

CMP: INR 1,270
Rating: BUY
Target Price: INR 1,742
Stock Info

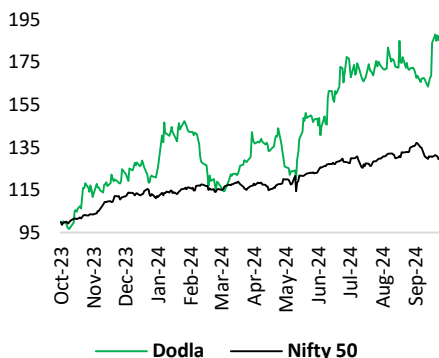
BSE	543306
NSE	DODLA
Bloomberg	DODLA:IN
Reuters	DODL. NS
Sector	Dairy Products
Face Value (INR)	10
Equity Capital (INR Cr)	59.5
Mkt Cap (INR Cr)	7,486
52w H/L (INR)	1,524/ 1,061
Avg Daily Vol (in 000')	52

Shareholding Pattern %
(As on September 2024)

Promoters	59.69
FII	11.58
DII	17.96
Public & Others	10.78

Stock Performance (%)

	1m	3m	12m
Dodla	2.95 (0.02)	85.26	
Nifty 50	(5.89)	0.02	26.64

Dodla vs Nifty 50

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Dodla delivered an impressive performance as margins remain healthy, but are slightly under pressure; top-line growth and PAT beat estimates. Q1FY25 Revenue was up 29.94% YoY to INR 9,976 Mn (+9.44% QoQ), beating our estimate of INR 8,676 Mn by 14.99%. Gross Margin contracted 136bps YoY to 25.46% (-367bps QoQ). EBITDA grew 37.03% YoY to INR 963 Mn (-8.43% QoQ). EBITDA Margin expanded 50bps YoY to 9.65% (-188bps QoQ), beating our estimates of INR 876 Mn by 9.88%, but missing on our margin estimate of 10.10% by 45 bps respectively. PAT grew 45.35% YoY to INR 634 Mn (-2.53% QoQ), beating our estimate of INR 541 Mn by 17.15%. **VAP sales were higher this quarter at 39% of revenues due to a larger proportion of SMP and Fat sales. There was an ~INR 150 Cr dip in inventory levels, returning them to pre-covid levels. Inventory liquidation will continue into the next quarter, and the rains will come in.**

Expansion into Maharashtra underway, entailing higher capex: The company generally allocates ~INR 43 Cr a year on capex, but the expansion project into Maharashtra is underway wherein they are currently in the process of acquiring land (currently acquired INR 35 Cr) which will entail additional capex. The factory will produce Milk, Curd, Ghee, Butter, and SMP and will be commissioned in FY26. The company has put its plans to expand into the eastern market on hold until the Maharashtra project completes, and until opportunities open up there. The payback period for their factories is generally 5-8 years, and the procurement from Maharashtra is already close to 2LLPD.

The African business faltered this quarter. Due to lower procurement volumes stemming from unavailability of milk, this business which generally has significantly higher margins vs. India, underperformed.

Guidance: They plan to maintain margins in the same range, and for bottom-line growth (in absolute terms) to be stable going forward. They have also declared an interim dividend of INR 3, which is the first time since listing. With the current cash balance, they remain open to inorganic expansion.

Outlook and Valuation: Procurement prices have been bottoming out and are stable, and realizations have reached healthy levels. We don't expect the company to take any price hikes hereon as they want to maintain volumes. We assign a TP of INR 1,742, valued at a P/E of 27x the FY27E EPS of INR 64, and a 'BUY' rating.

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28,120	31,255	35,461	40,910	47,916
YoY	25.35%	11.15%	13.46%	15.37%	17.13%
EBITDA	1,913	2,888	3,510	4,458	5,701
EBITDA Margin	6.80%	9.24%	9.90%	10.90%	11.90%
PAT	1,223	1,667	2,205	2,891	3,794
YoY	-7.92%	36.34%	32.23%	31.11%	31.26%
EPS (INR)	20.55	28.03	37.06	48.59	63.78
YoY	-8.36%	36.35%	32.23%	31.11%	31.26%
P/E (x)	61.79	45.31	34.27	26.14	19.91
P/B (x)	7.77	6.63	5.56	4.58	3.73
EV/EBITDA (x)	39.50	26.13	20.40	16.00	11.54
D/E (x)	0.08	0.08	0.08	0.07	0.07
RONW	12.58%	14.64%	16.22%	17.54%	18.71%
ROCE	14.60%	19.95%	21.48%	23.23%	24.80%

Source: Company, Arihant Research

INR Mn (Consolidated)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Net Revenue	9,976	9,116	7,678	9.44%	29.94%
Raw Material Costs	7,436	6,460	5,619	15.11%	32.35%
Gross Profit	2,540	2,656	2,059	-4.36%	23.37%
<i>Gross Margin</i>	<i>25.46%</i>	<i>29.14%</i>	<i>26.82%</i>	<i>-367bps</i>	<i>-136bps</i>
Employee costs	397	395	339	0.57%	17.00%
Other Expenses	1,181	1,210	1,017	-2.44%	16.07%
EBITDA	963	1,051	702	-8.43%	37.03%
<i>EBITDA margin</i>	<i>9.65%</i>	<i>11.53%</i>	<i>9.15%</i>	<i>-188bps</i>	<i>50bps</i>
Other Non Operating Income	96	69	67	37.92%	43.06%
Depreciation	187	182	172	2.76%	8.47%
EBIT	871	939	597	-7.18%	45.96%
Finance costs	8	11	4	-20.02%	112.34%
PBT	863	928	593	-7.03%	45.52%
Tax Expense	229	278	157	-17.56%	45.98%
<i>Effective tax rate</i>	<i>26.54%</i>	<i>29.93%</i>	<i>26.46%</i>	<i>-339bps</i>	<i>8bps</i>
PAT	634	650	436	-2.53%	45.35%

Source: Company, Arianth Research

Festive sales are expected to be strong.

Consolidated numbers (INR/Liter) for Q2FY25: Sales realization 68.16 (blended) and 55.1 for milk. Procurement price 34.9.

Cattle feed prices have remained stable due to stability in prices of main inputs like maize.

Procurement prices might change marginally in FY25, but there will be no major change. FY26 procurement prices will depend on the April- June summer season.

They have commenced **new units in Kenya** which have given them a significant addition to milk processing capacity- about 30,000 liters.

The African business will perk back up in the next 6 months.

Income Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue from operations	28,120	31,255	35,461	40,910	47,916
Cost of materials consumed	21,409	22,821	26,684	30,580	35,578
Employee benefit expenses	1,191	1,360	1,366	1,372	1,367
Other expenses	3,607	4,184	3,901	4,500	5,271
EBITDA	1,913	2,888	3,510	4,458	5,701
EBITDA Margin	6.80%	9.24%	9.90%	10.90%	11.90%
Depreciation & amortisation expense	612	701	725	754	784
Finance Cost	12	24	26	31	37
Other income	230	274	355	409	479
PBT after exceptional Items	1,518	2,438	3,114	4,083	5,359
Cash Tax	296	771	909	1,192	1,564
PAT	1,223	1,667	2,205	2,891	3,794
EPS after exceptional items:					
Basic (INR)	20.55	28.03	37.06	48.59	63.78
Diluted (INR)	20.39	27.80	36.76	48.20	63.27

Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	595	595	595	595	595
Other Equity	9,127	10,794	12,999	15,889	19,684
Net Worth	9,722	11,389	13,594	16,484	20,279
Total debt	764	954	1,025	1,223	1,484
Deferred tax liability (net)	230	239	239	239	239
Other non current liabilities	119	125	142	164	192
Total Liabilities	1,113	1,318	1,406	1,626	1,914
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	94	110
Biological assets	16	9	11	12	14
Investments	2,795	2,187	3,546	4,091	4,792
Other non current assets	118	127	144	166	195
Net Working Capital:	355	2,101	-239	2,153	99
Inventories	1,199	3,892	1,369	4,660	2,354
Trade receivables	87	105	82	151	117
Cash and cash equivalents (INR Mn)	750	1,034	4,978	5,466	11,227
Bank Balances (INR Mn)	496	1	1	1	1
Other current assets	253	174	197	228	267
Trade payables	1,269	1,484	1,202	2,101	1,725
Other current liabilities	410	587	686	786	914
Total assets	10,835	12,707	14,999	18,110	22,193

Cash Flow

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	1,518	2,438	3,114	4,083	5,359
Depreciation & amortization	612	701	725	754	784
Tax paid	296	771	909	1,192	1,564
Working capital Δ	268	1,746	-2,340	2,391	-2,054
Goodwill Δ	74	-	-	-	-
Operating cash flow	1,493	622	5,269	1,253	6,632
Capital expenditure	1,589	1,192	25	404	412
Free cash flow	-96	-570	5,244	849	6,220
Investments made	767	-608	1,359	545	701
Other asset purchases	-286	-41	28	36	46
Debt financing	289	190	71	198	260
Other items	-60	14	17	22	28
Net Δ in cash	-348	283	3,944	488	5,761
Opening cash balance	1,099	750	1,034	4,978	5,466
Ending cash balance	750	1,034	4,978	5,466	11,227

Source: Company, Arianth Research

Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue	25.35%	11.15%	13.46%	15.37%	17.13%
EBITDA	-9.20%	50.96%	21.51%	27.02%	27.87%
EBIT	-11.05%	60.85%	27.53%	31.01%	31.19%
PBT	-8.28%	60.55%	27.73%	31.11%	31.26%
PAT	-7.92%	36.34%	32.23%	31.11%	31.26%
PAT after OCI	-6.67%	29.09%	32.31%	31.11%	31.26%
Profitability (%)					
EBITDA Margin	6.80%	9.24%	9.90%	10.90%	11.90%
EBIT Margin	5.40%	7.81%	8.77%	9.96%	11.15%
Net Profit Margin	4.31%	5.29%	6.16%	7.00%	7.84%
RoCE	14.60%	19.95%	21.48%	23.23%	24.80%
RoNW	12.58%	14.64%	16.22%	17.54%	18.71%
RoA	12.10%	14.17%	15.92%	17.46%	18.83%
Per Share (INR)					
Basic EPS	20.55	28.03	37.06	48.59	63.78
Diluted EPS	20.39	27.80	36.76	48.20	63.27
DPS	0.00	0.00	0.00	0.00	0.00
Basic Cash EPS	30.85	39.80	49.24	61.26	76.95
Diluted Cash EPS	30.60	39.49	48.85	60.77	76.34
BVPS	163.42	191.43	228.49	277.08	340.86
Sales	267.34	267.34	267.34	267.34	267.34
Valuation (x)					
P/E	61.79	45.31	34.27	26.14	19.91
P/CEPS	41.17	31.91	25.79	20.73	16.50
P/B	7.77	6.63	5.56	4.58	3.73
P/Sales	4.75	4.75	4.75	4.75	4.75
EV/EBITDA	39.50	26.13	20.40	16.00	11.54
EV/EBIT	49.37	30.66	22.81	17.34	12.20
EV/Sales	2.69	2.41	2.02	1.74	1.37
Dividend Yield	0.00	0.00	0.00	0.00	0.00
Liquidity (x)					
Current Ratio	1.66	2.51	3.51	3.64	5.29
Quick Ratio	0.94	0.63	2.79	2.03	4.40
Defensive Interval Ratio	22.08	16.90	60.07	58.54	100.40
Cash Ratio	0.45	0.50	2.64	1.89	4.25
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	19.88	18.52	18.60
Total asset turnover	2.78	2.66	2.56	2.47	2.38
Fixed asset turnover	4.95	4.87	5.62	7.07	8.83
Working capital turnover	79.13	14.88	-148.68	19.00	483.01
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	18.36	19.71	19.62
Operating cycle	1.82	19.82	18.58	17.31	17.38
Leverage (x)					
Interest Coverage	126.49	102.58	121.76	133.65	144.59
Debt Equity	0.08	0.08	0.08	0.07	0.07
Net Debt Equity	0.00	-0.01	-0.29	-0.26	-0.48
Assets to Equity	1.04	1.03	1.02	1.00	0.99
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	0.11
Asset turnover	2.78	2.66	2.56	2.47	2.38
Leverage	1.04	1.03	1.02	1.00	0.99
ROE	0.13	0.15	0.16	0.18	0.19

Source: Arian 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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