

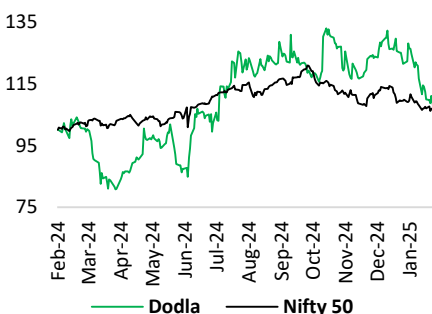
CMP: INR 1,019
Rating: BUY
Target Price: INR 1,998
Stock Info

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)	6,859
52w H/L (INR)	1,524/ 1,061
Avg Daily Vol (in 000')	47

Shareholding Pattern %
(As on December 2024)

Promoters	59.69
FII	11.03
DII	18.84
Public & Others	10.44

Stock Performance (%)	1m	3m	12m
Dodla	(10.8)	(4.6)	10.3
Nifty 50	(1.2)	(3.4)	8.2

Dodla vs Nifty 50

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Dodla delivered an excellent performance despite gross margin pressure. Q3FY25 Revenue was up 20.67% YoY to INR 9,012 Mn (-9.66% QoQ), beating our estimate of INR 7,971 Mn by 13.06%. Gross Margin contracted 183bps YoY to 28.22% (+267bps QoQ). Milk prices have risen since their bottom last year. EBITDA grew 15.81% YoY to INR 959 Mn (-0.34% QoQ). EBITDA Margin contracted 45bps YoY to 10.64% owing to higher employee costs (+19.79% YoY) and higher other expenses (+9.42% YoY) (+100bps QoQ), beating our estimates of INR 792 Mn by 21.12%, and 9.94% by 71 bps respectively. PAT grew 53.79% YoY to INR 636 Mn (+0.3% QoQ), beating our estimate of INR 443 Mn by 43.49%.

Plans for the Capex in Maharashtra: The INR 280 Cr greenfield plant will be funded by a mix of debt (depending on availability of government benefits) and accruals. The plant will initially be a primary milk processor, and then move into VAP. The current procurement in Maharashtra is 10 LLPD. The plant will be commissioned in FY27 and at full capacity has an ATR of 6-7x-around INR 2,000 cr.

Market prices trending upward: Milk prices are expected to increase by INR 1-2, with some areas already experiencing an INR 1 hike, and further increases are expected in March and April. Ghee prices fluctuate in tandem with butter prices, and are currently trending higher due to the festive season.

Inventory Management: The company has maintained sufficient inventory levels to meet full-year requirements- in line with their goal to reduce third party dependence. They have a provision of INR 10 cr for inventory gains, which will be an advantage during the summer months when consumption is expected to increase.

Guidance: EBITDA margins are expected to be in the 8-10% range, with volume growth in the range of 8-10%, and revenue growth in the range of 15%.

Outlook and Valuation: The company has been able to maintain margin levels despite the softness faced in VAPs this quarter, we expect them to inch up further in Q4 given the improvement in VAP sales during summer which will help the muted traction in the India business bounce back. We assign a TP of INR 1998, valued at a P/E of 27x the FY27E EPS of INR 74, and a 'BUY' rating with a 96% upside.

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28,120	31,255	37,451	45,727	56,472
YoY	25.35%	11.15%	19.83%	22.10%	23.50%
EBITDA	1,913	2,888	4,101	5,099	6,410
EBITDA Margin	6.80%	9.24%	10.95%	11.15%	11.35%
PAT	1,223	1,667	2,720	3,441	4,401
YoY	-7.92%	36.34%	63.15%	26.50%	27.91%
EPS (INR)	20.55	28.03	45.72	57.84	73.98
YoY	-8.36%	36.35%	63.15%	26.50%	27.91%
P/E (x)	49.58	36.36	22.29	17.62	13.77
P/B (x)	6.24	5.32	4.30	3.45	2.76
EV/EBITDA (x)	31.69	20.96	13.95	11.28	8.23
D/E (x)	0.08	0.08	0.09	0.10	0.10
RONW	12.58%	14.64%	19.28%	19.61%	20.05%
ROCE	14.60%	19.95%	24.22%	24.47%	24.87%

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

The African business: Revenue growth was rapid due to the new facility in Kenya. The company mentioned that it expects margins to improve in Africa over the next couple of months. They were impacted delayed monsoon, leading to higher procurement cost.

Competition: Competitors have started taking price hikes in certain areas, specially in the south. Co-ops like Amul have decreased prices in some areas, but not across India.

Inorganic opportunities on the horizon: The company will continue to pursue acquisitions despite the Maharashtra project as it has healthy cash flows to support potential acquisitions. They will consider acquisitions if the opportunity meets their performance requirements and price criteria.

Labor costs up: Employee expenses increased by 19.8% due to annual increments and the addition of employees in Kenya plant and Orgafeed plant in Kuppam.

Price hikes: They plan to implement a price hike in response to increasing procurement costs, which is in line with industry trends and considered the inflationary change. The company had maintained milk prices during the quarter. The procurement price for Q3 was INR 35.62. Realization was INR 62.17 including bulk sales, and INR 58.06 excluding bulk sale price. Higher prices led to a drop in consumption, but the company is seeing good offtake starting from January. Selling price corrections have already started, with a new round of price adjustments set to begin in Telangana, Andhra, and some parts of Karnataka. They are able to pass on cost increases through pricing, as evidenced by the increasing prices in bulk sales QoQ.

Operational Highlights:

- Average Milk Procurement: 17.1 LLPD, down 2.7% YoY.
- Average Milk Sales: 11.6 LLPD, up 9.1% YoY.
- Curd Sales: 307 MTPD, up 5.2% YoY
- VAP Sales: INR 2,812 Mn (32.3% of revenue), up 50.9% YoY. Future increase in VAP sales expected, especially curd, buttermilk, flavored milk, and ice cream.
- Bulk sale of SMP butter brought in INR 720 Mn in Q3.
- Quick Commerce Sales: ~0.5% of overall revenue, targeting 1-2% growth short-term. Modern trade and quick commerce to contribute INR 1000 Mn annually.
- Dodla Parlors: Provide strong margins alongside distributor network. Anticipating 2-3% annual sales growth. Focused on profitable growth, maintaining standards, and cross-selling within parlors.

Income Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue from operations	28,120	31,255	37,451	45,727	56,472
Cost of materials consumed	21,409	22,821	27,620	33,723	41,648
Employee benefit expenses	1,191	1,360	1,610	1,875	2,202
Other expenses	3,607	4,184	4,120	5,030	6,212
EBITDA	1,913	2,888	4,101	5,099	6,410
EBITDA Margin	6.80%	9.24%	10.95%	11.15%	11.35%
Depreciation & amortisation expense	612	701	756	846	947
Finance Cost	12	24	44	59	80
Other income	230	274	375	457	565
PBT after exceptional Items	1,518	2,438	3,676	4,650	5,948
Cash Tax	296	771	956	1,209	1,546
PAT	1,223	1,667	2,720	3,441	4,401
EPS after exceptional items:					
Basic (INR)	20.55	28.03	45.72	57.84	73.98
Diluted (INR)	20.39	27.80	45.36	57.38	73.39

Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	595	595	595	595	595
Other Equity	9,127	10,794	13,514	16,955	21,356
Net Worth	9,722	11,389	14,109	17,550	21,951
Total debt	764	954	1,253	1,693	2,281
Deferred tax liability (net)	230	239	239	239	239
Other non current liabilities	119	125	150	183	226
Total Liabilities	1,113	1,318	1,642	2,115	2,746
Net Block	5,589	6,538	5,735	6,069	6,422
CWIP	581	124	981	1,099	1,229
Goodwill	516	516	516	516	516
Other intangible assets	115	72	86	105	130
Biological assets	16	9	11	12	14
Investments	2,795	2,187	3,745	4,573	5,647
Other non current assets	118	127	152	186	229
Net Working Capital:	355	2,101	-150	2,306	376
Inventories	1,199	3,892	1,553	5,095	3,116
Trade receivables	87	105	93	168	148
Cash and cash equivalents (INR Mn)	750	1,034	4,675	4,799	10,135
Bank Balances (INR Mn)	496	1	1	1	1
Other current assets	253	174	208	254	314
Trade payables	1,269	1,484	1,295	2,346	2,132
Other current liabilities	410	587	710	867	1,070
Total assets	10,835	12,707	15,751	19,665	24,698

Cash Flow

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	1,518	2,438	3,676	4,650	5,948
Depreciation & amortization	612	701	756	846	947
Tax paid	296	771	956	1,209	1,546
Working capital Δ	268	1,746	-2,251	2,456	-1,929
Goodwill Δ	74	-	-	-	-
Operating cash flow	1,493	622	5,727	1,832	7,277
Capital expenditure	1,589	1,192	810	1,299	1,429
Free cash flow	-96	-570	4,917	532	5,848
Investments made	767	-608	1,558	828	1,075
Other asset purchases	-286	-41	41	54	70
Debt financing	289	190	299	440	588
Other items	-60	14	25	33	43
Net Δ in cash	-348	283	3,641	124	5,335
Opening cash balance	1,099	750	1,034	4,675	4,799
Ending cash balance	750	1,034	4,675	4,799	10,135

Source: Company, Arianth Research

Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth Matrix (%)					
Revenue	25.35%	11.15%	19.83%	22.10%	23.50%
EBITDA	-9.20%	50.96%	41.97%	24.33%	25.71%
EBIT	-11.05%	60.85%	51.10%	26.60%	28.00%
PBT	-8.28%	60.55%	50.78%	26.50%	27.91%
PAT	-7.92%	36.34%	63.15%	26.50%	27.91%
PAT after OCI	-6.67%	29.09%	63.25%	26.50%	27.91%
Profitability (%)					
EBITDA Margin	6.80%	9.24%	10.95%	11.15%	11.35%
EBIT Margin	5.40%	7.81%	9.83%	10.20%	10.57%
Net Profit Margin	4.31%	5.29%	7.19%	7.45%	7.72%
RoCE	14.60%	19.95%	24.22%	24.47%	24.87%
RoNW	12.58%	14.64%	19.28%	19.61%	20.05%
RoA	12.10%	14.17%	19.12%	19.43%	19.84%
Per Share (INR)					
Basic EPS	20.55	28.03	45.72	57.84	73.98
Diluted EPS	20.39	27.80	45.36	57.38	73.39
DPS	0.00	0.00	0.00	0.00	0.00
Basic Cash EPS	30.85	39.80	58.42	72.07	89.89
Diluted Cash EPS	30.60	39.49	57.96	71.49	89.17
BVPS	163.42	191.43	237.15	294.99	368.97
Sales	267.34	267.34	267.34	267.34	267.34
Valuation (x)					
P/E	49.58	36.36	22.29	17.62	13.77
P/CEPS	33.04	25.60	17.44	14.14	11.34
P/B	6.24	5.32	4.30	3.45	2.76
P/Sales	3.81	3.81	3.81	3.81	3.81
EV/EBITDA	31.69	20.96	13.95	11.28	8.23
EV/EBIT	39.62	24.59	15.38	12.21	8.75
EV/Sales	2.16	1.94	1.53	1.26	0.93
Dividend Yield	0.00	0.00	0.00	0.00	0.00
Liquidity (x)					
Current Ratio	1.66	2.51	3.26	3.21	4.28
Quick Ratio	0.94	0.63	2.48	1.63	3.31
Defensive Interval Ratio	22.08	16.90	54.47	46.92	77.27
Cash Ratio	0.45	0.50	2.33	1.49	3.16
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	2.63	2.58	2.55
Fixed asset turnover	4.95	4.87	5.60	6.59	7.62
Working capital turnover	79.13	14.88	-249.59	19.83	150.06
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	17.32	17.38
Leverage (x)					
Interest Coverage	126.49	102.58	84.84	79.47	75.49
Debt Equity	0.08	0.08	0.09	0.10	0.10
Net Debt Equity	0.00	-0.01	-0.24	-0.18	-0.36
Assets to Equity	1.04	1.03	1.01	1.01	1.01
Du Pont					
Tax burden	0.81	0.68	0.74	0.74	0.74
Interest burden	0.99	0.99	0.99	0.99	0.99
EBIT Margin	0.05	0.08	0.10	0.10	0.11
Asset turnover	2.78	2.66	2.63	2.58	2.55
Leverage	1.04	1.03	1.01	1.01	1.01
ROE	0.13	0.15	0.19	0.20	0.20

Source: Arihant 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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