Dodla Dairy Ltd

05 June 2025

Conviction on growth intact with margin stability

COMPANY UPDATE

Sector: FMCG | **Rating: BUY**

CMP: Rs 1,330 | **Target Price: Rs 1,505**

Stock Info	
Sensex/Nifty	81,442 / 24,751
Bloomberg	DODLA IN
Equity shares (mn)	59.5
52-wk High/Low	Rs 1371 / 820
Face value	Rs10
M-Cap	Rs.79.8bn/US$0.93bn
3-m Avg Turnover	US$ 0.8mn

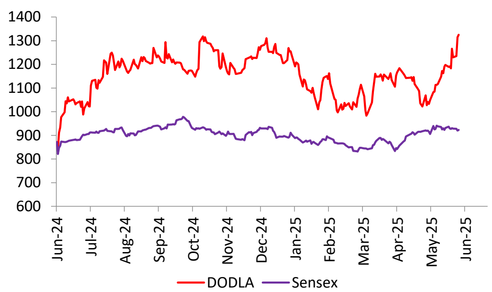
Financial Snapshot (Rs mn)

Y/E Mar	FY25	FY26E	FY27E
Sales	37,201	42,288	48,250
PAT	2,505	2,863	3,238
EPS (Rs)	41.5	47.5	53.7
PE (x)	31.9	27.9	24.7
EV/EBITDA (x)	20.8	17.7	15.0
P/BV (x)	5.7	4.8	4.1
EV/Sales	2.1	1.9	1.6
RoE (%)	17.8	17.2	16.6
RoCE (%)	20.7	19.9	19.3
NWC (days)	1.8	9.0	13.0
Net gearing (x)	-0.1	-0.1	-0.1

Shareholding pattern (%)

	Mar 25	Dec 24	Sept 24
Promoter	59.7	59.7	59.7
–Pledged	-	-	-
FII	10.4	11.0	11.6
DII	19.1	18.8	18.0
Others	10.8	10.4	10.8

Stock Performance (1-year)



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Dodla Dairy's management issued an upbeat business outlook at their roadshow hosted by Systematix. Dodla expects topline CAGR of c.15% to sustain over the medium-term (FY22-FY25 sales CAGR c.18%), sees clear visibility of double-digit growth over the next 4-5 years, and will strive to double revenues over this period. Management expects **value-added products (VAP)** to continue to grow strongly (FY25 sales salience at c.35% vs FY23 at c.27%) with convenience driving mass-premium consumption. Management sees **Africa** revenues growing to Rs 6-7bn in 3-4 years (FY25 sales of Rs 3.8bn) with operating margins at 13-15%. While the company sees significant headroom for growth in Uganda (planned expansion of capacity) and some bit in Kenya (no current plan to expand to other African nations), it will expand cautiously given a degree of currency/ country risk.

The upcoming Maharashtra greenfield plant (peak capacity of 10 LLPD) is seen as another significant growth lever, with incremental sales contribution of c.Rs 20bn at peak production longer-term, and will entail capex spend of Rs 2-2.8bn over FY26-FY27 (largely from internal accruals). **On profitability,** Dodla will look to maintain overall OPMs in the 10-11% band, and to balance growth vs margins vs return ratios; it sees RoCE of 20-25% as a healthy band (FY25 RoCE at 21% per our computation).

Near-term, Dodla flagged some impact of early onset of rains on 1Q26 sales of summer-contextual VAP products like flavoured milk, buttermilk, ice creams. However, the company will continue to aggressively procure milk at lower cost, strategically maintain high inventories of fat/SMP (planned working capital investment of c.Rs 2bn over FY26-FY27) and remain a net seller vs a net buyer earlier. Dodla highlighted that milk procurement costs are now coming off by Rs 1-2/litre with ample supply due to early rains, and the company will take similar price correction shortly.

Views: We expect FY25-FY27E revenue CAGR of c.14% led by stable India/ robust Africa volumes (c.5%/ 15% CAGR), product mix improvement leading to firm realizations, sustained high VAP growth of 20%+, incremental sales from the built-up inventory and increased contribution from recent Kenya and Orgafeed expansions (we expect Africa business FY25-FY27E sales CAGR of c.20%). The upcoming Maharashtra plant provides incremental revenue visibility of Rs 8-10bn over FY28-FY29E with peak-level addition of Rs 20bn longer-term, adding to growth in the domestic business (we expect India FY25-FY27E sales CAGR of c.13%). Margins should sustain above 10% with (1) moderating input-cost inflation (milk softening), (2) product mix getting better (VAP, Africa growing faster vs base milk business) and (3) stabilizing share of bulk sales (sold at breakeven), despite higher expansion-related costs.

Valuation: Our FY25-FY27E revenue/ EPS estimates are largely unchanged; we expect revenue/ PAT CAGR of 14% over FY25-FY27E. We maintain BUY rating on Dodla and value the stock on P/E of 28x March-2027E EPS, at a 20% premium to its historical multiple since listing, resulting in a TP of Rs 1,505. We believe a premium multiple is achievable given confidence on growth, sustained high margins and deft capacity expansion opening up additional levers of growth.

Investors are advised to refer disclosures made at the end of the research report.

Key takeaways from the management roadshow

Outlook

- Management guided for topline CAGR of c.15% over the medium term, driven by a combination of volume and price / mix.
- Double-digit growth is clearly visible over the next 4-5 years; looking to achieve 2x sales in this period.
- The company expects Africa sales to grow to Rs 6-7bn in 3-4 years (Rs 3.8bn in FY25) with operating profit margin at 13-15% (FY25 OPM was limited by Kenya capacity ramp-up spend).
- Dodla has no plans to expand operations to other African countries at present; it sees significant headroom for growth in Uganda and some bit in Kenya. Management also noted some degree of currency/country risk in Kenya/Uganda, and will expand cautiously here.
- The company sees Orgafeed revenues growing to Rs 7-7.5bn over the long-term (FY25: Rs 1.3bn) and margins to stabilize at 12% (FY25: 14.7%).
- Dodla will look to maintain overall OPMs in the 10-11% band, and to balance growth vs margins vs return ratios (sees RoCE of 20-25% as a healthy band; FY25 RoCE at 21% per our computation).
- Management flagged that 1Q26 sales of summer-contextual VAP products like flavored milk, buttermilk, ice creams etc. have been impacted due to the early rains. However, Dodla will continue to aggressively procure milk at lower cost and maintain high inventories.
- Dodla plans to increase village-level chilling centers going forward (current village-level chilling capacity at 3-4% of overall), starting with Karnataka and Maharashtra, to improve milk quality and deliver a superior product.
- Management plans to organize the company into 3-4 key business units across India, Africa and cattle feed, with designated GMs/ heads for each unit with P&L responsibility.

Value-added products (VAP)

- VAP products (esp. curd) are growing on the back of convenience driving mass-premium consumption, with more working couples and urbanization.
- The company will look to increase B2C sales of ghee and lower bulk B2B sales.
- Dodla sees ghee, paneer, buttermilk, flavoured milk, lassi and ice cream as likely growth engines.
- VAP sales salience to increase by 1-2% every year (FY25: c.35%).

Costs vs pricing

- Milk procurement costs have started coming off by Rs 1-2/litre since May with ample supply due to early rains. Dodla will take price cuts of similar amount in June.
- Dodla maintains premium pricing of Rs 3-4/litre vs co-operatives, with backend costs lower by Rs 1-2/litre.

Capex, investments

- Over FY26-FY27, management plans to spend Rs 2-2.8bn on the Maharashtra plant capex, Rs 2.0bn in working capital, Rs 350mn in Kenya/ Uganda capex and Rs 1bn regular capex on chilling centers, plant upgradation, sales infrastructure etc.
- Maharashtra greenfield plant (peak capacity 10 LLPD) to supply mainly in Itikal, Solapur and nearby districts (c.2.5 LLPD) and in adjacent Karnataka, Andhra Pradesh markets.
- The company plans to increase Uganda capacity in the medium-term.
- Dodla can consider expanding products like value-added yogurts and launching pasteurized milk in Uganda (currently largely yogurt here; company has 50-60% market share in Uganda).

Channel updates

- Modern trade is 3% of sales (vs 5-6% for industry). Dodla products are present in D-Mart - low margins but good cash generation and sales
- Q-commerce is only 0.4% of sales. Dodla is cautious about product spoilage & related losses, lower scale, less shelf life, lower margins, higher delivery costs in Q-commerce.
- Sales salience of distributors / agents at 54% / 22%.
- Dodla currently has 800+ Dodla Retail Parlors (DRPs) which generate 16% of sales. DRPs are company owned, franchise operated outlets that are opened in markets which are difficult to penetrate; the company looks to sell the full range of products here.

Regional progress

- Current market share in South states (core markets) is 6-7% on average.
- Management expects faster procurement growth in Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh; it expects these in the range of c.25% each of procurement in the medium-term.

Industry outlook

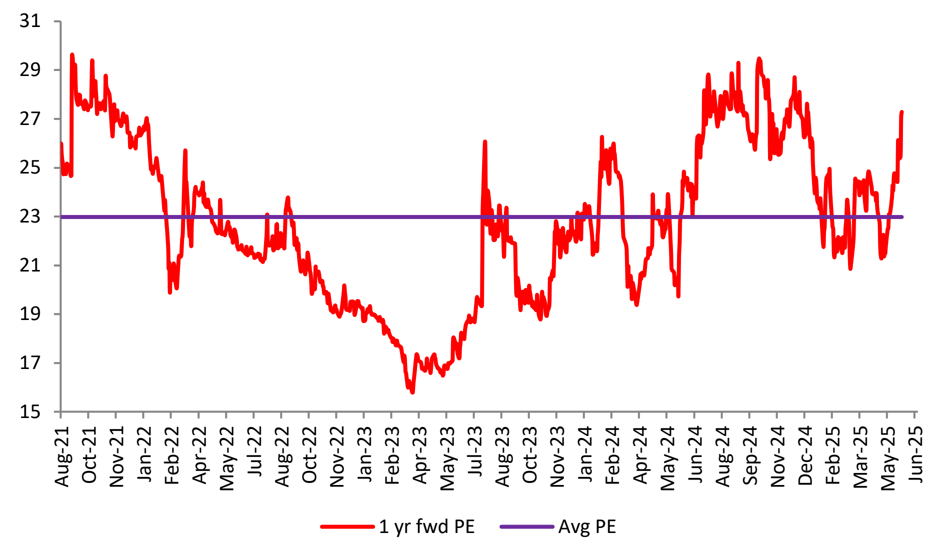
- Management expects consolidation to happen over the medium-long term, with smaller dairies of capacity less than 30 LLPD getting acquired / not surviving, and only 10-15 names left in the 30-40 LLPD range.

Exhibit 1: Valuation Snapshot

DAIRY										
Company	Rating	CMP	Target Price	Upside (%)	Mkt.Cap (Rs bn)	CAGR over FY25-27E (%)			Valuation on FY27E	
						Revenue	EBITDA	Adj. EPS	PE (x)	EV/EBITDA (x)
Dodla Dairy	BUY	1,330	1,505	13	80.2	13.9	16.0	13.7	24.8	15.1
Hatsun Agro	NR	980	NR	-	219.1	12.8	12.8	28.5	47.4	19.0
Heritage Foods	NR	466	NR	-	43.5	13.0	12.6	16.8	16.1	10.2

Source: Company, Systematix Institutional Research

Exhibit 2: Currently trades at 27x one year forward P/E



Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	**28,120**	**31,255**	**37,201**	**42,288**	**48,250**
Gross profit	6,711	8,433	10,211	11,667	13,379
GP margin (%)	23.9%	27.0%	27.4%	27.6%	27.7%
Operating profit	**1,913**	**2,888**	**3,808**	**4,436**	**5,128**
OP margin (%)	6.8%	9.2%	10.2%	10.5%	10.6%
Depreciation	612	701	746	914	1,101
EBIT	1,301	2,188	3,062	3,522	4,028
Interest expense	12	24	37	55	92
Other income	230	274	438	482	530
Profit before tax	1,518	2,438	3,463	3,949	4,466
Taxes	296	776	958	1,086	1,228
Tax rate (%)	19.5%	31.8%	27.7%	27.5%	27.5%
Adj. PAT	**1,223**	**1,662**	**2,505**	**2,863**	**3,238**
Exceptional loss	-	-	-	-	-
Net profit	1,223	1,662	2,505	2,863	3,238
EPS	**20.4**	**27.7**	**41.5**	**47.5**	**53.7**

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Equity capital	595	595	603	603	603
Reserves	9,127	10,794	13,456	16,018	18,954
Debt	180	300	288	588	888
Deferred tax liab (net)	230	239	260	260	260
Other non current liabilities	227	241	259	259	259
Total liabilities	**10,359**	**12,168**	**14,866**	**17,727**	**20,963**
Fixed Asset	5,589	6,538	6,950	8,036	8,935
Investments	2,600	1,962	6,440	6,440	6,440
Other Non-current Assets	1,487	1,026	981	996	1,012
Inventories	**1,199**	**3,892**	**1,617**	**2,665**	**3,569**
Sundry debtors	87	105	123	116	132
Cash & equivalents	**1,246**	**1,034**	**1,016**	**1,949**	**3,625**
Loans and Advances	306	220	180	189	199
Sundry creditors	1,269	1,484	1,555	1,738	1,983
Other current liabilities	886	1,125	886	925	965
Total Assets	**10,359**	**12,168**	**14,866**	**17,727**	**20,963**

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBIT	1,518	2,438	3,558	3,949	4,466
Depreciation	612	701	746	914	1,101
Tax paid	(447)	(633)	(1,100)	(1,086)	(1,228)
Working capital Δ	(94)	(2,333)	2,410	(857)	(676)
Other operating items	18	(180)	(417)	(413)	(423)
Operating cashflow	**1,608**	**(7)**	**5,198**	**2,507**	**3,240**
Capital expenditure	(1,048)	(1,040)	(1,078)	(2,000)	(2,000)
Free cash flow	**560**	**(1,047)**	**4,120**	**507**	**1,240**
Equity raised	-	-	178	-	-
Investments					
Debt financing/disposal	180	120	(13)	300	300
Interest Paid	-	(9)	(22)	427	438
Dividends paid	-	-	(181)	(302)	(302)
Other items	(34)	(123)	(39)	-	-
Net Δ in cash	**(383)**	**281**	**(162)**	**933**	**1,676**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY23	FY24	FY25	FY26E	FY27E
Revenue growth (%)	25.3	11.1	19.0	13.7	14.1
Op profit growth (%)	-9.2	51.0	31.8	16.5	15.6
Net profit growth (%)	-7.9	35.9	50.7	14.3	13.1
OPM (%)	6.8	9.2	10.2	10.5	10.6
Net profit margin (%)	4.3	5.3	6.7	6.8	6.7
RoCE (%)	12.6	18.0	20.7	19.9	19.3
RoNW (%)	12.6	14.6	17.8	17.2	16.6
EPS (Rs)	20.4	27.7	41.5	47.5	53.7
DPS (Rs)	0.0	0.0	5.0	5.0	5.0
BVPS (Rs)	163.4	191.4	233.1	275.5	324.2
Debtor days	1	1	1	1	1
Inventory days	16	45	16	23	27
Creditor days	16	17	15	15	15
P/E (x)	65.2	48.1	32.0	28.0	24.8
P/B (x)	8.1	6.9	5.7	4.8	4.1
EV/EBITDA (x)	40.8	27.1	20.9	17.8	15.1

Source: Company, Systematix Institutional Research

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