

28 October 2025

India | Equity Research | Results update

Hatsun Agro Products

Dairy

Strong performance across parameters partially aided by sale of accumulated SMP and Fats inventory

Hatsun reported strong Q2FY26 and we believe the organic revenue growth was in high single digits adjusting for the sale of accumulated inventory of SMP and Fats. Takeaways: (1) The company has materially reduced the inventory (~INR 4,000mn in H1FY26) and it has released resources for growth. It has also repaid debt and it should result in lower interest cost ahead. (2) While its margins are near the top end of the range, we believe the difference in standalone and consolidated margins indicates potential for margin expansion in Milk Mantra. (3) The revenues were affected in Q2FY26 due to difference in dates for announcement and implementation of GST rate cuts. We believe trade/consumers would have postponed the purchases. Intense monsoon also affected offtake of VAP, in our view.

We believe Hatsun will likely be key beneficiary of cut in GST rates across dairy products and faster pace of sector formalization. To factor in reduction in debt, we raise FY27 PAT estimates by 5.6%. We remain constructive and maintain **ADD**.

Q2FY26 results

Hatsun reported strong revenue growth of 17.2% YoY. Organic revenue growth (adjusting for Milk Mantra acquisition) was 14.9% YoY. Considering the reduction in inventory, we believe the company has also sold the accumulated stock of SMP as well as fats. Adjusting for the sale of commodities, we believe the revenue growth is in high single digits. EBITDA and PAT grew 34.8% and 70.3%, YoY; standalone EBITDA and PAT grew 37.1% and 89.7%, YoY, respectively.

Reduction in inventory augurs well to drive value creation

With sharp reduction in inventory, there is reduction in debt too. We believe it will likely result in savings at the interest level. We also model steady improvement in return ratios with reduction in inventory and debt. The company can use the released capital for driving the business growth too.

Potential to drive margins of Milk Mantra

Considering the difference in standalone EBITDA margin (13.9%) and consolidated margin (13.4%) in Q2FY26, we believe margins of Milk Mantra are still materially lower than Hatsun Standalone. There is potential to drive the margins upwards. While the consolidated margins are near the top end of its range, expansion in margins of Milk Mantra could potentially provide upside risks to consolidated margins.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	86,998	97,317	1,09,359	1,22,915
EBITDA	10,101	11,348	13,021	14,629
EBITDA Margin (%)	11.6	11.7	11.9	11.9
Net Profit	2,788	3,962	5,435	6,737
EPS (INR)	12.5	17.8	24.4	30.2
EPS % Chg YoY	4.3	42.1	37.2	24.0
P/E (x)	86.3	60.7	44.3	35.7
EV/EBITDA (x)	26.0	22.4	19.0	16.5
RoCE (%)	9.5	12.5	17.3	21.3
RoE (%)	16.9	21.6	25.5	26.4

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Market Data

Market Cap (INR)	241bn
Market Cap (USD)	2,727mn
Bloomberg Code	HTSMF IN
Reuters Code	HAPL.BO
52-week Range (INR)	1,200 /817
Free Float (%)	25.0
ADTV-3M (mn) (USD)	1.0

Price Performance (%)	3m	6m	12m
Absolute	17.0	16.6	1.8
Relative to Sensex	13.0	9.6	(5.0)

ESG Score	2023	2024	Change
ESG score	59.8	57.2	(2.6)
Environment	32.7	33.7	1.0
Social	60.9	59.4	(1.5)
Governance	78.8	78.0	(0.8)

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

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	0.0	0.0
EBITDA	0.0	1.7
EPS	0.7	5.6

Previous Reports

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

29-04-2025: [Q4FY25 results review](#)

Beneficiary of reduction in GST rates

There is reduction in GST rates in multiple value-added products from 12% to 5%/ 0% and it augurs well for Hatsun Agro. We believe there was some impact on sales of value-added products due to prolonged monsoon and difference in announcement and implementation of GST from 15th Aug to 22nd Sept. There is potential impact on trade/consumer offtake during these five weeks and we believe there should be stronger growth in H2FY26.

Maintain ADD

We model Hatsun to report revenue and PAT CAGRs of 12.2% and 34.2% over FY25-28E, respectively, and RoE to move upwards. At our DCF-based revised target price of INR 1,150 (earlier: INR 1,000), implied P/E works out to 47x FY27E EPS and 38x FY28E EPS. Maintain **ADD**.

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

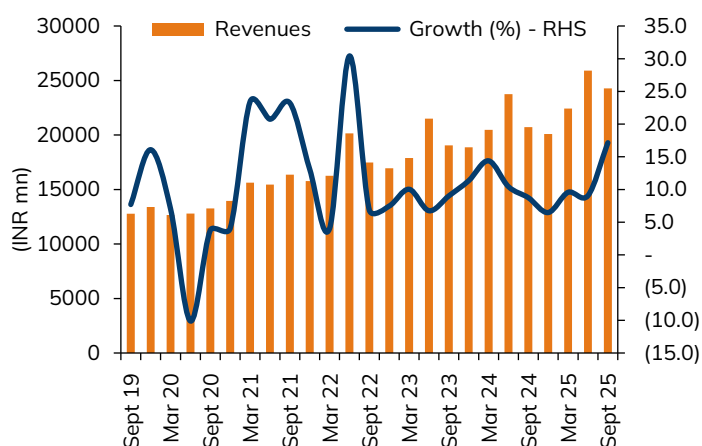
Exhibit 1: Q2FY26 financial performance

Y/e March (INR mn)	Q2FY26	Q2FY25	YoY % chg.	Q1FY26	QoQ % chg.
Revenue	24,276	20,721	17.2	25,903	(6.3)
Expenditure					
Raw materials	16,652	14,402	15.6	17,535	(5.0)
% of revenue	68.6	69.5		67.7	
Employee cost	739	602	22.9	689	7.3
% of revenue	3.0	2.9		2.7	
Other expenditure	3,635	3,306	10.0	4,071	(10.7)
% of revenue	15.0	16.0		15.7	
Total expenditure	21,026	18,310	14.8	22,295	(5.7)
EBITDA	3,250	2,411	34.8	3,608	(9.9)
EBITDA margin	13.4	11.6		13.9	
Other income	43	66	(35.6)	39	8.7
PBDIT	3,292	2,478	32.9	3,648	(9.7)
Depreciation	1,442	1,156	24.8	1,371	5.1
PBIT	1,851	1,322	40.0	2,276	(18.7)
Interest	375	447	(16.0)	434	(13.5)
PBT	1,475	875	68.6	1,842	(19.9)
Prov. for tax	380	232	63.9	491	(22.5)
% of PBT	25.8	26.5		26.6	
Adjusted PAT	1,095	643	70.3	1,352	(19.0)
Extra ordinary items	2	(9)	(126.4)	2	60.0
Reported PAT	1,098	634	73.1	1,353	(18.9)

Source: I-Sec research, Company data

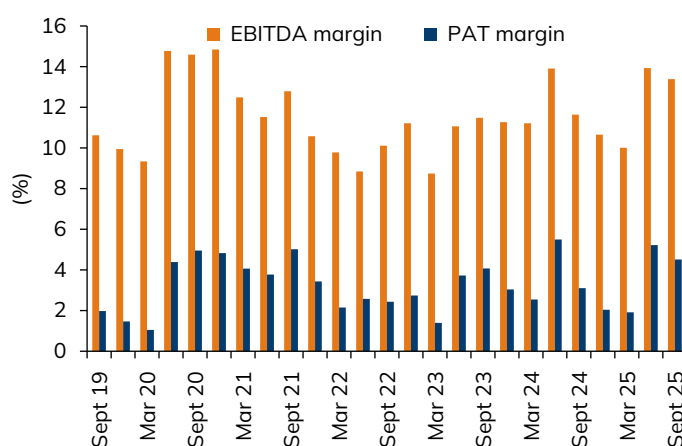
Key performance highlights

Exhibit 2: Revenue and revenue growth



Source: I-Sec research, Company data

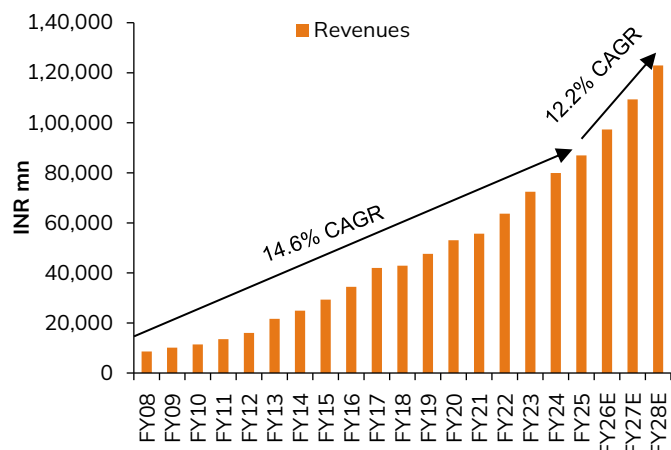
Exhibit 3: EBITDA and PAT margins



Source: I-Sec research, Company data

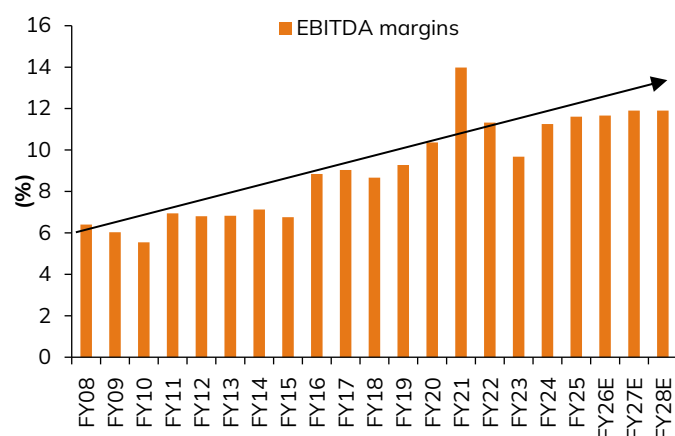
Key highlights – annual

Exhibit 4: Revenue growth trend



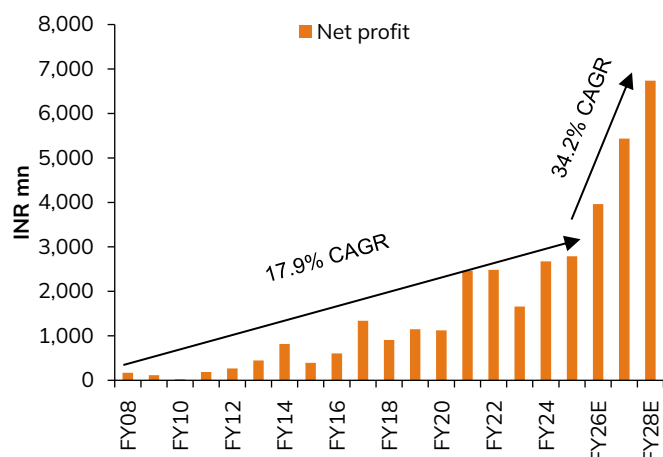
Source: I-Sec research, Company data

Exhibit 5: EBITDA margin trend



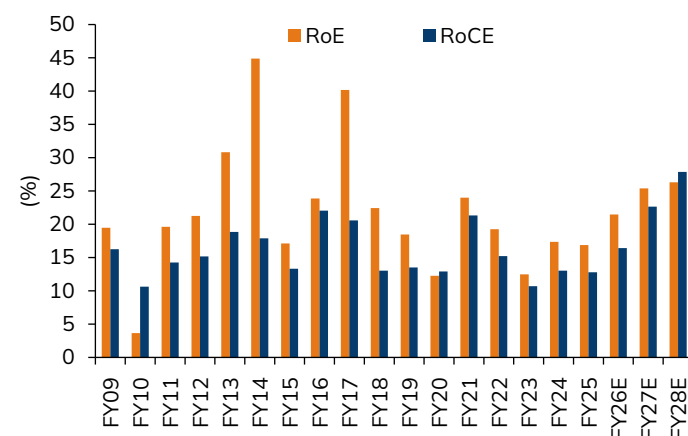
Source: I-Sec research, Company data

Exhibit 6: PAT growth trend



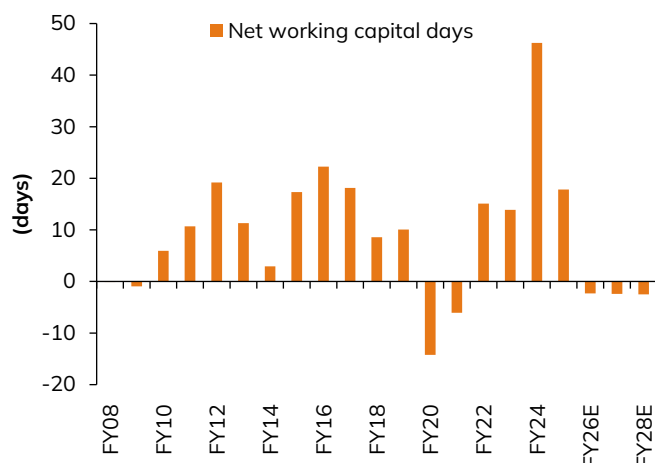
Source: I-Sec research, Company data

Exhibit 7: Return ratios trend



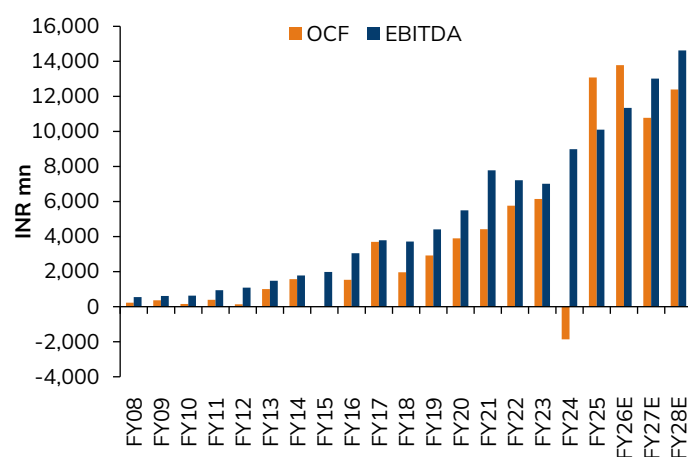
Source: I-Sec research, Company data

Exhibit 8: Net working capital days



Source: I-Sec research, Company data

Exhibit 9: OCF/EBITDA



Source: I-Sec research, Company data

Valuation

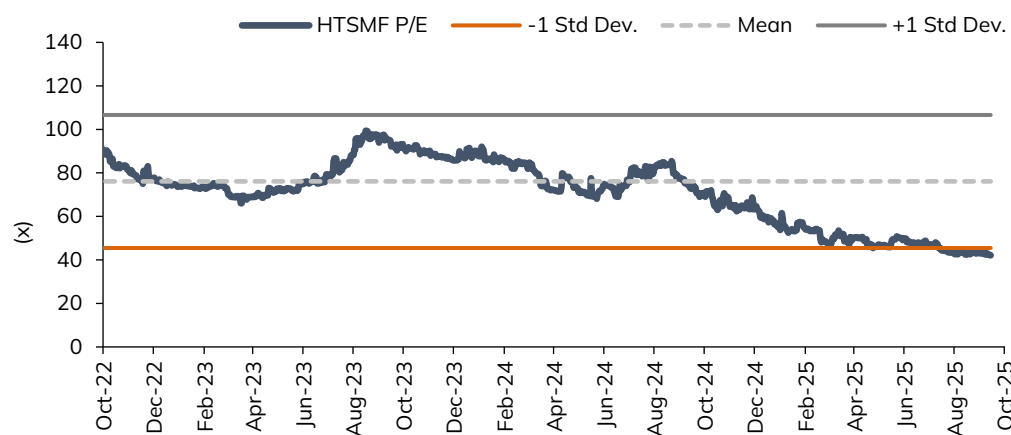
We model Hatsun to report revenue and PAT CAGRs of 12.2% and 34.2% over FY25-28E, respectively, and RoE to move upwards. At our DCF-based revised target price of INR 1,150 (earlier: INR 1,000), implied P/E works out to 47x FY27E EPS and 38x on FY28E EPS. Maintain **ADD**.

Exhibit 10: DCF-based valuation

Particulars	
Cost of Equity (%)	11.0%
Terminal growth rate (%)	5.0%
Discounted interim cash flows (INR mn)	1,26,056
Discounted terminal value (INR mn)	1,30,164
Total equity value (INR mn)	2,56,220
Value per share (INR)	1,150

Source: I-Sec research, Company data

Exhibit 11: Mean PE (x) and standard deviations



Source: I-Sec research, Company data

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

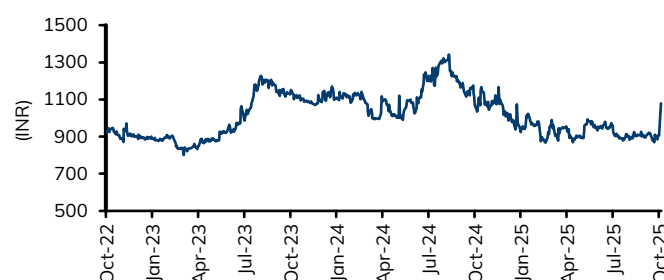
Any delays in launch of new products and/or plants may result in lower earnings than estimated.

Exhibit 12: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	73.2	73.2	73.2
Institutional investors	13.5	13.7	13.7
MFs and others	9.8	9.8	9.9
FIs/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.0
FIIIs	3.7	3.9	3.8
Others	13.3	13.1	13.1

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	FY26E	FY27E	FY28E
Net Sales	86,998	97,317	1,09,359	1,22,915
Operating Expenses	76,897	85,969	96,338	22,739
EBITDA	10,101	11,348	13,021	14,629
EBITDA Margin (%)	11.6	11.7	11.9	11.9
Depreciation & Amortization	4,705	4,962	5,235	5,531
EBIT	5,396	6,386	7,786	9,098
Interest expenditure	1,819	1,391	881	480
Other Non-operating Income	196	218	247	246
Recurring PBT	3,773	5,213	7,152	8,865
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	985	1,251	1,716	2,127
PAT	2,788	3,962	5,435	6,737
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	2	-	-	-
Net Income (Reported)	2,790	3,962	5,435	6,737
Net Income (Adjusted)	2,788	3,962	5,435	6,737

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	11,356	7,613	8,392	10,558
of which cash & cash eqv.	710	1,026	1,020	2,309
Total Current Liabilities & Provisions	6,398	7,201	8,093	9,096
Net Current Assets	4,958	411	299	1,462
Investments	1,714	1,714	1,714	1,714
Net Fixed Assets	32,031	29,869	27,634	25,403
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,844	2,844	2,844	2,844
Total Intangible Assets	705	705	705	705
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	42,251	35,542	33,195	32,127
Liabilities				
Borrowings	24,954	15,954	9,954	4,154
Deferred Tax Liability	122	122	122	122
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	223	223	223	223
Reserves & Surplus	16,953	19,244	22,896	27,628
Total Net Worth	17,176	19,466	23,119	27,851
Minority Interest	-	-	-	-
Total Liabilities	42,251	35,542	33,195	32,127

Source Company data, I-Sec research

Exhibit 16: Quarterly trend

(INR mn, year ending March)

	Dec-24	Mar-25	Jun-25	Sep-25
Net Sales	20,098	22,429	25,903	24,276
% growth (YOY)	6.5	9.6	9.1	17.2
EBITDA	2,142	2,245	3,608	3,250
Margin %	10.7	10.0	13.9	13.4
Other Income	23	85	39	43
Extraordinaries	(1)	3	2	2
Adjusted Net Profit	409	430	1,352	1,095

Source Company data, I-Sec research

Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	13,085	13,786	10,777	12,394
Working Capital Changes	5,429	4,862	107	126
Capital Commitments	(6,577)	(2,800)	(3,000)	(3,300)
Free Cashflow	6,508	10,986	7,777	15,694
Other investing cashflow	(2,287)	-	-	-
Cashflow from Investing Activities	(8,864)	(2,800)	(3,000)	(3,300)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(2,847)	(9,000)	(6,000)	(5,800)
Dividend paid	(1,337)	(1,671)	(1,782)	(2,005)
Others	-	-	-	-
Cash flow from Financing Activities	(4,183)	(10,671)	(7,782)	(7,805)
Chg. in Cash & Bank balance	38	315	(6)	1,289
Closing cash & balance	577	1,026	1,020	2,309

Source Company data, I-Sec research

Exhibit 18: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	12.5	17.8	24.4	30.2
Adjusted EPS (Diluted)	12.5	17.8	24.4	30.2
Cash EPS	33.6	40.1	47.9	55.1
Dividend per share (DPS)	6.0	7.5	8.0	9.0
Book Value per share (BV)	77.1	87.4	103.8	125.0
Dividend Payout (%)	47.9	42.2	32.8	29.8
Growth (%)				
Net Sales	8.9	11.9	12.4	12.4
EBITDA	12.4	12.3	14.7	12.4
EPS (INR)	4.3	42.1	37.2	24.0
Valuation Ratios (x)				
P/E	86.3	60.7	44.3	35.7
P/CEPS	32.1	27.0	22.5	19.6
P/BV	14.0	12.4	10.4	8.6
EV / EBITDA	26.0	22.4	19.0	16.5
P / Sales	2.8	2.5	2.2	2.0
Dividend Yield (%)	0.6	0.7	0.7	0.8
Operating Ratios				
Gross Profit Margins (%)	30.7	30.2	30.4	30.4
EBITDA Margins (%)	11.6	11.7	11.9	11.9
Effective Tax Rate (%)	26.1	24.0	24.0	24.0
Net Profit Margins (%)	3.2	4.1	5.0	5.5
NWC / Total Assets (%)	10.1	(1.7)	(2.2)	(2.6)
Net Debt / Equity (x)	1.3	0.7	0.3	0.0
Net Debt / EBITDA (x)	2.2	1.2	0.6	0.0
Profitability Ratios				
RoCE (%)	9.5	12.5	17.3	21.3
RoE (%)	16.9	21.6	25.5	26.4
RoC (%)	9.5	12.5	17.3	21.3
Fixed Asset Turnover (x)	1.8	1.8	2.0	2.1
Inventory Turnover Days	44	23	23	23
Receivables Days	0	0	0	0
Payables Days	27	27	27	27

Source Company data, I-Sec research

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