

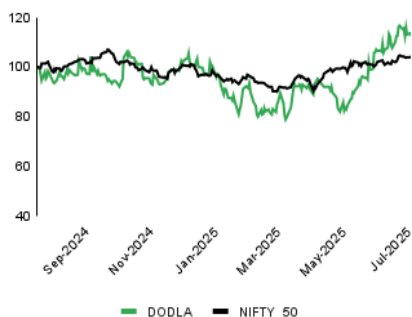
**CMP: INR 1,335**
**Rating: BUY**
**Target Price: INR 1,616**
**Stock Info**

BSE	543306
NSE	DODLA
Bloomberg	DODLA:IN
Reuters	DODL. NS
Sector	Dairy Products
Face Value (INR)	10
Equity Capital (INR Cr)	60.33
Mkt Cap (INR Cr)	8,054
52w H/L (INR)	1,523/962
Avg Daily Vol (in 000')	76.65

**Shareholding Pattern %**
*(As on June 2025)*

Promoters	59.69
FII	10.03
DII	19.21
Public & Others	11.07

Stock Performance (%)	1m	6m	12m
Dodla	(4.8)	23.7	7.12
Nifty 50	0.48	8.97	2.37

**Dodla vs Nifty 50**

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The company reported revenue of INR 10,069 mn, up 10.45% YoY and 10.69% QoQ, slightly missing our estimate of INR 10,164 mn. Gross margin contracted by 336 bps YoY to 25.78% (-140 bps QoQ), below our 27.2% expectation, reflecting cost pressures, though sequential procurement price corrections (INR 37.38/Liter in Q1 to INR 36.90/ Liter in July) signal potential recovery in Q2., while EBITDA fell 21.50% YoY to INR 825 mn (-1.22% QoQ), missing our INR 986 mn forecast, with EBITDA margin shrinking 334 bps YoY to 8.19% due to higher employee costs (+19.39% YoY) and other expenses (+7.34% YoY). PAT declined 3.31% YoY to INR 629 million (-7.50% QoQ), below our INR 699 mn estimate. Value-added product sales grew 12.0% YoY to INR 3,516 mn, with record milk procurement at 18.7 LLPD (+6.2% YoY) and average milk sales volume at 11.9 LLPD (+4.9% YoY). However, margins faced headwinds impacted by higher YoY procurement costs and a shift towards lower-margin fat products.

**Value-Added Products Underperform Due to Seasonality:** Unseasonal rains dampened VAP demand, particularly for curd (3.2% YoY degrowth to INR 204 cr), lassi (14,000 liters vs. 15,000 liters), and buttermilk (32,000 liters vs. 45,000 liters), leading to a modest 4% YoY VAP sales growth (excluding bulk) to INR 289 cr. The shift to bulk fat sales (butter and SMP) further eroded margins due to lower realizations. Management expects a revival in VAP sales in Q2, supported by stable demand in July and a focus on B2C channels to reduce reliance on low-margin B2B commodity sales.

**OSAM Acquisition:** Board approved 100% stake acquisition in HR Food Processing (OSAM brand in Bihar & Jharkhand), aligning with inorganic growth plans. Expects to converge gross margins over time through operating structure rationalization and premiumization.

**Maharashtra Greenfield Expansion:** INR 280 Cr project on track, with current daily procurement at 2.6 lakh LPD and a planned 10 lakh LPD integrated facility.

**Outlook and Valuation:** We can expect margin improvement in Q2 FY26 as lower procurement prices reflect. The company projects 10-15% overall topline growth and 7-8% volume growth, with 15-20% absolute growth at the EBITDA/cart level. This is underpinned by improving profit margins in Africa, a continued strong performance from the feed business (17.6% margins), the strategic OSAM acquisition, and the INR 280 Cr Maharashtra expansion. We assign a TP of INR 1,616 valued at a P/E of 27x the FY27E EPS of INR 60.

INR Mn	FY24	FY25	FY26E	FY27E
Revenue	31,255	37,201	41,571	47,438
YoY	11.15%	19.02%	11.75%	14.11%
EBITDA	2,888	3,808	4,434	5,250
EBITDA Margin	9.24%	10.24%	10.67%	11.07%
PAT	1,667	2,599	2,947	3,561
EPS (INR)	28.03	43.69	49.53	59.85
P/E (x)	47.63	30.56	26.95	22.31
P/B (x)	6.97	5.65	4.67	3.86
EV/EBITDA (x)	27.47	20.86	17.84	13.94
D/E (x)	0.08	0.07	0.07	0.07
RONW	14.64%	18.49%	17.33%	17.31%
ROCE	19.95%	24.01%	22.50%	22.48%

INR Mn (Consolidated)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>10069</b>	<b>9096</b>	<b>9116</b>	<b>10.69%</b>	<b>10.45%</b>
Raw Material Costs	7473	6625	6460	12.81%	15.69%
Gross Profit	2595	2472	2656	5.00%	-2.29%
<i>Gross Margin</i>	25.78%	27.17%	29.14%	-140bps	-336bps
Employee costs	471	406	395	16.08%	19.39%
Other Expenses	1299	1230	1210	5.57%	7.34%
<b>EBITDA</b>	<b>825</b>	<b>835</b>	<b>1051</b>	<b>-1.22%</b>	<b>-21.50%</b>
<i>EBITDA margin</i>	8.19%	9.18%	11.53%	-99bps	-334bps
Other Non-Operating Income	169	258	69	-34.40%	143.98%
Depreciation	178	182	182	-2.17%	-2.37%
<b>EBIT</b>	<b>817</b>	<b>912</b>	<b>939</b>	<b>-10.41%</b>	<b>-12.99%</b>
Finance costs	7	9	11	-21.15%	-34.91%
<b>PBT</b>	<b>810</b>	<b>903</b>	<b>928</b>	<b>-10.31%</b>	<b>-12.74%</b>
Tax Expense	181	223	278	-18.88%	-34.81%
<i>Effective tax rate</i>	22.36%	24.72%	29.93%	-236bps	-757bps
<b>PAT</b>	<b>629</b>	<b>680</b>	<b>650</b>	<b>-7.50%</b>	<b>-3.31%</b>
<i>PAT margin</i>	6.14%	7.27%	7.08%	-112bps	-94bps
EPS	10.42	11.27	10.93	-7.54%	-4.67%

### Segment Outlook:

**India:** Expected to grow 10-14% (excluding OSAM), reaching ~15% with OSAM acquisition. Liquid milk volume growth was managed via interventions like advertising and deeper market penetration. VAP sales contributed 36.2% of total sales. July saw good/stable VAP growth in the first two weeks despite unseasonal weather.

**Africa:** Anticipated to be on the "higher end" of growth with better profit margins expected this year due to stable procurement prices. The new Kenya plant is focused on strategic market share capture, with gradual profitability improvement expected after gaining sufficient share. The Kenya plant operates at ~65-70k LPD against a 1.3-1.5 lakh LPD capacity due to import permit issues.

**Orgafeed Business Outperforms with Strong Margins:** The Orgafeed segment recorded an approximate 24-25% YoY revenue increase and an 84.4% EBITDA growth, achieving a robust 17.6% EBITDA margin. Stable raw material prices (down from 18.8 per kg in Q4 FY24 to 17.6 per kg in Q1 FY26) and minimal selling price reductions drove margin expansion. With plant capacity utilization below 50%, Orgafeed is poised for sustained high-teens growth, catering to 35-40% of Dodla's farmers, with limited margin volatility expected (1-2%).

**Inventory:** Significant reduction in SMP (INR 17 Cr vs. INR 144 Cr YoY) and butter (INR 9 Cr vs. INR 155 Cr YoY)

**Revenue Split (excluding bulk sales):** Andhra Pradesh INR 259 cr, Karnataka INR 279 cr, Tamil Nadu INR 149 cr, Telangana INR 119 cr.

**State-wise Growth (Value Revenue, excluding bulk):** Andhra Pradesh 11%, Telangana 11.7%, Tamil Nadu 10.3%, Karnataka 7.2%. Similar growth trends are expected going forward.

**B2B Sales:** The company focuses on reducing reliance on B2B sales (bulk SMP) and is actively pursuing and improving consumer ghee and honey sales. Bulk sales will primarily be SMP going forward.

**Dodla acquired Osam for INR 2,071 Mn in an all-cash, debt-free deal, with Osam posting FY25 revenue of INR 282.6 Cr, 25% gross margin, 5% EBITDA margin, and INR 2.8 Cr PAT.**

## Income Statement

INR Mn	FY24	FY25E	FY26E	FY27E
<b>Revenue from operations</b>	<b>31,255</b>	<b>37,201</b>	<b>41,571</b>	<b>47,438</b>
Cost of materials consumed	22,821	26,990	30,029	34,172
Employee benefit expenses	1,360	1,599	1,704	1,849
Other expenses	4,184	4,804	5,404	6,167
<b>EBITDA</b>	<b>2,888</b>	<b>3,808</b>	<b>4,434</b>	<b>5,250</b>
<b>EBITDA Margin</b>	<b>9.24%</b>	<b>10.24%</b>	<b>10.67%</b>	<b>11.07%</b>
Depreciation & amortisation expense	701	746	771	795
Finance Cost	24	37	46	55
Other income	274	533	416	474
<b>PBT after exceptional Items</b>	<b>2,438</b>	<b>3,558</b>	<b>4,034</b>	<b>4,874</b>
Cash Tax	771	958	1,087	1,313
<b>PAT</b>	<b>1,667</b>	<b>2,599</b>	<b>2,947</b>	<b>3,561</b>
EPS after exceptional items:				
Basic (INR)	28.03	43.69	49.53	59.85
Diluted (INR)	27.75	43.26	49.05	59.26

## Balance Sheet

INR Mn	FY24	FY25E	FY26E	FY27E
Equity Share Capital	595	603	603	603
Other Equity	10,794	13,456	16,403	19,964
<b>Net Worth</b>	<b>11,389</b>	<b>14,060</b>	<b>17,006</b>	<b>20,567</b>
Total debt	954	915	1,125	1,361
Deferred tax liability (net)	239	260	260	260
Other non current liabilities	125	158	176	201
<b>Total Liabilities</b>	<b>1,318</b>	<b>1,333</b>	<b>1,561</b>	<b>1,822</b>
Net Block	6,538	6,950	5,292	4,820
CWIP	124	119	123	126
Goodwill	516	516	516	516
Other intangible assets	72	30	34	38
Biological assets	9	9	11	13
Investments	2,187	282	315	360
Other non current assets	127	157	176	201
<b>Net Working Capital:</b>	<b>2,101</b>	<b>6,432</b>	<b>10,668</b>	<b>8,686</b>
Inventories	3,892	1,617	5,088	2,542
Trade receivables	105	123	119	153
Cash and cash equivalents (INR Mn)	1,034	897	1,434	7,629
Bank Balances (INR Mn)	1	118	132	151
Other current assets	174	6,488	7,250	8,273
Trade payables	1,484	1,555	1,522	1,978
Other current liabilities	587	360	400	455
<b>Total assets</b>	<b>12,707</b>	<b>15,392</b>	<b>18,568</b>	<b>22,389</b>

## Cash Flow

INR Mn	FY24	FY25E	FY26E	FY27E
Profit before tax	2,438	3,558	4,034	4,874
Depreciation & amortization	701	746	771	795
Tax paid	771	958	1,087	1,313
Working capital Δ	1,746	4,331	4,236	-1,981
<b>Operating cash flow</b>	<b>622</b>	<b>-985</b>	<b>-518</b>	<b>6,337</b>
Capital expenditure	1,192	1,153	-883	326
<b>Free cash flow</b>	<b>-570</b>	<b>-2,139</b>	<b>365</b>	<b>6,011</b>
Investments made	-608	-1,904	33	44
Other asset purchases	-41	-12	24	32
Debt financing	190	-39	210	236
Other items	14	128	19	25
<b>Net Δ in cash</b>	<b>283</b>	<b>-136</b>	<b>536</b>	<b>6,195</b>
<b>Opening cash balance</b>	<b>750</b>	<b>1,034</b>	<b>897</b>	<b>1,434</b>
<b>Ending cash balance</b>	<b>1,034</b>	<b>897</b>	<b>1,434</b>	<b>7,629</b>

Ratios	FY24	FY25E	FY26E	FY27E
<b>Growth Matrix (%)</b>				
Revenue	11.15%	19.02%	11.75%	14.11%
EBITDA	50.96%	31.84%	16.43%	18.39%
EBIT	60.85%	46.02%	13.47%	20.83%
PBT	60.55%	45.94%	13.37%	20.83%
PAT	36.34%	55.89%	13.37%	20.83%
PAT after OCI	29.09%	60.45%	10.22%	20.83%
<b>Profitability (%)</b>				
EBITDA Margin	9.24%	10.24%	10.67%	11.07%
EBIT Margin	7.81%	9.53%	9.72%	10.29%
Net Profit Margin	5.29%	6.89%	7.02%	7.43%
RoCE	19.95%	24.01%	22.50%	22.48%
RoNW	14.64%	18.49%	17.33%	17.31%
RoA	14.17%	18.50%	17.36%	17.39%
<b>Per Share (INR)</b>				
Basic EPS	28.03	43.69	49.53	59.85
Diluted EPS	27.75	43.26	49.05	59.26
DPS	2.00	0.00	0.00	0.00
Basic Cash EPS	39.80	56.24	62.49	73.22
Diluted Cash EPS	39.41	55.68	61.87	72.50
BVPS	191.43	236.32	285.86	345.71
Sales	267.34	267.34	267.34	267.34
<b>Valuation (x)</b>				
P/E	47.63	30.56	26.95	22.31
P/CEPS	33.54	23.74	21.36	18.23
P/B	6.97	5.65	4.67	3.86
P/Sales	4.99	4.99	4.99	4.99
EV/EBITDA	27.47	20.86	17.84	13.94
EV/EBIT	32.23	22.10	19.39	14.84
EV/Sales	2.54	2.14	1.90	1.54
Dividend Yield	0.00	0.00	0.00	0.00
<b>Liquidity (x)</b>				
Current Ratio	2.51	4.83	7.30	7.70
Quick Ratio	0.63	3.98	4.65	6.66
Defensive Interval Ratio	16.90	83.37	87.82	140.21
Cash Ratio	0.50	0.47	0.75	3.14
<b>Activity (x)</b>				
Receivables turnover	326.10	325.99	343.01	348.38
Inventory turnover	8.97	9.80	8.96	8.96
Payables turnover	16.58	17.76	19.52	19.52
Total asset turnover	2.66	2.65	2.45	2.32
Fixed asset turnover	4.87	5.42	6.66	9.16
Working capital turnover	14.88	5.78	3.90	5.46
<b>Days</b>				
Receivable days	1.12	1.12	1.06	1.05
Inventory days	40.71	37.25	40.75	40.75
<b>Cash Conversion cycle</b>	<b>41.83</b>	<b>38.37</b>	<b>41.82</b>	<b>41.80</b>
Payable days	22.01	20.55	18.70	18.69
<b>Operating cycle</b>	<b>19.82</b>	<b>17.82</b>	<b>23.12</b>	<b>23.11</b>
<b>Leverage (x)</b>				
Interest Coverage	102.58	97.00	89.51	89.42
Debt Equity	0.08	0.07	0.07	0.07
Net Debt Equity	-0.01	0.00	-0.02	-0.30
Assets to Equity	1.03	1.00	1.00	1.00
<b>Du Pont</b>				
Tax burden	0.68	0.73	0.73	0.73
Interest burden	0.99	0.99	0.99	0.99
EBIT Margin	0.08	0.10	0.10	0.10
Asset turnover	2.66	2.65	2.45	2.32
Leverage	1.03	1.00	1.00	1.00
<b>ROE</b>	<b>0.15</b>	<b>0.18</b>	<b>0.17</b>	<b>0.17</b>

Source: Arianth Research, Company Filings

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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%

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