

**CMP: INR 1,239**

**Rating: BUY**

**Target Price: INR 1,590**

**Stock Info**

BSE	543306
NSE	DODLA
Bloomberg	DODLA:IN
Reuters	DODL. NS
Sector	Dairy Products
Face Value (INR)	10
Equity Capital (INR Cr)	59.5
Mkt Cap (INR Cr)	7,371
52w H/L (INR)	1,346/ 651
Avg Daily Vol (in 000')	155

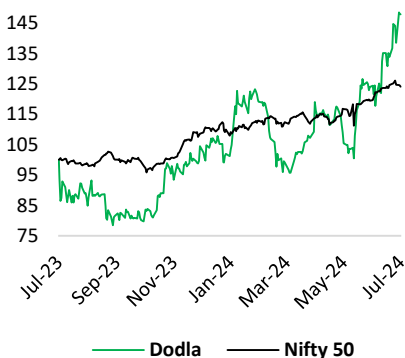
**Shareholding Pattern %**

(As on June 2024)

Promoters	60.52
FII	11.24
DII	18.64
Public & Others	9.57

Stock Performance (%)	1m	6m	12m
Dodla	18.9	43.1	47.8
Nifty 50	3.7	13.8	24.1

**Dodla vs Nifty 50**



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**Dodla delivered an impressive performance ahead of industry headwinds.** Q1FY25 Revenue was up 10.71% YoY to INR 9,116 Mn (+15.77% QoQ), marginally missing our estimated INR 9,216 Mn by 1.1%. Gross Margin expanded 543bps YoY to 29.14% (+147bps QoQ). EBITDA grew 74.2% YoY to INR 1,051 Mn (+39.36% QoQ). EBITDA Margin expanded 420bps YoY to 11.53% (+195bps QoQ), beating our estimates of INR 691 Mn by 52.12% and 7.5% by 403 bps respectively. PAT grew 85.94% YoY to INR 650 Mn (+38.85% QoQ), beating our estimate of INR 491 Mn by 32.43%. **The company saw significant growth in curd sales volume. Supply chain efficiency and capacity utilization greatly aided margins. An inventory write-down of INR 10 Cr during the quarter based on the market prices and stock availability.**

**Successful international operations exiting their formative years:** International business revenue grew 38% YoY to reach INR 836 Mn. The company aims to double revenues from African businesses in FY25 using the same strategies they used in India- product range expansion and strengthening farmer relationships.

**The cattle feed business continues on its growth trajectory:** Cattle feed operations are currently utilizing around 40-45% of capacity. The company expects utilization to reach 60-65% by FY26. They also target to double cattle feed revenues in FY25 (to about INR 1,600 Mn).

**Guidance:** The revenue growth pattern seen in Q1FY25 will carry forth throughout the year. Gross margin levels will remain similar, accompanied by healthy bottom-line growth. They will also be prioritizing D2C sales which will allow for more product differentiation and command a higher premium.

**Outlook and Valuation:** Looking ahead, we see the company maintain revenue growth, and profitability, and focus on international business, cattle feed expansion, and direct-to-consumer sales being upcoming growth drivers. However, there are concerns about increased competitive intensity, muted milk procurement growth, and potential impact on procurement prices and volumes due to an earlier flush season this quarter. They are also balancing procurement and selling prices, making inventory provisions, and leveraging the Maharashtra state government's subsidy. Additionally, Dodla Dairy is open to geographical expansion. While they currently focus on the South and West of India, they are open to entering Eastern markets as GDP and consumer spending power increase. We assign a TP of INR 1,590, valued at a P/E of 30x the FY27E EPS of INR 53, and a 'BUY' rating.

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28,120	31,255	34,560	38,819	43,949
YoY	25.35%	11.15%	10.57%	12.32%	13.22%
EBITDA	1,913	2,888	3,456	4,076	4,834
EBITDA Margin	6.80%	9.24%	10.00%	10.50%	11.00%
PAT	1,223	1,667	2,160	2,605	3,153
YoY	-7.92%	36.34%	29.57%	20.60%	21.03%
EPS (INR)	20.55	28.03	36.31	43.79	53.00
YoY	-8.36%	36.35%	29.57%	20.60%	21.03%
P/E (x)	60.28	44.21	34.12	28.29	23.38
P/B (x)	7.58	6.47	5.44	4.56	3.82
EV/EBITDA (x)	38.53	25.49	20.12	17.07	13.29
D/E (x)	0.08	0.08	0.08	0.08	0.08
RONW	12.58%	14.64%	15.95%	16.13%	16.33%
ROCE	14.60%	19.95%	21.11%	21.36%	21.63%

Source: Company, Arihant Research

INR Mn (Consolidated)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>9,116</b>	<b>7,874</b>	<b>8,234</b>	<b>15.77%</b>	<b>10.71%</b>
Raw Material Costs	6,460	5,696	6,283	13.41%	2.82%
Gross Profit	2,656	2,178	1,952	21.93%	36.09%
<i>Gross Margin</i>	<i>29.14%</i>	<i>27.66%</i>	<i>23.70%</i>	<i>147bps</i>	<i>543bps</i>
Employee costs	395	337	349	17.15%	13.09%
Other Expenses	1,210	1,087	999	11.31%	21.10%
<b>EBITDA</b>	<b>1,051</b>	<b>754</b>	<b>603</b>	<b>39.36%</b>	<b>74.20%</b>
<i>EBITDA margin</i>	<i>11.53%</i>	<i>9.58%</i>	<i>7.33%</i>	<i>195bps</i>	<i>420bps</i>
Other Non Operating Income	69	78	72	-11.08%	-4.01%
Depreciation	182	183	165	-0.69%	10.46%
<b>EBIT</b>	<b>939</b>	<b>649</b>	<b>511</b>	<b>44.60%</b>	<b>83.70%</b>
Finance costs	11	8	4	38.68%	187.19%
<b>PBT</b>	<b>928</b>	<b>641</b>	<b>507</b>	<b>44.67%</b>	<b>82.95%</b>
Tax Expense	278	173	158	60.44%	76.33%
<i>Effective tax rate</i>	<i>29.93%</i>	<i>26.99%</i>	<i>31.05%</i>	<i>294bps</i>	<i>-112bps</i>
<b>PAT</b>	<b>650</b>	<b>468</b>	<b>350</b>	<b>38.85%</b>	<b>85.94%</b>

Source: Company, Aриhant Research

**Impressive VAP growth:** VAP sales reached INR 3,139 Mn(+21.4% YoY) and now constitute 35.4% of total revenue vs 32% in Q1FY24.

**Maharashtra government incentivizes direct procurement:** The Maharashtra state government announced an INR 5 per liter subsidy to dairy companies, effective July 11th, 2024. The subsidy will be paid directly to farmers who supply milk to companies, incentivizing direct procurement.

**Seasonality:** Q1 experienced an earlier flush season due to early monsoon onset in South India. This may lead to a longer flush season overall and potentially impact procurement prices and volumes in subsequent quarters.

**Milk Procurement & Sales:** Average milk procurement increased by 10.9% YoY to 17.6 LLPD. Average milk sales saw a 2.5% YoY increase, reaching 11.3 LLPD.

**Curd Sales:** Curd sales volume reached 467.4 MTPD, reflecting a 6.3% YoY growth.

**Competitive Intensity:** Increased competition, particularly from smaller players entering the market due to surplus milk availability and utilizing lower pricing strategies is a point of concern indicating further fragmentation of the market.

**Milk Volume Growth:** Milk sales volume growth remains relatively muted at 2.5% YoY.

**Branding and Marketing:** Dodla is increasing brand awareness through various marketing activities, including advertising in high-traffic areas and participation in trade events. They are also strengthening their farmer network by providing fair milk pricing, quality cattle feed, timely veterinary services, and other farmer-centric programs.

Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue from operations</b>	<b>28,120</b>	<b>31,255</b>	<b>34,560</b>	<b>38,819</b>	<b>43,949</b>
Cost of materials consumed	21,409	22,821	25,920	28,920	32,522
Employee benefit expenses	1,191	1,360	1,382	1,553	1,758
Other expenses	3,607	4,184	3,802	4,270	4,834
<b>EBITDA</b>	<b>1,913</b>	<b>2,888</b>	<b>3,456</b>	<b>4,076</b>	<b>4,834</b>
<b>EBITDA Margin</b>	<b>6.80%</b>	<b>9.24%</b>	<b>10.00%</b>	<b>10.50%</b>	<b>11.00%</b>
Depreciation & amortisation expense	612	701	725	754	784
Finance Cost	12	24	26	31	37
Other income	230	274	346	388	439
<b>PBT after exceptional Items</b>	<b>1,518</b>	<b>2,438</b>	<b>3,051</b>	<b>3,680</b>	<b>4,454</b>
Cash Tax	296	771	891	1,074	1,300
<b>PAT</b>	<b>1,223</b>	<b>1,667</b>	<b>2,160</b>	<b>2,605</b>	<b>3,153</b>
EPS after exceptional items:					
Basic (INR)	20.55	28.03	36.31	43.79	53.00
Diluted (INR)	20.39	27.80	36.02	43.44	52.58
Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	595	595	595	595	595
Other Equity	9,127	10,794	12,954	15,560	18,713
<b>Net Worth</b>	<b>9,722</b>	<b>11,389</b>	<b>13,549</b>	<b>16,155</b>	<b>19,308</b>
Total debt	764	954	1,025	1,219	1,454
Deferred tax liability (net)	230	239	239	239	239
Other non current liabilities	119	125	138	155	176
<b>Total Liabilities</b>	<b>1,113</b>	<b>1,318</b>	<b>1,402</b>	<b>1,614</b>	<b>1,869</b>
Net Block	5,589	6,538	5,766	5,408	5,029
CWIP	581	124	196	204	212
Goodwill	516	516	516	516	516
Other intangible assets	115	72	79	89	101
Biological assets	16	9	11	12	14
Investments	2,795	2,187	3,456	3,882	4,395
Other non current assets	118	127	140	158	179
<b>Net Working Capital:</b>	<b>355</b>	<b>2,101</b>	<b>-399</b>	<b>2,125</b>	<b>-165</b>
Inventories	1,199	3,892	1,218	4,483	1,928
Trade receivables	87	105	77	144	102
Cash and cash equivalents (INR Mn)	750	1,034	5,186	5,375	10,897
Bank Balances (INR Mn)	496	1	1	1	1
Other current assets	253	174	192	216	244
Trade payables	1,269	1,484	1,221	1,976	1,605
Other current liabilities	410	587	666	743	836
<b>Total assets</b>	<b>10,835</b>	<b>12,707</b>	<b>14,951</b>	<b>17,768</b>	<b>21,177</b>
Cash Flow (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	1,518	2,438	3,051	3,680	4,454
Depreciation & amortization	612	701	725	754	784
Tax paid	296	771	891	1,074	1,300
Working capital Δ	268	1,746	-2,500	2,524	-2,290
Goodwill Δ	74	-	-	-	-
<b>Operating cash flow</b>	<b>1,493</b>	<b>622</b>	<b>5,385</b>	<b>835</b>	<b>6,227</b>
Capital expenditure	1,589	1,192	25	404	412
<b>Free cash flow</b>	<b>-96</b>	<b>-570</b>	<b>5,360</b>	<b>431</b>	<b>5,815</b>
Investments made	767	-608	1,269	426	513
Other asset purchases	-286	-41	23	29	34
Debt financing	289	190	71	194	234
Other items	-60	14	13	17	21
<b>Net Δ in cash</b>	<b>-348</b>	<b>283</b>	<b>4,153</b>	<b>188</b>	<b>5,523</b>
<b>Opening cash balance</b>	<b>1,099</b>	<b>750</b>	<b>1,034</b>	<b>5,186</b>	<b>5,375</b>
<b>Ending cash balance</b>	<b>750</b>	<b>1,034</b>	<b>5,186</b>	<b>5,375</b>	<b>10,897</b>

Source: Company, Arianth Research

Ratios	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Matrix (%)</b>					
Revenue	25.35%	11.15%	10.57%	12.32%	13.22%
EBITDA	-9.20%	50.96%	19.65%	17.94%	18.61%
EBIT	-11.05%	60.85%	24.98%	20.58%	21.02%
PBT	-8.28%	60.55%	25.16%	20.60%	21.03%
PAT	-7.92%	36.34%	29.57%	20.60%	21.03%
PAT after OCI	-6.67%	29.09%	29.65%	20.60%	21.03%
<b>Profitability (%)</b>					
EBITDA Margin	6.80%	9.24%	10.00%	10.50%	11.00%
EBIT Margin	5.40%	7.81%	8.82%	9.46%	10.12%
Net Profit Margin	4.31%	5.29%	6.19%	6.65%	7.10%
RoCE	14.60%	19.95%	21.11%	21.36%	21.63%
RoNW	12.58%	14.64%	15.95%	16.13%	16.33%
RoA	12.10%	14.17%	15.62%	15.93%	16.19%
<b>Per Share (INR)</b>					
Basic EPS	20.55	28.03	36.31	43.79	53.00
Diluted EPS	20.39	27.80	36.02	43.44	52.58
DPS	0.00	0.00	0.00	0.00	0.00
Basic Cash EPS	30.85	39.80	48.49	56.46	66.18
Diluted Cash EPS	30.60	39.49	48.11	56.01	65.65
BVPS	163.42	191.43	227.74	271.54	324.54
Sales	267.34	267.34	267.34	267.34	267.34
<b>Valuation (x)</b>					
P/E	60.28	44.21	34.12	28.29	23.38
P/CEPS	40.17	31.13	25.55	21.94	18.72
P/B	7.58	6.47	5.44	4.56	3.82
P/Sales	4.63	4.63	4.63	4.63	4.63
EV/EBITDA	38.53	25.49	20.12	17.07	13.29
EV/EBIT	48.17	29.91	22.60	18.75	14.31
EV/Sales	2.62	2.36	2.01	1.79	1.46
Dividend Yield	0.00	0.00	0.00	0.00	0.00
<b>Liquidity (x)</b>					
Current Ratio	1.66	2.51	3.54	3.76	5.40
Quick Ratio	0.94	0.63	2.89	2.11	4.61
Defensive Interval Ratio	22.08	16.90	64.03	60.26	104.93
Cash Ratio	0.45	0.50	2.75	1.98	4.47
<b>Activity (x)</b>					
Receivables turnover	418.86	326.10	378.92	350.36	357.08
Inventory turnover	17.77	8.97	10.14	10.14	10.14
Payables turnover	18.63	16.58	19.17	18.09	18.17
Total asset turnover	2.78	2.66	2.50	2.37	2.26
Fixed asset turnover	4.95	4.87	5.48	6.71	8.10
Working capital turnover	79.13	14.88	-86.63	18.27	-266.35
<b>Days</b>					
Receivable days	0.87	1.12	0.96	1.04	1.02
Inventory days	20.54	40.71	35.98	35.98	35.98
<b>Cash Conversion cycle</b>	<b>21.41</b>	<b>41.83</b>	<b>36.94</b>	<b>37.02</b>	<b>37.00</b>
Payable days	19.59	22.01	19.04	20.17	20.09
<b>Operating cycle</b>	<b>1.82</b>	<b>19.82</b>	<b>17.90</b>	<b>16.85</b>	<b>16.91</b>
<b>Leverage (x)</b>					
Interest Coverage	126.49	102.58	119.33	120.95	122.76
Debt Equity	0.08	0.08	0.08	0.08	0.08
Net Debt Equity	0.00	-0.01	-0.31	-0.26	-0.49
Assets to Equity	1.04	1.03	1.02	1.01	1.01
<b>Du Pont</b>					
Tax burden	0.81	0.68	0.71	0.71	0.71
Interest burden	0.99	0.99	0.99	0.99	0.99
EBIT Margin	0.05	0.08	0.09	0.10	0.10
Asset turnover	2.78	2.66	2.50	2.37	2.26
Leverage	1.04	1.03	1.02	1.01	1.01
<b>ROE</b>	<b>0.13</b>	<b>0.15</b>	<b>0.16</b>	<b>0.16</b>	<b>0.16</b>

Source: Arianth Research, Company Filings