

CMP: INR 935

Rating: BUY

Target Price: INR 1,360

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)	5,710
52w H/L (INR)	1,070/ 485
Avg Daily Vol (in 000')	148

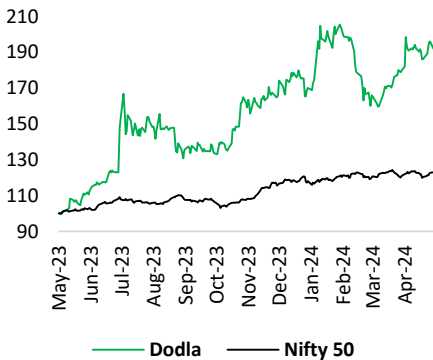
Shareholding Pattern %

(As on March 2024)

Promoters	65.48
FII	6.32
DII	24.52
Public & Others	3.68

Stock Performance (%)	1m	6m	12m
Dodla	6.1	19.8	91.0
Nifty 50	1.7	13.9	23.8

Dodla vs Nifty 50



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Dodla delivered a mixed bag of results- top line miss accompanied by beat on margins and profit, though the overall performance remained impressive. Q4FY24 Consolidated Revenue was up 8.72% YoY to INR 7,874 Mn (+5.44% QoQ), missing our estimate of INR 8,326 Mn by 5.42. Gross Margin expanded 628bps YoY to 27.66% (-238bps QoQ). EBITDA grew 123.66% YoY to INR 754 Mn (-8.94% QoQ). EBITDA Margin expanded 492bps YoY to 9.58% (+182bps QoQ), beating our estimates of INR 624 Mn by 20.88% and 7.5% by 208bps respectively. PAT grew 107.87% YoY to INR 468 Mn (+13.3% QoQ), beating our estimate of INR 374 Mn by 25.22%. **There was an inventory write off of INR 23 Cr during the quarter which eroded margins. Volume growth was low this year due to a 20% grammage reduction, though milk procurement for the year was up over 20%.**

Inventory build ups: It has purposefully built up inventories (which led to the write down) to become a net supplier rather than a net buyer. This should result in inventory days of 20-25 this year vs the previous 30-35 days.

Growing VAP presence and rebound of the feed business: VAP FY24 Revenue share was 28.3% (+16.3% YoY), and the Orga Feed business isn't facing any RM pressures anymore. It also expanded its capacity 5x to 480 MTPD in FY24 (Revenue INR 829 Mn, EBITDA INR 70 Mn).

Expanding presence in Maharashtra: The company had mentioned the acquisition of a land parcel in Maharashtra to increase milk procurement. However, this plan is still on the table for further evaluation, and will be finalized within the next 2-3 months.

Guidance: The management has a revenue growth guidance of 12-15% for FY25 and anticipates a return to 10-11% volume growth, and an EBITDA Margin of 9% on a conservative basis. Procurement volumes will be in the range of 16-17LLPD, and volume of liquid milk sales will grow 7-8%.

Outlook and Valuation: The company is exploring acquisitions and greenfield projects (particularly in Maharashtra) and may consider buyback or dividends by mid-FY25 as Q1 and Q2 are expected to be good. However, there are concerns regarding inventory management and muted liquid milk volume growth, which is expected to stabilize and recover in the future. The company has narrowed down pouch milk, curd, cattle feed, and VAPs as key focus areas. We assign a TP of INR 1,360, valued at a P/E of 30x the FY26E EPS of INR 45, and a 'BUY' rating.

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28,120	31,255	35,117	39,955	45,826
YoY	25.35%	11.15%	12.36%	13.78%	14.69%
EBITDA	1,913	2,888	3,512	4,195	5,041
EBITDA Margin	6.80%	9.24%	10.00%	10.50%	11.00%
PAT	1,223	1,667	2,204	2,698	3,313
YoY	-7.92%	36.34%	32.18%	22.42%	22.79%
EPS (INR)	20.55	28.03	37.04	45.35	55.68
YoY	-8.36%	36.35%	32.18%	22.42%	22.79%
P/E (x)	45.49	33.37	25.24	20.62	16.79
P/B (x)	5.72	4.88	4.09	3.42	2.84
EV/EBITDA (x)	29.08	19.23	14.67	12.27	9.16
EV/EBIT (x)	36.36	22.56	16.42	13.40	9.79
D/E (x)	0.08	0.08	0.08	0.08	0.07
RONW	12.58%	14.64%	16.21%	16.56%	16.90%
ROCE	14.60%	19.95%	21.47%	21.93%	22.38%

Source: Company, Arihant Research

INR Mn (Consolidated)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Net Revenue	7,874	7,468	7,243	5.44%	8.72%
Raw Material Costs	5,696	5,224	5,694	9.03%	0.04%
Gross Profit	2,178	2,244	1,549	-2.93%	40.63%
<i>Gross Margin</i>	<i>27.66%</i>	<i>30.05%</i>	<i>21.39%</i>	<i>-238bps</i>	<i>628bps</i>
Employee costs	337	335	299	0.68%	12.73%
Other Expenses	1,087	1,081	913	0.56%	19.10%
EBITDA	754	828	337	-8.94%	123.66%
<i>EBITDA margin</i>	<i>9.58%</i>	<i>11.09%</i>	<i>4.66%</i>	<i>-151bps</i>	<i>492bps</i>
Other Non Operating Income	78	57	63	36.73%	23.70%
Depreciation	183	180	147	1.69%	24.52%
EBIT	649	705	253	-7.96%	156.41%
Finance costs	8	9	3	-13.24%	135.29%
PBT	641	696	250	-7.89%	156.68%
Tax Expense	173	283	25	-38.85%	603.70%
<i>Effective tax rate</i>	<i>26.99%</i>	<i>40.65%</i>	<i>9.84%</i>	<i>-1366bps</i>	<i>1714bps</i>
PAT	468	413	225	13.30%	107.87%

Source: Company, Arianth Research

Africa Operations: The new 100,000 LLPD capacity plant in Kenya has commenced commercial production in Q4FY24, and will start to contribute significantly to revenues in FY25. The Africa business is also expected to an overall margin improvement in FY25. Utilization of the Uganda entity is also expected to increase substantially in FY25, to about 35-40%.

Distribution Network: They continue to deepen their distribution network across existing 13 states.

Orga feed farmer reach: They expect to reach 40,000 farmers in FY25 vs the current 30,000.

Prices paid to farmers were kept the same despite moderating procurement prices so as to not hurt them.

Average procurement price for the quarter was INR 36.91/L and **realization** was INR 57.29/L.

There was a dividend distribution of INR 35 Cr through the Ugandan subsidiary. In order to avoid high distribution taxes, they park this money in Singapore.

Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue from operations	28,120	31,255	35,117	39,955	45,826
Cost of materials consumed	21,409	22,821	26,338	29,767	33,911
Employee benefit expenses	1,191	1,360	1,405	1,598	1,833
Other expenses	3,607	4,184	3,863	4,395	5,041
EBITDA	1,913	2,888	3,512	4,195	5,041
EBITDA Margin	6.80%	9.24%	10.00%	10.50%	11.00%
Depreciation & amortisation expense	612	701	725	754	784
Finance Cost	12	24	26	31	37
Other income	230	274	351	400	458
PBT after exceptional items	1,518	2,438	3,113	3,810	4,679
Cash Tax	296	771	909	1,112	1,366
PAT	1,223	1,667	2,204	2,698	3,313
EPS after exceptional items:					
Basic (INR)	20.55	28.03	37.04	45.35	55.68
Diluted (INR)	20.39	27.80	36.75	44.99	55.24
Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	595	595	595	595	595
Other Equity	9,127	10,794	12,998	15,696	19,008
Net Worth	9,722	11,389	13,593	16,290	19,603
Total debt	764	954	1,025	1,223	1,466
Deferred tax liability (net)	230	239	239	239	239
Other non current liabilities	119	125	141	160	183
Total Liabilities	1,113	1,318	1,404	1,622	1,889
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	81	92	105
Biological assets	16	9	11	12	14
Investments	2,795	2,187	3,512	3,996	4,583
Other non current assets	118	127	143	162	186
Net Working Capital:	355	2,101	-365	2,148	-97
Inventories	1,199	3,892	1,301	4,568	2,118
Trade receivables	87	105	80	148	109
Cash and cash equivalents	750	1,034	5,139	5,375	10,944
Bank Balances	496	1	1	1	1
Other current assets	253	174	195	222	255
Trade payables	1,269	1,484	1,265	2,026	1,708
Other current liabilities	410	587	677	765	872
Total assets	10,835	12,707	14,997	17,913	21,492
Cash Flow (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	1,518	2,438	3,113	3,810	4,679
Depreciation & amortization	612	701	725	754	784
Tax paid	296	771	909	1,112	1,366
Working capital Δ	268	1,746	-2,466	2,512	-2,244
Goodwill Δ	74	-	-	-	-
Operating cash flow	1,493	622	5,394	939	6,341
Capital expenditure	1,589	1,192	25	404	412
Free cash flow	-96	-570	5,370	535	5,929
Investments made	767	-608	1,325	484	587
Other asset purchases	-286	-41	26	32	39
Debt financing	289	190	71	198	243
Other items	-60	14	15	19	24
Net Δ in cash	-348	283	4,105	237	5,569
Opening cash balance	1,099	750	1,034	5,139	5,375
Ending cash balance	750	1,034	5,139	5,375	10,944

Source: Company, Arihant Research

Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue	25.35%	11.15%	12.36%	13.78%	14.69%
EBITDA	-9.20%	50.96%	21.58%	19.47%	20.15%
EBIT	-11.05%	60.85%	27.47%	22.39%	22.76%
PBT	-8.28%	60.55%	27.67%	22.42%	22.79%
PAT	-7.92%	36.34%	32.18%	22.42%	22.79%
PAT after OCI	-6.67%	29.09%	32.26%	22.42%	22.79%
Profitability (%)					
EBITDA Margin	6.80%	9.24%	10.00%	10.50%	11.00%
EBIT Margin	5.40%	7.81%	8.85%	9.52%	10.19%
Net Profit Margin	4.31%	5.29%	6.21%	6.69%	7.16%
RoCE	14.60%	19.95%	21.47%	21.93%	22.38%
RoNW	12.58%	14.64%	16.21%	16.56%	16.90%
RoA	12.10%	14.17%	15.91%	16.40%	16.81%
Per Share (INR)					
Basic EPS	20.55	28.03	37.04	45.35	55.68
Diluted EPS	20.39	27.80	36.75	44.99	55.24
DPS	0.00	0.00	0.00	0.00	0.00
Basic Cash EPS	30.85	39.80	49.22	58.02	68.85
Diluted Cash EPS	30.60	39.49	48.83	57.56	68.30
BVPS	163.42	191.43	228.47	273.82	329.50
Sales	267.34	267.34	267.34	267.34	267.34
Valuation (x)					
P/E	45.49	33.37	25.24	20.62	16.79
P/CEPS	30.32	23.49	19.00	16.12	13.58
P/B	5.72	4.88	4.09	3.42	2.84
P/Sales	3.50	3.50	3.50	3.50	3.50
EV/EBITDA	29.08	19.23	14.67	12.27	9.16
EV/EBIT	36.36	22.56	16.42	13.40	9.79
EV/Sales	1.98	1.78	1.47	1.29	1.01
Dividend Yield	0.00	0.00	0.00	0.00	0.00
Liquidity (x)					
Current Ratio	1.66	2.51	3.46	3.70	5.21
Quick Ratio	0.94	0.63	2.79	2.06	4.38
Defensive Interval Ratio	22.08	16.90	62.53	58.65	101.21
Cash Ratio	0.45	0.50	2.65	1.93	4.24
Activity (x)					
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	2.54	2.43	2.33
Fixed asset turnover	4.95	4.87	5.56	6.90	8.44
Working capital turnover	79.13	14.88	-96.25	18.60	-473.12
Days					
Receivable days	0.87	1.12	0.96	1.04	1.02
Inventory days	20.54	40.71	35.98	35.98	35.98
Cash Conversion cycle	21.41	41.83	36.94	37.02	37.00
Payable days	19.59	22.01	19.04	20.17	20.09
Operating cycle	1.82	19.82	17.90	16.85	16.91
Leverage (x)					
Interest Coverage	126.49	102.58	121.71	124.81	127.85
Debt Equity	0.08	0.08	0.08	0.08	0.07
Net Debt Equity	0.00	-0.01	-0.30	-0.25	-0.48
Assets to Equity	1.04	1.03	1.02	1.01	1.01
Du Pont					
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	2.54	2.43	2.33
Leverage	1.04	1.03	1.02	1.01	1.01
ROE	0.13	0.15	0.16	0.17	0.17

Source: Arianth Research, Company Filings