

CMP: INR 1,243

Rating: BUY

Target Price: INR 1,896

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)	7,496
52w H/L (INR)	1,523/962
Avg Daily Vol (in 000')	67.24

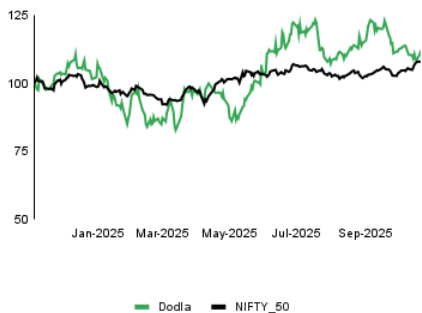
Shareholding Pattern %

(As on June 2025)

Promoters	58.92
FII	8.91
DII	21.50
Public & Others	10.67

Stock Performance (%)	1m	6m	12m
Dodla	(8.02)	16.4	4.57
Nifty 50	2.33	4.91	6.95

Dodla vs Nifty 50



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Dodla Dairy revenue rose 2.13% YoY to INR 10,188 Mn (+1.19% QoQ), missing our estimate of INR 11,123 Mn, a strategic shift in product mix—marked by declining bulk sales and robust expansion in high-margin value-added products like curd, ghee, lassi, flavored milk, and ice cream—drove gross margin expansion of 222bps YoY to 27.68% (+191bps QoQ), surpassing our 26% expectation and underscoring pricing power in premium segments. EBITDA declined 3.58% YoY to INR 928 Mn (+12.49% QoQ), slightly above our estimate of INR 923 Mn, due to higher procurement costs and OSAM's low margin contribution. While the EBITDA margin contracted 54bps YoY but expanded 92bps QoQ to 9.11%, beating our 8.30% estimate on operating leverage from the mix upgrade. PAT grew 3.61% YoY to INR 657 Mn (+4.44% QoQ) below our estimate of INR 706 Mn.

Strong Milk Procurement and State-wise Performance: Dodla Dairy's milk procurement stood at 19.5 LLPD in Q2 FY26, reflecting a 13.4% YoY increase driven by operational efficiencies and the addition of OSAM volumes. Excluding OSAM, procurement grew 9.4% to 18.8 lakh liters per day. State-wise procurement growth was led by Maharashtra at 26%, Telangana at 19.9%, Karnataka at 12.8%, Andhra Pradesh at 7.5%, while Tamil Nadu remained largely stable. The procurement mix remains diversified with Andhra Pradesh contributing 32%, Karnataka 26%, Tamil Nadu 26%, and Maharashtra 14%.

Robust Financial Profile Supporting Growth: The company maintains a strong cash position of INR 596 crore and a debt-free balance sheet, underpinning INR 77 crore capex spent in H1 FY26 towards Maharashtra plant commissioning.

Outlook and Valuation: Dodla Dairy is poised for steady growth in FY27, leveraging its expanded procurement network across key Indian states and ongoing geographic expansion efforts. The company anticipates maintaining volume growth in the range of 6-8% in standalone India operations, driven by increased market penetration and expanding VAP sales. Internationally, growth momentum from Africa and the recently acquired OSAM Dairy will support overall revenue expansion, with margin improvement expected from operational efficiencies and rising high-margin product contributions. The company targets consolidated EBITDA margins in the 8-10% range despite input cost pressures and aims to sustain top-line growth between 10-15%, supported by strategic brand building, portfolio diversification, and prudent cost control measures. We assign a TP of INR 1,896 valued at a P/E of 27x the FY28E EPS of INR 70.22.

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	31,255	37,201	40,208	46,336	54,653
YoY	11.15%	19.02%	8.08%	15.24%	17.95%
EBITDA	2,888	3,808	3,887	5,035	6,048
EBITDA Margin	9.24%	10.24%	9.67%	10.87%	11.07%
PAT	1,667	2,599	2,541	3,402	4,177
YoY	36.34%	55.89%	-2.24%	33.86%	22.80%
EPS (INR)	28.03	43.69	42.71	57.18	70.22
YoY	36.35%	55.89%	-2.24%	33.86%	22.80%
P/E (x)	40.93	26.25	26.85	20.06	16.34
P/B (x)	5.99	4.85	4.11	3.41	2.82
EV/EBITDA (x)	23.60	17.92	17.50	12.38	10.37
D/E (x)	0.08	0.07	0.06	0.06	0.06
RONW	14.64%	18.49%	15.31%	17.01%	17.28%
ROCE	19.95%	24.01%	20.01%	22.22%	22.57%

Source: Company, Arihant Research

INR Mn (Consolidated)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Net Revenue	10,188.2	10,068.7	9,976.2	1.19%	2.13%
Raw Material Costs	7,367.8	7,473.3	7,436.0	-1.41%	-0.92%
Gross Profit	2,820.5	2,595.4	2,540.2	8.67%	11.03%
<i>Gross Margin</i>	<i>27.68%</i>	<i>25.78%</i>	<i>25.46%</i>	<i>191bps</i>	<i>222bps</i>
Employee costs	499.2	471.4	397.1	5.89%	25.70%
Other Expenses	1,393.2	1,298.8	1,180.5	7.26%	18.01%
EBITDA	928.1	825.1	962.5	12.49%	-3.58%
<i>EBITDA margin</i>	<i>9.11%</i>	<i>8.19%</i>	<i>9.65%</i>	<i>92bps</i>	<i>-54bps</i>
Other Non-Operating Income	113.8	169.2	95.7	-32.77%	18.93%
Depreciation	206.0	177.7	187.0	15.93%	10.13%
EBIT	835.9	816.6	871.2	2.36%	-4.05%
Finance costs	8.3	6.9	8.4	20.41%	-2.02%
PBT	827.7	809.8	862.7	2.21%	-4.07%
Tax Expense	171.0	181.1	229.0	-5.56%	-25.32%
<i>Effective tax rate</i>	<i>20.66%</i>	<i>22.36%</i>	<i>26.54%</i>	<i>-170bps</i>	<i>-588bps</i>
PAT	656.7	628.7	633.8	4.44%	3.61%
<i>PAT margin</i>	<i>6.37%</i>	<i>6.14%</i>	<i>6.29%</i>	<i>23bps</i>	<i>8bps</i>
EPS	10.89	10.42	10.54	4.51%	3.32%

Growth Through Geographic Expansion and Acquisitions: The company is progressing on its Maharashtra expansion project with a facility producing 2.4 LLPD, expected to fuel future volume growth. OSAM Dairy, acquired recently, contributed INR 52.6 crore in revenue at a low 2.6% EBITDA margin but is targeted for scale-up from 1.2 lakh to 2 lakh liters per day by FY27, with operational efficiencies expected to improve profitability over time. OSAM will strategically aid Dodla's expansion into India's northeastern markets.

Operational Excellence and Margin Outlook: Consolidated procurement costs increased to INR 37.29 per liter from INR 34.64 last year, partly due to erratic rainfall affecting milk supply. EBITDA margin stood at 9.1%, with expected improvement to 8–10% range sustained in H2 FY26 through margin expansion in VAP, cost efficiencies, and integration of OSAM operations. Brand-building and promotional investment rose to INR 10 crore from INR 7.2 crore YoY, emphasizing market presence.

Africa Business: Reported healthy YoY revenue growth of 21.7%. The EBITDA margin was 7.4%, which is higher than the previous year's Q2. The current focus is on capturing markets in Kenya and strategically keeping milk product prices low. Gradual improvement in profitability is expected over the long term.

Orgafeed Business: Delivered consistent high double-digit growth, with revenue growing by 28.3% and an EBITDA margin of 13.7% for the quarter. The margin moderated slightly compared to Q1 FY26 due to an increase in raw material costs, specifically maize prices.

Expanding Sales Volumes and Product Mix: Liquid milk sales showed robust volume growth of 12.6% YoY, reaching 13.1 LLPD, with curd volumes growing 11.2% to 360 metric tons per day. Value-added products excluding bulk sales surged 22% YoY, constituting 27% of revenue excluding bulk sales, led by high-margin paneer and curd segments. Bulk sales of SMP and butter strategically declined from INR 165 crore to INR 28 crore, balancing demand and supply seasonally while improving overall product mix profitability.

Income Statement

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue from operations	31,255	37,201	40,208	46,336	54,653
Cost of materials consumed	22,821	26,990	29,446	33,471	39,478
Employee benefit expenses	1,360	1,599	1,648	1,806	2,021
Other expenses	4,184	4,804	5,227	6,024	7,105
EBITDA	2,888	3,808	3,887	5,035	6,048
EBITDA Margin	9.24%	10.24%	9.67%	10.87%	11.07%
Depreciation & amortisation expense	701	746	771	795	820
Finance Cost	24	37	40	47	57
Other income	274	533	402	463	547
PBT after exceptional Items	2,438	3,558	3,478	4,656	5,718
Cash Tax	771	958	937	1,254	1,540
PAT	1,667	2,599	2,541	3,402	4,177
EPS after exceptional items:					
Basic (INR)	28.03	43.69	42.71	57.18	70.22
Diluted (INR)	27.75	43.26	42.29	56.62	69.53

Balance Sheet

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	595	603	603	603	603
Other Equity	10,794	13,456	15,997	19,399	23,576
Net Worth	11,389	14,060	16,601	20,002	24,180
Total debt	954	915	984	1,162	1,400
Deferred tax liability (net)	239	260	260	260	260
Other non current liabilities	125	158	170	196	231
Total Liabilities	1,318	1,333	1,415	1,619	1,892
Net Block	6,538	6,950	5,292	4,820	4,326
CWIP	124	119	123	126	130
Goodwill	516	516	516	516	516
Other intangible assets	72	30	33	38	44
Biological assets	9	9	11	13	16
Investments	2,187	282	305	351	415
Other non current assets	127	157	170	196	231
Net Working Capital:	2,101	6,432	10,351	8,490	13,474
Inventories	3,892	1,617	4,958	2,516	6,300
Trade receivables	105	123	111	155	151
Cash and cash equivalents (INR Mn)	1,034	897	1,215	7,071	6,920
Bank Balances (INR Mn)	1	118	128	148	174
Other current assets	174	6,488	7,012	8,081	9,531
Trade payables	1,484	1,555	1,466	1,963	2,157
Other current liabilities	587	360	392	446	526
Total assets	12,707	15,392	18,015	21,621	26,072

Cash Flow

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	2,438	3,558	3,478	4,656	5,718
Depreciation & amortization	701	746	771	795	820
Tax paid	771	958	937	1,254	1,540
Working capital Δ	1,746	4,331	3,919	-1,861	4,983
Operating cash flow	622	-985	-607	6,058	14
Capital expenditure	1,192	1,153	-883	326	330
Free cash flow	-570	-2,139	276	5,731	-317
Investments made	-608	-1,904	23	46	63
Other asset purchases	-41	-12	18	33	44
Debt financing	190	-39	69	178	238
Other items	14	128	13	26	35
Net Δ in cash	283	-136	318	5,855	-151
Opening cash balance	750	1,034	897	1,215	7,071
Ending cash balance	1,034	897	1,215	7,071	6,920

Ratios	FY24	FY25	FY26E	FY27E	FY28E
Growth Matrix (%)					
Revenue	11.15%	19.02%	8.08%	15.24%	17.95%
EBITDA	50.96%	31.84%	2.06%	29.55%	20.12%
EBIT	60.85%	46.02%	-2.14%	33.69%	22.78%
PBT	60.55%	45.94%	-2.24%	33.86%	22.80%
PAT	36.34%	55.89%	-2.24%	33.86%	22.80%
PAT after OCI	29.09%	60.45%	-4.95%	33.86%	22.80%
Profitability (%)					
EBITDA Margin	9.24%	10.24%	9.67%	10.87%	11.07%
EBIT Margin	7.81%	9.53%	8.66%	10.05%	10.46%
Net Profit Margin	5.29%	6.89%	6.26%	7.27%	7.57%
RoCE	19.95%	24.01%	20.01%	22.22%	22.57%
RoNW	14.64%	18.49%	15.31%	17.01%	17.28%
RoA	14.17%	18.50%	15.21%	17.16%	17.52%
Per Share (INR)					
Basic EPS	28.03	43.69	42.71	57.18	70.22
Diluted EPS	27.75	43.26	42.29	56.62	69.53
DPS	2.00	0.00	0.00	0.00	0.00
Basic Cash EPS	39.80	56.24	55.67	70.54	84.00
Diluted Cash EPS	39.41	55.68	55.12	69.85	83.17
BVPS	191.43	236.32	279.04	336.21	406.43
Sales	267.34	267.34	267.34	267.34	267.34
Valuation (x)					
P/E	40.93	26.25	26.85	20.06	16.34
P/CEPS	28.82	20.40	20.61	16.26	13.65
P/B	5.99	4.85	4.11	3.41	2.82
P/Sales	4.29	4.29	4.29	4.29	4.29
EV/EBITDA	23.60	17.92	17.50	12.38	10.37
EV/EBIT	27.69	18.99	19.33	13.25	10.86
EV/Sales	2.18	1.83	1.69	1.35	1.15
Dividend Yield	0.00	0.00	0.00	0.00	0.00
Liquidity (x)					
Current Ratio	2.51	4.83	7.22	7.46	8.60
Quick Ratio	0.63	3.98	4.56	6.42	6.25
Defensive Interval Ratio	16.90	83.37	85.08	136.58	125.98
Cash Ratio	0.50	0.47	0.65	2.94	2.58
Activity (x)					
Receivables turnover	326.10	325.99	343.01	348.38	357.71
Inventory turnover	8.97	9.80	8.96	8.96	8.96
Payables turnover	16.58	17.76	19.49	19.52	19.17
Total asset turnover	2.66	2.65	2.41	2.34	2.29
Fixed asset turnover	4.87	5.42	6.44	8.94	11.63
Working capital turnover	14.88	5.78	3.88	5.46	4.06
Days					
Receivable days	1.12	1.12	1.06	1.05	1.02
Inventory days	40.71	37.25	40.75	40.75	40.75
Cash Conversion cycle	41.83	38.37	41.82	41.80	41.77
Payable days	22.01	20.55	18.73	18.70	19.04
Operating cycle	19.82	17.82	23.09	23.10	22.73
Leverage (x)					
Interest Coverage	102.58	97.00	88.23	99.89	101.79
Debt Equity	0.08	0.07	0.06	0.06	0.06
Net Debt Equity	-0.01	0.00	-0.01	-0.30	-0.23
Assets to Equity	1.03	1.00	1.01	0.99	0.99
Du Pont					
Tax burden	0.68	0.73	0.73	0.73	0.73
Interest burden	0.99	0.99	0.99	0.99	0.99
EBIT Margin	0.08	0.10	0.09	0.10	0.11
Asset turnover	2.66	2.65	2.41	2.34	2.29
Leverage	1.03	1.00	1.01	0.99	0.99
ROE	0.15	0.18	0.15	0.17	0.17

Source: Arianth Research, Company Filings

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Stock Rating Scale

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

Absolute Return

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