diluted)	12.5	16.0	21.3	26.0
Cash EPS	33.6	41.7	45.9	51.9
Dividend per share (DPS)	6.0	6.0	8.0	9.0
Book Value per share (BV)	77.1	87.3	100.6	117.6
Dividend Payout (%)	47.9	37.5	37.5	34.6
Growth (%)				
Net Sales	8.9	14.5	8.7	11.2
EBITDA	12.4	16.5	4.9	11.2
EPS (INR)	4.3	27.8	33.5	21.9
Valuation Ratios (x)				
P/E	74.2	58.1	43.5	35.7
P/CEPS	27.6	22.2	20.2	17.9
P/BV	12.0	10.6	9.2	7.9
EV / EBITDA	22.7	18.9	17.6	15.3
P / Sales	2.4	2.1	1.9	1.7
Dividend Yield (%)	0.6	0.6	0.9	1.0
Operating Ratios				
Gross Profit Margins (%)	30.7	30.2	29.9	29.9
EBITDA Margins (%)	11.6	11.8	11.4	11.4
Effective Tax Rate (%)	26.1	24.3	24.0	24.0
Net Profit Margins (%)	3.2	3.6	4.4	4.8
NWC / Total Assets (%)	10.1	(1.7)	(1.8)	(2.2)
Net Debt / Equity (x)	1.3	0.8	0.4	0.1
Net Debt / EBITDA (x)	2.2	1.3	0.8	0.3
Profitability Ratios				
RoCE (%)	9.5	11.5	14.6	18.0
RoE (%)	16.9	19.5	22.7	23.8
RoIC (%)	9.5	11.5	14.6	18.0
Fixed Asset Turnover (x)	1.8	1.8	1.8	1.9
Inventory Turnover Days	44	23	23	23
Receivables Days	0	0	0	0
Payables Days	27	28	27	27

Source Company data, I-Sec research

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