

CMP: INR 986

Rating: BUY

Target Price: INR 1,398

Stock Info

BSE	543306
NSE	DODLA
Bloomberg	DODLA:IN
Reuters	DODL.NS
Sector	Dairy Products
Face Value (INR)	10
Equity Capital (INR Cr)	59
Mkt Cap (INR Cr)	5,866
52w H/L (INR)	1057/ 417
Avg Daily Vol (in 000')	121

Shareholding Pattern %

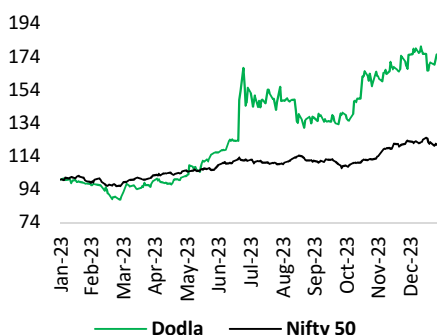
(As on September 2023)

Promoters	62.21
FII	11.34
DII	16.90
Public & Others	9.55

Stock Performance (%)

	1m	6m	12m
Dodla	0.2	15.2	75.3
Nifty 50	(1.7)	8.1	20.9

Dodla vs Nifty 50



Abhishek Jain

Abhishek.jain@arihantcapital.com

022 67114851

Anushka Chitnis

anushka.chitnis@arihantcapital.com

022 67114870

Dodla's Q2FY24 Consolidated Revenue was up 10.6% YoY to INR 7,468 Mn (-2.7% QoQ), missing our estimate of INR 7767 Mn by 3.8%. Gross margin was at 30.05% (vs 26.82 in Q2FY24 and 25.34% in Q3FY23), beating our estimates of 27%. EBITDA demonstrated strong YoY growth, surging by 54.5% to reach INR 828 Mn (+18.0% QoQ) and outperforming estimated figures of INR 722 Mn by 14.7%. EBITDA Margin expanded 320bps YoY to 11.1% (+200bps QoQ), beating our estimate of 9.3%. PAT achieved YoY growth of 16.8%, reaching INR 413 Mn, QoQ decline of 5%. PAT fell short of our projected estimate of INR 458 Mn by 9.8%.

Factors Influencing Gross Profit: The gross profit saw an impact from two factors - a change in product mix and adjustments in selling prices. Notably, there was an increase of INR 0.30 in the selling price, accompanied by a corresponding decrease of INR 0.30 in procurement costs.

Procurement and realization: The average procurement price for the quarter was INR 37.67 (vs INR 38.39 in Q2FY24) and avg realization for the quarter was INR 57.49 (vs INR 57.5 in Q2FY24). Average milk procurement during Q3FY24 increased by 36.7% YoY to 17.5 LLPD (vs 17 LLPD in Q2FY24)

Expansion Blueprint in Maharashtra: Company plans to initiate a five lakh capacity plant with an initial capital deployment of INR150-200 crore. Additional support infrastructure, including chilling centers, will require an extra INR50-60 crore. Regular annual Capex for market expansion is estimated at INR30-40 crore. Over the next two to three years, company anticipate a total spend of INR400-500 crore.

Diversifying Value added products Portfolio: After curd next products in VAP are ice cream and Ghee which are having good transaction. Flavored milk and butter milk will also continue to add. Company expects 1% increase in VAP portion going forward on a yearly basis. VAP sales pie was at 28% of total revenue for 9MFY24.

Valuation and Outlook: We assign a TP of INR 1,398 valued at a P/E multiple of 30x the FY26E EPS of INR 46.61, entailing an upside of 42% and a 'Buy' rating. The company's focus on procurement, expanding the VAP share, and an emphasis on revenue growth are poised to drive its future trajectory.

INR Mn	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenue	22,434	28,120	32,755	37,665	44,644	52,428
YoY	15.40%	25.35%	16.48%	14.99%	18.53%	17.44%
EBITDA	2,107	1,913	2,948	3,766	4,241	5,505
EBITDA Margin	9.39%	6.80%	9.00%	10.00%	9.50%	10.50%
EBIT	1,721	1,531	2,579	3,458	3,982	5,302
EBIT Margin	7.62%	5.40%	7.80%	9.09%	8.83%	10.01%
PAT	1,328	1,223	1,795	2,409	2,773	3,694
YoY	5.43%	-7.92%	46.75%	34.21%	15.11%	33.23%
EPS (INR)	22.43	20.55	30.17	40.49	46.61	62.09
YoY	-0.21%	-8.36%	46.77%	34.21%	15.11%	33.23%
P/E (x)	43.96	47.97	32.68	24.35	21.16	15.88
P/B (x)	6.92	6.03	5.09	4.21	3.51	2.88
EV/EBITDA (x)	27.41	30.67	19.71	14.29	12.45	8.71
EV/EBIT (x)	33.56	38.33	22.53	15.57	13.26	9.05
D/E (x)	0.06	0.08	0.04	0.04	0.04	0.04
RONW	15.75%	12.58%	15.58%	17.30%	16.60%	18.12%
ROCE	19.32%	14.60%	21.48%	23.85%	22.89%	24.98%

Source: Company, Arihant Research

INR Mn (Consolidated) +	Q3FY24	Q2FY24	Q3FY23	Q-o-Q	Y-o-Y	Q3FY24E	Surprise
Net Revenue	7,468	7,678	6,754	-2.72%	10.57%	7,767	-3.85%
Raw Material Costs	5,224	5,619	5,043	-7.02%	3.60%	5,670	-7.86%
Gross Profit	2,244	2,059	1,712	8.99%	31.11%	2,097	7.00%
<i>Gross Margin</i>	<i>30.05%</i>	<i>26.82%</i>	<i>25.34%</i>	<i>323bps</i>	<i>471bps</i>	<i>27.00%</i>	<i>305bps</i>
Employee costs	335	339	315	-1.37%	6.36%	350	-4.22%
Other Expenses	1,081	1,017	861	6.28%	25.58%	1,025	5.43%
EBITDA	828	702	536	17.93%	54.52%	722	14.67%
<i>EBITDA margin</i>	<i>11.09%</i>	<i>9.15%</i>	<i>7.94%</i>	<i>194bps</i>	<i>315bps</i>	<i>9.30%</i>	<i>179bps</i>
Other Non Operating Income	57	67	65	-14.69%	-12.68%	65	-12.25%
Depreciation	180	172	159	4.52%	13.41%	155	16.01%
EBIT	705	597	443	18.15%	59.36%	632	11.57%
Finance costs	9	4	3	120.65%	182.58%	4	119.00%
PBT	696	593	439	17.46%	58.49%	628	10.89%
Tax Expense	283	157	86	80.47%	230.89%	170	66.94%
<i>Effective tax rate</i>	<i>40.65%</i>	<i>26.46%</i>	<i>19.47%</i>	<i>1419bps</i>	<i>2118bps</i>	<i>27.00%</i>	<i>1365bps</i>
PAT	413	436	354	-5.21%	16.81%	458	-9.85%
EPS	6.95	7.33	5.95	-5.18%	-16.81%	7.69	-9.62%

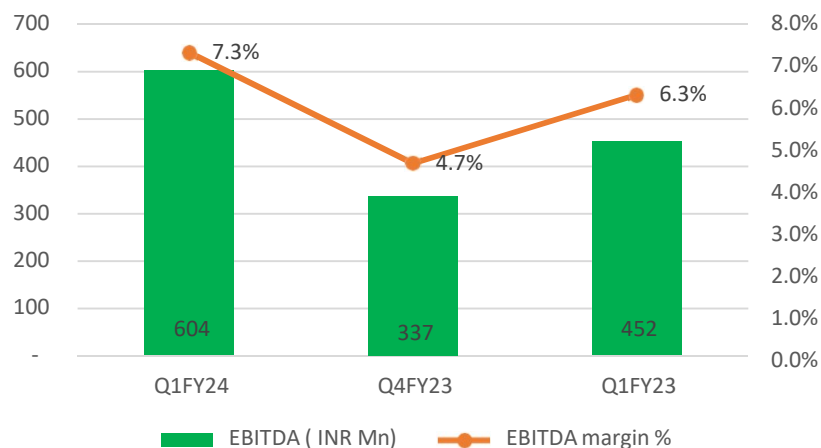
Source: Company, Arianth Research

Dodla Dairy Q3FY24 Concall KTAs:

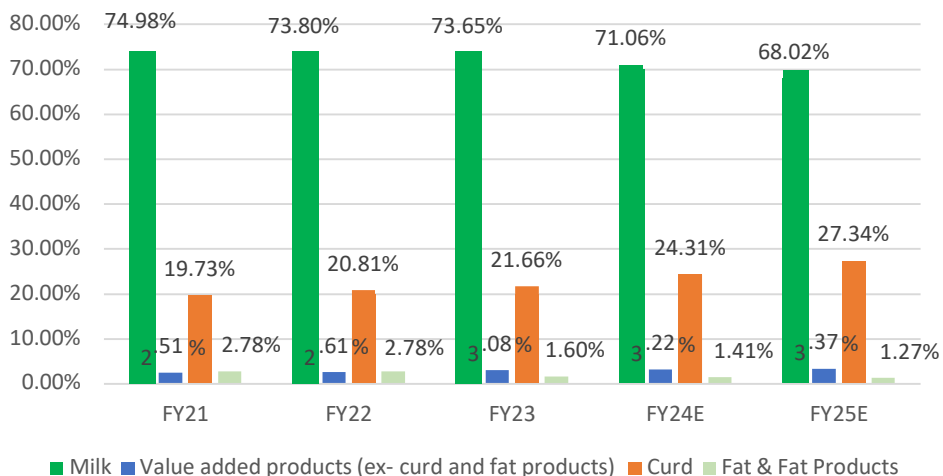
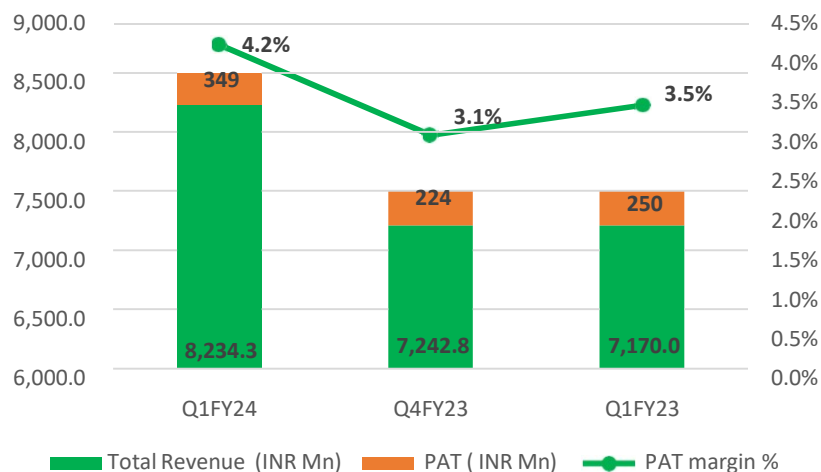
- **Guidance:** Company have given a guidance of 15% growth in revenue with the EBITDA margin of 8-10%. For FY25 volume growth of 7-8%.
- **Country Delight Dairy (Kenya):** Co In January 2024, Country Delight Dairy in Kenya expanded its grossing capacity by an additional one lakh liters per day. Company anticipate uptake, with expectations of reaching 20,000 to 30,000 liters within the next couple of months.
- **Africa business:** The business experienced a one-time impact due to local issues, resulting in a temporary decline. However, the expectation is to either maintain the current performance or witness improvement moving forward, similar to the previous year.
- **Debut TV Commercial:** In January 2024, the company launched its first-ever television commercial, aired on prominent regional and digital channels. This initiative aimed to capture the festive spirit surrounding Akashankaranthi and Pongal, to create brand image.
- **Orga Feed Expansion:** Companies Orga feed which is there cattle feed business capacity from 80 metric tons per day to 480 metric tons per day in the Q2 of FY '24.
- **Temporary Tax Surge:** The company declared a dividend of 35 Cr in subsidiaries with a tax rate of 32%, resulting in a tax of 10 Cr. However, it is anticipated that this impact will not persist in the future.

Key Financials

EBITDA margins have improved substantially YoY, and the company is aims to maintain in coming quarters and expected to increase in coming coming years



Highest ever quarterly revenue in Q1FY24 registering a 14.8% YoY growth



Source: Company Reports, Aриhant Research

Key Financials

Income Statement (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue from operations	22,434	28,120	33,665	39,849	47,410
Cost of materials consumed	16,262	21,409	24,912	29,090	34,135
Employee benefit expenses	1,024	1,191	1,347	1,594	1,896
Other expenses	3,040	3,607	4,713	5,579	6,637
EBITDA	2,107	1,913	2,693	3,586	4,741
EBITDA Margin	9.39%	6.80%	8.00%	9.00%	10.00%
Depreciation & amortisation expense	524	612	719	786	858
Finance Cost	65	12	15	15	22
Other income	137	230	337	398	474
PBT after exceptional items	1,656	1,518	2,295	3,184	4,335
Cash Tax	327	296	574	796	1,084
PAT	1,328	1,223	1,722	2,388	3,251
EPS after exceptional items:					
Basic (INR)	22.43	20.55	28.94	40.14	54.65
Diluted (INR)	22.24	20.39	28.71	39.82	54.22

Balance Sheet (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	595	595	595	595	595
Other Equity	7,837	9,127	10,917	13,373	16,692
Net Worth	8,432	9,722	11,512	13,968	17,287
Total debt	474	764	972	921	1,397
Deferred tax liability (net)	346	230	230	230	230
Other non current liabilities	131	119	337	398	474
Total Liabilities	951	1,113	1,539	1,549	2,101
Net Block	5,152	5,589	5,648	5,699	5,737
CWIP	41	581	637	696	759
Goodwill	442	516	567	624	686
Other intangible assets	43	115	125	148	176
Biological assets	22	16	21	25	30
Investments	2,027	2,795	3,346	3,960	4,712
Other non current assets	470	118	244	288	343
Net Working Capital	87	355	113	-119	128
Inventories	1,210	1,199	1,629	1,830	2,228
Trade receivables	48	87	74	116	110
Cash and cash equivalents (INR Mn)	1,099	750	2,350	4,195	6,816
Bank Balances (INR Mn)	220	496	166	196	233
Other current assets	111	253	190	225	268
Trade payables	1,029	1,269	1,424	1,877	1,996
Other current liabilities	472	410	521	609	714
Total assets	9,383	10,835	13,050	15,517	19,388

Cash Flow (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	1,656	1,518	2,295	3,184	4,335
Depreciation & amortization	524	612	719	786	858
Tax paid	327	296	574	796	1,084
Working capital Δ	-844	268	-242	-232	247
Goodwill Δ	-	74	52	57	62
Operating cash flow	2,695	1,493	2,632	3,349	3,799
Capital expenditure	678	1,589	834	896	959
Free cash flow	2,017	-96	1,798	2,453	2,840
Equity raised	469	-0	-	-	-
Investments made	1,285	767	551	615	751
Other asset purchases	411	-286	141	72	87
Debt financing	-897	289	209	-51	476
Other items	-35	-60	285	130	143
Net Δ in cash	-142	-348	1,600	1,845	2,621
Opening cash balance	1,241	1,099	750	2,350	4,195
Ending cash balance	1,099	750	2,350	4,195	6,816

Source: Company Reports, Arianth Research

Key Ratios

Ratios	FY22	FY23	FY24E	FY25E	FY26E
Growth Matrix (%)					
Revenue	15.40%	25.35%	19.72%	18.37%	18.97%
EBITDA	-13.09%	-9.20%	40.76%	33.17%	32.19%
EBIT	-13.14%	-11.05%	50.97%	38.44%	36.22%
PBT	-11.09%	-8.28%	51.16%	38.73%	36.14%
PAT	5.43%	-7.92%	40.77%	38.73%	36.14%
PAT after OCI	9.82%	-6.67%	38.62%	37.26%	35.15%
Profitability (%)					
EBITDA Margin	9.39%	6.80%	8.00%	9.00%	10.00%
EBIT Margin	7.62%	5.40%	6.80%	7.95%	9.10%
Net Profit Margin	5.88%	4.31%	5.06%	5.93%	6.79%
Net Profit Margin after OCI	6.13%	4.55%	5.26%	6.10%	6.93%
RoCE	19.32%	14.60%	18.51%	21.49%	23.32%
RoNW	15.75%	12.58%	14.95%	17.10%	18.81%
RoA	14.84%	12.10%	14.41%	16.72%	18.63%
Per Share (INR)					
Basic EPS	22.43	20.55	28.94	40.14	54.65
Diluted EPS	22.24	20.39	28.71	39.82	54.22
DPS	0.00	0.00	0.00	0.00	0.00
Basic Cash EPS	31.27	30.85	41.02	53.36	69.07
Diluted Cash EPS	31.00	30.60	40.70	52.93	68.52
BVPS	142.40	163.42	193.50	234.78	290.57
Sales	268.61	267.34	267.34	267.34	267.34
Valuation (x)					
P/E	27.56	30.07	21.36	15.40	11.31
P/CEPS	19.77	20.04	15.07	11.59	8.95
P/B	4.34	3.78	3.19	2.63	2.13
P/Sales	2.30	2.31	2.31	2.31	2.31
EV/EBITDA	17.07	19.23	13.14	9.34	6.61
EV/EBIT	20.91	24.04	15.32	10.47	7.20
EV/Sales	1.60	1.31	1.05	0.84	0.66
Dividend Yield	0.00	0.00	0.00	0.00	0.00
Liquidity (x)					
Current Ratio	1.79	1.66	2.27	2.64	3.56
Quick Ratio	0.98	0.94	1.43	1.90	2.74
Defensive Interval Ratio	26.53	22.08	32.77	47.64	63.54
Cash Ratio	0.73	0.45	1.21	1.69	2.51
Activity (x)					
Receivables turnover	464.80	418.86	418.86	418.86	418.86
Inventory turnover	14.98	17.77	17.62	16.82	16.82
Payables turnover	17.17	18.63	18.50	17.62	17.63
Total asset turnover	2.51	2.78	2.82	2.79	2.72
Fixed asset turnover	4.39	4.95	5.41	6.29	7.36
Working capital turnover	257.12	79.13	298.20	-335.18	369.19
Days					
Receivable days	0.79	0.87	0.87	0.87	0.87
Inventory days	24.37	20.54	20.72	21.70	21.69
Cash Conversion cycle	25.16	21.41	21.59	22.57	22.57
Payable days	21.25	19.59	19.73	20.71	20.71
Operating cycle	3.90	1.82	1.86	1.86	1.86
Leverage (x)					
Interest Coverage	26.40	126.49	149.99	219.21	196.87
Debt Equity	0.06	0.08	0.08	0.07	0.08
Net Debt Equity	-0.07	0.00	-0.12	-0.23	-0.31
Assets to Equity	1.06	1.04	1.04	1.02	1.01
Du Pont					
Tax burden	0.80	0.81	0.75	0.75	0.75
Interest burden	0.96	0.99	0.99	1.00	0.99
EBIT Margin	0.08	0.05	0.07	0.08	0.09
Asset turnover	2.51	2.78	2.82	2.79	2.72
Leverage	1.06	1.04	1.04	1.02	1.01
ROE	16%	13%	15%	17%	19%

Source: Company Reports, Arianth Research

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale**Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Research Analyst
Registration No.****Contact****Website****Email Id**

-

SMS: 'Arihant' to 56677

www.arihantcapital.comresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Source: Company Reports, Arihant Research