

Date: 29 July 2024

The General Manager Department of Corporate Services <b>BSE Limited</b> Phiroze Jeejeebhoy Towers Dalai Street, Fort Mumbai-400 001	The Manager Listing Department <b>National Stock Exchanges of India Limited</b> "Exchange Plaza", 5th Floor, Plot No.C/1, G Block Bandra-Kurla Complex Bandra (East), Mumbai 400051.
<b>Scrip Code : 543306</b>	<b>Scrip Code : DODLA</b>

Dear Sir/Madam,

**Sub: Transcript of Q1 FY25 Results Conference Call held on Wednesday, 24 July 2024.**

In Continuation to our letter dated 17 July 2024 the Company had organized a Q1 FY25 Results Conference Call with the Investors/ Analysts on Wednesday, 24 July 2024 at 12:00 Hrs (IST). A copy of Transcript of conference call held with the Investors/ Analysts is enclosed herewith and the same has also been uploaded on the Company's Website at [www.dodladairy.com](http://www.dodladairy.com).

This is for your information and records.

Thanking You,  
Yours Faithfully,  
**For Dodla Dairy Limited**

**Surya Prakash M**  
Company Secretary & Compliance Officer

★ An ISO 22000-2005 & 50001 EnMS Certified Company ★



“Dodla Dairy Limited  
Q1 FY'25 Earnings Conference Call”

July 24, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 17th May 2024 will prevail



**MANAGEMENT: MR. DODLA SUNIL REDDY – MANAGING DIRECTOR –  
DODLA DAIRY LIMITED  
MR. B.V.K. REDDY – CHIEF EXECUTIVE OFFICER –  
DODLA DAIRY LIMITED  
MR. MURALI MOHAN RAJU – CHIEF FINANCIAL  
OFFICER – DODLA DAIRY LIMITED**

**MODERATOR: MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Dodla Dairy Limited Q1 FY25 Earnings Conference Call on hosted by ICICI Securities Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities Limited. Thank you and over to you, sir.

**Aniruddha Joshi:** Yes. Thanks, Neha. On behalf of ICICI Securities, we welcome you all to Q1 FY25 Results Conference Call of Dodla Dairy Limited. We have with us today senior management represented by Mr. Dodla Sunil Reddy, Managing Director, Mr. B.V.K. Reddy, CEO and Mr. Murali Mohan Raju, CFO.

Now I hand over the call to Sunil, sir, for his initial comments on the quarterly performance and then we will open the floor for question and answer session. Thanks and over to you, sir.

**Sunil Reddy:** Thank you very much, Aniruddha. Good day -- good afternoon, everyone. On behalf of Dodla Dairy Limited, I extend a very warm welcome to everyone joining us on our call today. I hope everyone has had an opportunity to go through the financial results and investor presentation, which has been uploaded on the Stock Exchange and on our company's website. After a solid growth in financial year 24, we are delighted to continue to scale new heights as we begin financial year 25 with a record-breaking performance.

During Q1 of FY25, results set new benchmarks delivering our highest-ever performance both in terms of revenues and profitability metrics. The quarter's performance has been broad-based with all the key segments including India, Africa and Orgafeed surpassing all previous revenue milestones.

Further, this growth has been bolstered by higher sales of value-added products, which accounted for 35.4% of our total revenues. This is again in line with our strategy to continuously improve our product mix. This performance is the result of our team's sheer hard work and continued focus on improving our distribution network, overall efficiency, market reach and brand recognition.

On the gross margin front, we saw an improvement thanks to a better efficiency in milk procurement from the farmers which in turn helps us manage raw material costs. Aligned with industry trends, we implemented a strategic price reduction in milk prices aiming to sustain robust volumes throughout the year. Additionally, we are also focusing on improving operational efficiency at every level of operation with the help of automation and digital initiatives.

With the beginning of the flush season, we expect the industry to experience healthy procurements until the end of Q2. Going forward, we are focusing on capitalizing the positive momentum by following a multi-pronged strategy encompassing expansion of our portfolio in

terms of product catalog as well as footprint, growth in African markets by gaining more market share by expanding our product reach, strengthening our relationships with our farmer partners by growing our Orgafeed, over time, this will also help us improve our cash flows.

Better brand awareness through branding and advertising activities, we are also placing advertisement in high-traffic areas, and we are creating tasty experiences at various trade events.

With this brief, I will now hand it over to CEO of our company, Mr. B.V. K. Reddy. Thank you all very much. Mr. B.V. K. Reddy.

**Murali Mohan Raju:**

Thank you. Thank you, Mr. B.V. K. Reddy and very good afternoon to all the participants on the call. Talking about our quarterly performance in Q1 FY25, the revenue from operations came in at INR912 crores versus INR823 crores in Q1 FY24.

In the quarter, our gross margin improved by 543 bps to 29.1%, which is mainly driven by lower procurement cost and revenue mix. Employee expenses increased by 13.1%, primarily due to annual increment and addition of employees in Kenya plant and Orgafeed plant in Kuppam.

Other expenses increased by 21.1% on a year-on-year basis, largely on account of higher procurement, advertisement and promotional expenses, and also storage rates of the butter and buttermilk. We reported an EBITDA of INR105 crores as against INR60 crores during Q1 FY24, with a margin expansion of 420 bps. Our depreciation for the quarter stood at INR18 crores versus INR16 crores in Q1 FY24. This increase is largely due to the Kurnool plant expansion and addition of Orgafeed and Kenya plants.

Also, our finance cost for the quarter stood at INR 1 crore versus INR 0.4 crores in Q1 FY24. This increase is largely due to the project loan taken to finance the Orgafeed expansion. The net profit for the quarter stood at INR 65 crores on a margin of 7.1%, with an improvement of 289 bps.

With this, we conclude the presentation and open the floor for further discussion.

**B.V.K. Reddy:**

Okay. So thank you, Sunil, sir. As Mr. Sunil Reddy stated, this truly has been a phenomenal quarter with the business delivering benchmark performance. Our optimum procurement coupled with higher contribution higher contribution from both VAP and Africa Business lead to a gross margin expansion of 543 bps.

With the peak summer demand, our ice cream business filled with growth in VAP sales, which increased by 21.4% on year-on-year basis. During the quarter, we were able to procure 17.6 lakh liters milk on an average. This was about 10.9% higher than the same period of last year. Our supply chain continued strong performance in the quarter, driving down cost and becoming more efficient.

Average milk sales, 11.2 lakh liters per day and an increase of 2.5% on a year-on-year basis. Our curd sales stood at 467.4 metric tons per day, which is a decent growth of 6.3% on a year-on-year basis. And lastly, VAP sales were INR 314 crores with a growth of 21.4% on year-on-year basis. We continue to observe better performance at consolidate level vis-à-vis a standalone

business. Our newly added capacities in Kenya, Orgafeed, have boosted consolidated revenue growth.

Having said that, both businesses are yet to achieve their optimum utilization levels, given the inherent seasonal nature of our business, we anticipate these plants to achieve peak utilization levels 60% to 65% by year FY '26. Lastly, our Orgafeed business also has business has also done very well on the back of recently expanded production capacity. With this offering, we are able to maintain good relationships with the farmers and improve procurement costs as well as working capital cycle.

Overall, the company is committed to growing its farmers' network through various initiatives that prioritize the farmers' interests such as fair milk pricing, access to quality cattle feed at competitive prices, timely veterinary services and several additional programs for dairy farmers.

With this, so I hand over to Mr. Murali. Murali, I think he's already, done his, briefing Thank you, Aniruddha.

**Moderator:** The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

**Abneesh Roy:** Yes, thanks and congrats on a very good set of numbers. My first question will be in terms of the competitive intensity. If you could comment in your states, is there any change? I am asking this because in Andhra, there is a new government, so any change in policy, etc., especially because they do have one more dairy company which is a competitor to you, close to the people in the government. So, if any comment you can make on the competitive intensity in Andhra and other markets? That will be the first question.

Second question will be on the pricing of milk. You did say that some strategic price cuts have been taken. Given that flush season is expected, do you see more price cuts likely? Even in Maharashtra, we have seen a lot of dairy companies have taken price cuts. So, I wanted to understand, in terms of outlook, how do you see in terms of pricing?

**Sunil Reddy:** So, Abneesh, this is Sunil here. I'll take this question. Basically speaking, on the topic of competition intensity from Andhra with our competitors coming in, this is nothing new to us. I think we have been going through this for the past 25 years. We saw the regime coming to power, regime going out of power. It does not majorly impact us at all. The policies continue to be almost the same and it goes on the same trajectory and doesn't affect us much at all.

Coming to the competition intensity we see a lot more of the consolidation happening. Milk procurement prices are flushed. Milk is being produced at an all-time high. We have enough of production going on. And regarding the pricing correction that we have taken, it's more in tune of trying to keep both the consumers and the farmers at a happy state instead of trying to maximize in terms of profitability. We are maintaining healthy profits and trying to bring down the inflation that in the previous years had gone up very high.

In comparison to cooperatives, we used to have a huge margin. Now, it is beginning to become corrected. The cooperatives have taken a price increase and we have taken a slight price

decrease. So, I think the gap is beginning to reduce which should help us in the future in terms of gaining more market share.

**Abneesh Roy:** One follow-up question on the pricing bit. So in spite of price cuts you have seen good sales growth. So I wanted to understand how much pricing cut till now you would have taken and because your gross margins have also expanded I wanted to understand could there be more price cuts even without any further increase say in terms of the supply. Given current gross margins, can there be more cuts in terms of the consumer pricing?

**Sunil Reddy:** We will try to maintain current gross margins levels and if we are getting a higher margin more than these we will try to pass it on to either the farmers or the customers.

**Abneesh Roy:** And how much price cut you would have taken?

**Sunil Reddy:** We are comfortable in maintain the current gross margins.

**Abneesh Roy:** How much price cut you would have taken till now?

**Sunil Reddy:** Depends on all the products ranges because we had a whole range of products maybe a couple of rupees here and there.

**Abneesh Roy:** Okay, understood. That is very helpful. That is all from my side. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Aditya from Securities Investment Management. Please go ahead.

**Aditya:** Hi, sir. Thanks for the opportunity. Sir are there any inventory losses this quarter?

**Sunil Reddy:** Come again Aditya.

**Aditya:** Were there any inventory losses in this quarter?

**Sunil Reddy:** No losses as such. I think we are keeping with the same policy of whatever we do for our NRV. We are continuing with the same policy. So we are just maintaining the... There are no losses in inventory.

**Aditya:** Understood. And now sir if I look at the standalone P&L there has been a decrease in gross margins between Q3 of last year and current quarter. The procurement prices from then to now have come down and the share of VAP in this quarter is higher than the December quarter. So ideally, the gross margins should have increased.

Also, if I compare the same with other two South-based players their gross margins have also increased during the same period. So if you could explain why the gross margins for us have seen a drop, you have mentioned that you have taken some price cuts. So it would be helpful if you could just help us understand what would have been the decrease in procurement prices from Q3 to Q1 and decrease in realization price from Q3 to Q1?

- Sunil Reddy:** So, I think the specifics Murali will give you in terms of the procurement price and the sales realization. But also there is a difference in terms of the product mix that takes place which sometimes shows the reflection in the margin in terms of there are multiple ranges of milk or full cream milk, toned milk and others. So I think with that also you will find a slight difference, but I think Murali will give you the specifics in terms of the procurement price and the sales price. Murali, can you please go ahead?
- Murali Mohan Raju:** Sure. So the prices the margins like we mentioned 30% of earlier we have a 29.1%. Basically the reason is the product mix and as you see historically Q2 and Q3 have a better margin than Q1 that is one thing. Apart from that the product mix also matters and also we have a geographical mix these also matter. So, we have operations in Kenya, Uganda and also in India. So combined all these things also, product mix will have this difference. That is why the gross margin will have a minor variation. We will not see any major shift in these things. That is what.
- B.V.K. Reddy:** Yes and added to that sir, one more issue also. If you see last year quarter 1, quarter 2, quarter 3, quarter 4 sales realization keep on increased even see when compared to quarter 1, Q2 sales realization is more compared to quarter 2, so quarter 3 also more. And quarter 3, quarter 4 more or less the same.
- Murali Mohan Raju:** Yes, sir. I will just explain like Q1 of earlier our gross margin 23.7% increased to 29%. So second quarter is 26.8%, third quarter is 30%, fourth quarter is 27%. So when you are comparing the peak so that will not be repeated in all the quarters of the subsequent year because it is based on the seasonality. Quarter-on-quarter the variation will be there.
- B.V.K. Reddy:** It's product mix majorly.
- Aditya:** Yes sir. So I thought that Q1 where the share of VAP is higher. So, ideally the gross margin is the highest in that quarter. So sir if you could just provide me the realization and procurement price in Q3 of last year and Q1 of this year for Indian business?
- Murali Mohan Raju:** For procurement of last year you want a Q3 it is 37.67, sir and realization is 57.49.
- B.V.K. Reddy:** No, Murali see he is asking on a standalone. Standalone in the Q3 is 38.71. So Q2 is 39.07. So I answered your question sir. Last year the standalone Q2 was INR39.07 paisa Q3 is INR38.71 paisa.
- Aditya:** And Q1 of this year current quarter?
- B.V.K. Reddy:** Q1 of this year just I will tell you. Q1 of this year 35.45 this is standalone.
- Aditya:** And realization?
- B.V.K. Reddy:** Realization Q1 is INR59.56 paisa.
- Aditya:** And, sir, how are the procurement prices trending now? So generally we see a spike in Q2. So this year have we seen similar spike or the procurement prices have been steady?

- B.V.K. Reddy:** See, if you see last year more or less first quarter, second quarter, third quarter more or less very close. There is only INR0.10 paisa, INR0.20 paisa for the variation except the fourth quarter slightly it is down. This year also, the first quarter 35.45. Now more or less it will remain same.
- Aditya:** Understood sir. And sir now our Africa and our orgafeed have seen good growth this quarter. So what is the revenue outlook for both of these business in FY25?
- B.V.K. Reddy:** FY25 first quarter revenue is Africa is INR83.6 crores.
- Aditya:** Yes, sir. I was asking about the revenue outlook for the whole year. What kind of growth are we anticipating for both these businesses?
- B.V.K. Reddy:** Yes. See that last year I think we have done...
- Murali Mohan Raju:** We have lost around 82.8 crores approximately like almost 83 crores. We are expecting this year it will be almost double for Orgafeed
- B.V.K. Reddy:** Aditya, I will tell you. Last year we have ended the year INR218 crores. This year we are expecting roughly about INR360 crores.
- Murali Mohan Raju:** So that is for Singapore, sir.
- B.V.K. Reddy:** No, Singapore console that is what I am talking. Africa means Singapore console.
- Murali Mohan Raju:** Okay sure.
- B.V.K. Reddy:** Is it clear, Aditya?
- Aditya:** Yes.
- B.V.K. Reddy:** 218 we have ended last year ended March we have done Africa console revenue and this year we are expecting INR360 crores roughly about INR145 crores jump.
- Aditya:** Understood sir. And for the orgafeed business?
- B.V.K. Reddy:** Orgafeed we have done INR82 crores ended March and this year we are expecting around INR160 crores double almost 100%.
- Aditya:** Understood, sir. And, sir what is the monthly...
- Moderator:** Sorry to interrupt you, sir. I request you to come back for a follow-up question. Thank you. The next question is from the line of Rishabh Gang from Sacheti Family Office. Please go ahead.
- Rishabh Gang:** Thank you, sir. So my question is more on the procurement side. I want to understand some qualitative insights on what has been the key steps and initiatives in the past and also going forward on how to increase - on how you have increased your scale of procurement and how you plan to increase it going forward?



**B.V.K. Reddy:** See going forward earlier we used to have always a shortage between sales and procurement. Summer months we used to run short of milk and we used to buy from third parties. That now we have geared up we have increased the procurement. Now we are see even in the peak summer also we have a procurement equivalent of slightly more than the sales. Now see in tandem with the sales our procurement always 2 lakh, 3 lakhs higher than the sales.

**Rishabh Gang:** And how have you been able to do...

**B.V.K. Reddy:** Tell me sir.

**Rishabh Gang:** So how have you been able to do that what are the initiatives?

**B.V.K. Reddy:** Initiative see depending upon the initiative, depending upon our requirement we will plan well in advance. See we are there in -- you see Andhra we are there in Tamil Nadu, we are there in Karnataka, we are there in Maharashtra. So depending upon the price structure, depending upon our closer market proximity we make a plan well in advance six months. We will keep things ready. As and when the requirement is there we will start.

**Sunil Reddy:** The way we increase is either we increase the area by the spread or go into depth. It's mostly spread and depth that we do as a tandem depending on prices. There are certain areas where we have more strength we try to get more into increasing at the per village level by doing more activity like you were saying, when we are giving better service to the farmers our depth is increasing. And certain areas we go by more of depth. We have lot more areas to cover. For example, Maharashtra which was not there a couple of years ago, we went into Maharashtra. This is how we grow by also spreading the area of operation.

**Rishabh Gang:** Got it. Okay. Also on the branding and marketing strategy like what have been your initiatives for spreading the awareness for people, for making people move buying milk from unorganized sector to buying from organized sector and also how does your brand differentiate as compared to other private sector brands or cooperative brands in your main regions such as Telangana and Andhra Pradesh?

**Sunil Reddy:** See, for certain areas where we are already a brand in terms of Tier 2, Tier 3 cities, we have a large presence in some places where we have 30%-40% market share. It is basically done to reinforce the brand and to keep it going. Predominantly, differentiation in milk is done on the basis of, I guess, lot more than we say because milk people will compare our milk as such.

But the amount of work that is done in terms of the back-end of procurement, microbial quality, microbial loads, it is only that our job is to get the product into the customer and new customer to try it out first. Because once that happens, then the product speaks for itself in terms of lower profile and consistency of quality and consistency of service. That message is what we try to carry on by saying, look, the products are cleaner, the products are healthier, please be present. And then we leave it to the customer's choice and we are very confident that the quality of the product speaks from there.

**Rishabh Gang:** Okay. So, also on the distribution touch points, right? So, how has the growth been over the years? And how is your qualitative initiatives for that incentive to distributors in terms of

monetary incentives? Are you doing something different from the overall industry? How do you think about it, sir?

**Sunil Reddy:**

I think the overall industry always maintains a similar pattern, but it's more in terms of the efficiency and ground reality of delivering the operation. We have multiple chains of distribution. We have our own outlets, which we call DRPs, which I think Murali will give you the specifics in terms of numbers.

We also have distributors, we have retailers, and then the modern trade. We are now trying to move a lot more of the product into the modern trade profile coming from more of a visibility standpoint of view. And we use a blend of all these.

So, it depends on certain areas that are not able to get penetration for whatever the reason be. We use what we call as regular retail points as our ability to go get our penetration in there. And in certain areas, we have now become stronger.

We hand over the operations to distributors who then take care of the operation. We monitor the growth and see how we are able to penetrate. With these specifics, I think Murali will be able to give you the numbers.

**Murali Mohan Raju:**

We have a distributor channel, agent channel, DRP and modern trade and institutional and direct. So, 50% of our business will come from the distributor channel. 26% comes from the agents. And our own distributors, DRPs, what we call regular retail palace is around 17%. Balance around 2% to 3% from the institutional.

**Sunil Reddy:**

Private sector is little higher compared to cooperate is, but I think the structure in terms of commission among all the channel remains the same and the competitor also be the same. It's only the product that actually be there on time, deliver on time and availability mainly.

**Rishabh Gang:**

Also, for new markets, right, do you think about going to B2B way first or maybe going through a quick commerce strategy? Do you also sell products through platforms like Swiggy, Instamart, or Blinkit which can help in building a brand in a locality first and then maybe you can start building the distribution there? What do you think about that, sir?

**Sunil Reddy:**

So, basically, online as a channel is not yet big for a milk per se. Because of the perishability, the numbers are still smaller. We are presenting those online channels also. Majority of it because the dairy industry per se has been one of the few industries where before even a Blinkit came into play was being delivered at home. I mean, most of the milk packets to the consumer are delivered to their doorsteps in an overall system. The newer online channels are made more in terms of convenience that has come forward.

As we go forward, I think it will further improve in terms of online distribution being handled not only by the omni channels, but I think the dairy industry is also trying to make it become more customer-friendly in terms of consumer doing order placement and taking it forward. But we will prefer going a lot more to the B2C rather than the B2B because we try to differentiate on quality and try to command a bit of mass premium on the product that we are selling. So, our concentration is more on B2C and less on B2B.

- Rishabh Gang:** Last question from my end. What do you think about the attractiveness of Eastern states of the country like West Bengal, Jharkhand, Bihar? Do you think these are markets which deserve our attention?
- Sunil Reddy:** As we go forward, yes sir. But normally when we look at it, the South and the West of the country where there is more of GDP income coming in. People do not mind paying a little bit of a premium for product quality or what they wanted as in terms of convenience. The Eastern part of the country is still the GDP front a little lower. So, people there are more price conscious. So, we cannot command that kind of a premium to increase margin.
- Yes, that will be the future growth for the country as that part of the country starts to improve. It will also come and give us a margin. So, we will be entering in to those markets as and when opportunities arise.
- Moderator:** Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.
- Arpit Shah:** I am a little new to the business. I just wanted to understand. Let say the difference between the procurement and the sales. That is the part which we divert to VAP, right?
- Sunil Reddy:** That is the part which we divert to VAP?
- Arpit Shah:** Yes. That is for captive consumption for VAP products. Is that right?
- B.V.K. Reddy:** No, sir. See, the surplus milk, always, you have a low-fat milk, medium-fat milk, this and that, whatever surplus fat in between you take out, that we will sell as a ghee or butter. And during, flush season, when you get a surplus milk, because, day-to-day, you cannot precisely collect the same milk for the equivalent of your sales. So, always you give more milk during flush season. That will convert into powder. Some will consume for internal consumption. Excess will sell it in the market.
- Arpit Shah:** So, that difference is what we sell outside or how is it?
- B.V.K. Reddy:** No, we will sell outside. Whatever, after internal consumption, we will sell outside open market.
- Arpit Shah:** Okay. Because if I see the procurement, it is 17.6 lakh litres per day and milk sales is 11.3 lakh litres. So, difference is about 5 point something, 5 point something odd. So, that is what we are going to use for VAP, right?
- B.V.K. Reddy:** No. The curd also will be part of the VAP. So, basically, curd, 4.67 tons in the curd is there. It means 11 lakhs milk, 4.67. It means, it has become 15.6, 15.7 lakhs.
- Arpit Shah:** Okay. So, the curd is the...
- Murali Mohan Raju:** Total product in the procurement. And also in the sales will vary. Like 4.2% average of fat what we procure. We sell around 4.5% because we have a full cream milk sale and curd and all this stuff. Even solids, that is, we call as solids not fat, that we procure around 8.5% and we sell based around 9%. That is how the solids will go high.

- Arpit Shah:** Got it. Not a problem. I just want to understand the kind of margin that you have done. That is probably one of the highest margin that you have done over a lot of quarters. So, how should we see the margins and revenue growth for FY '25?
- Sunil Reddy:** We will maintain the same standards of what we are looking. Comfortably, our top line will grow in the same double digits that we have in the first quarter. And similar pattern will follow for the bottom line also. We are confident that for the year FY '25, the bottom line will be healthy as it is in the first quarter. And we continue to go forward in the same manner.
- Arpit Shah:** So, you think we will be able to report INR300 crores PAT for FY '25?
- Sunil Reddy:** Come again, sir. How much a PAT?
- Arpit Shah:** INR300 crores PAT for FY '25. Is that the right estimate? Or do you think it is more aggressive?
- Sunil Reddy:** The specific number is not there. But we are confident that we will maintain the current PAT number as a percentage of the top line growth.
- Arpit Shah:** Sorry, I missed the last part. There was a lot of disturbance.
- B.V.K. Reddy:** We cannot give a specific number. But as we have seen in the first quarter results, there are similar lines. So, we will continue to do in the second, third and fourth quarter also.
- Moderator:** Thank you. The next question is from the line of Mythili Balakrishnan from Alchemy Capital Management. Please go ahead.
- Mythili Balakrishnan:** Two questions, sir. One, I wanted to get a sense of the milk volume growth. Because that still seems to be stuck in a low 2.5% kind of a range. So, I just wanted to get a sense from you as to how are you thinking in terms of volume. And when will that grammage reduction which happened, when will it annualize and we see that a stronger growth emerge on the volume side?
- B.V.K. Reddy:** Yes, ma'am. See, milk you have seen only 2.5% growth. But where is you seen growth of 6.6% especially curd. So, milk and curd we see together. Sometimes what is happening more than milk nowadays, curd growth is higher than the milk growth. Number one. So, number two, see the overall growth, mostly it is growing only on curd and value added products.
- Mythili Balakrishnan:** Okay. And when you say value added products...
- Sunil Reddy:** Reason the why milk will also be muted Because the surplus milk in the system, when you have this always happens when you have excess production in the system. We get a lot of the cheaper players coming in. Like, smaller time players will come in and try to enter into the market, which normally means off when we get back into the summer.
- Mythili Balakrishnan:** Got it. Also wanted to check with you on the consolidated, if you could give us a number for milk procurement and milk selling.
- Sunil Reddy:** For the current quarter, ma'am?

- Mythili Balakrishnan:** For the first quarter. Yes.
- Murali Mohan Raju:** First quarter consolidated value you are asking, ma'am?
- Mythili Balakrishnan:** Consolidated milk procurement price and milk selling price.
- Murali Mohan Raju:** Okay. Milk procurement consolidated procurement price is 34.15. Selling price is 59.17.
- Mythili Balakrishnan:** So, the gap which has come is almost like a INR 5 gap as compared to what it was in the previous, last three quarters. Is this sort of sustainable or do you think you will have to sort of see, as you have sort of reduced prices, you see some reduction in this spread?
- Sunil Reddy:** I think this will continue ma'am because we will balance it between procurement and selling prices and we will try to maintain similar margin terms.
- Mythili Balakrishnan:** Got it. Got it. Thanks. That's all from my side. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Resha Mehta from Green Edge Wealth. Please go ahead.
- Resha Mehta:** Yes. Thank you for the opportunity. So, on the international business, if you can just elaborate, that what is, because we have tried it for, almost a 65% kind of growth for FY25. So, if you can just talk about what is driving this kind of growth, what are the sustainable growth rates there, sustainable gross margins and EBITDA margins there and do we have any capex plans there?
- B.V.K. Reddy:** I will answer this. capex, we have already done. Last year we acquired one plant in Kenya and that commenced production in the month of January, FY25. So, mostly the capex is done. Right now, not much of capex, very minor maintenance capex, in the coming year. And the market expansion, maybe, since, last couple of years, we had a lot of issues, permit issues, see, from Uganda to Kenya, because, since we are having a plant only in Uganda, we were exporting to Kenya.
- So, during COVID time and subsequent COVID time also, the permit issues were there. So, we used to put a break and all. Now, since we acquired a plant in Kenya, so I think, we will have stability and some kind of numbers going forward.
- Resha Mehta:** Okay. And what are the growth rates, sustainable growth rates there and sustainable growth and EBITDA margin?
- B.V.K. Reddy:** Yes, this year, maybe the growth rate, volume growth rate, we have shown a little higher side because since we started a new plant. But, the coming years, maybe, 15%, minimum, 10% to 15% minimum revenue growth rate will be, we can achieve.
- Resha Mehta:** Sustainable margin, sir?
- B.V.K. Reddy:** Margin rate, see, it varies. But, on average, it is almost double than India's margin.
- Resha Mehta:** Okay. So, last quarter, I think, was almost like around 25%. So, is that also one?

- B.V.K. Reddy:** Yes, that's it. Quarter to quarter, you'll have some variation in African countries. But, by and large, if I am doing 10% margin in India, see, Africa overall, it is giving around 20% margin.
- Resha Mehta:** Got it.
- B.V.K. Reddy:** Yes, that's what last experience, couple of years.
- Resha Mehta:** Got it. Secondly, on your cattle feed business, so, you said that 60%-65% utilization is what we can achieve in FY26. So, currently, what are the utilization levels? What are the peak revenues possible at optimum utilization?
- B.V.K. Reddy:** Yes, last year, we have done only 82 crores top line. And, last year, in the last year end only, we commenced another plant, bigger feed plant. So, now, that is running now. See and this year, we are expecting, our turnover will be double compared to last year.
- Sunil Reddy:** It's basically 12,000 tons per month. We have a 2,000 ton per month capacity. There are other 10,000.
- B.V.K. Reddy:** Yes, 12,000 tons. Plus the whole plant, is roughly about 2,000 tons. Totally, 14,000 tons. Now, we are already doing 4,500-5,000 tons capacity.
- Resha Mehta:** Okay. So, we are at 4,000-4,500 volume levels, right?
- B.V.K. Reddy:** Yes, yes. Plant capacity is 12,000-13,000 capacity overall, 100%.
- Resha Mehta:** Right. And, liquid milk, can you just mention what was the price hike taken for liquid milk specifically?
- B.V.K. Reddy:** Liquid milk, you are talking about standalone.
- Resha Mehta:** Sorry, I didn't get that. Hello?
- Sunil Reddy:** **1<sup>st</sup> quarter** This year, we have not taken any price hike. Standalone.
- Resha Mehta:** Standalone Q1, not taken any price hike, right?
- Murali Mohan Raju:** Yes. From Q4, we have not taken any hike. But when you compare, here, there is a 1.9% of growth is there in the milk prices. Like, currently, we have done 55.9. I am talking about only milk. And, last year, during the same quarter of Q1, we had 54.9. Yes.
- Resha Mehta:** Right. So, the last price hike taken in milk was when?
- Moderator:** Sorry to interrupt you, ma'am. I request you to call for a follow-up question. Thank you. The next question is from the line of Nikhil Upadhyay from SIMPL. Please go ahead.
- Nikhil Upadhyay:** Hi. Thanks for the opportunity and congrats on a good set of numbers. Just two questions. One is, when we see the cooperatives increasing the prices while private players cutting down the prices, is it like the cooperatives are passing it to the farmers or are they covering their operational costs through this price increase? What's your sense?

**Sunil Reddy:** Are they covering their operational costs? They also have a surplus of milk which they are handling, which they will have to offset by increasing the prices and because of operational costs also. Earlier, the difference was so large, they were only finding it to be very comfortable now. So, they have to start moving up. And, we had already taken it earlier, but we are able to manage it with the lower prices now.

**Nikhil Upadhyay:** Okay. And, second question. Now, most of the private dairies, I think four companies which have reported results, everyone is getting the benefit of low costs. And, I think someone did ask this earlier also, but at the competition level, are you seeing price cutting or increasing grammages in order to gain volume share? Because volume growth for all the players had been very little. So, are you seeing increasing competition through price increases or price decreases or grammage increases in the markets where we are operating?

**Sunil Reddy:** The competition intensity will always remain, but it's more of, like I was saying earlier, when you have a lot of surplus in the system, you will find a lot more of the smaller players coming into the play to make use of the low prices and try to undercut much larger in terms of pricing. Which, in terms of seasonality, come another year when there is a little shortage of milk, you will see the upsurge in volume growth. This always follows the pattern.

But, whenever there is a huge surplus in the system, you will find muted growth and that will automatically translate a lot more vendors to lessen the milk in the system. So, this is a normal phenomenon which goes on. Competition intensity continues to remain the same. We are looking at more consolidation happening.

**Nikhil Upadhyay:** But, sir, in this environment, how will consolidation happen when everyone is making money and whenever consolidation happens, the asking rates will also go very high. So, how do you see consolidation happening now?

**Sunil Reddy:** We become more and more in terms of more efficient players will survive. Like the 4 that are existing, we have a lot more of smaller players who are there all over the space that we operate. It is either due to management fatigue because of not having proper systems of people in place, coming to variations and volatility of pricing that will happen.

And third comes in also with the working capital. Like, for example, if there is a surge in the current year when we were able to hold on because we have capital, we are able to deploy our working capital well and efficiently. It helps us. Whereas, a person who doesn't have that ability will find it to be strenuous. So, in a multiple of reasons, it means we have to consolidate.

**Nikhil Upadhyay:** Sure. Thank you a lot. I'll come back.

**Moderator:** Thank you. The next question is from the line of Vineeth Lambu from HSBC PMS. Please go ahead. Mr. Vineeth, your line has been unmuted. Please go ahead with your question.

**Vineeth Lambu:** Sorry. My question is regarding the EBITDA margin for the plain milk and the value-added product. What would be the margin?

**Sunil Reddy:** Value-added will be higher. Murali, can you give the specific answer?

- Murali Mohan Raju:** Yes, milk, generally, it ranges from 7% to 8%. And value-added products, the EBITDA will be around 15%. And in that, the buttermilk, lassi, and the curd will have a higher margin. And the Ghee and butter will have a moderate margin of around 5% to 6%.
- Vineeth Lambu:** So, curd typically has the same margin? Else, it belongs to value-added products?
- Murali Mohan Raju:** No, same. Curd is a value-added product. It has a higher margin. It is almost 60% to 70% higher than the liquid milk margins.
- Vineeth Lambu:** Okay. So, can I assume that the share would be the same? Value-added product 35% and plain liquid milk at 65% for overall FY'25? It would vary on an average for FY'25?
- Murali Mohan Raju:** Yes, there will be a little variation. Because of the Q1, generally, our value-added products will be a little higher. But keeping in mind our future strategic plan and all that stuff, we will try to maintain that.
- Vineeth Lambu:** So, can you give me the number? On an average, not a particular number, but a range of maybe 3% to 4% for the plain milk and liquid milk?
- Murali Mohan Raju:** Yes, like FY'25...
- B.V.K. Reddy:** **In this** Financially, since we are holding enough stocks, especially butter and S&P, definitely the value-added portion will be higher than the last year. So, plus or minus 1% this way or that way, the value-added portion will be roughly about 33% to 34% this year.
- Vineeth Lambu:** 33% to 34% with 15% EBITDA margin for the value-added product?
- B.V.K. Reddy:** Yes.
- Vineeth Lambu:** Can you give me the range for this 33% to 34% or 15% is the right assumption?
- Sunil Reddy:** Yes. It might be slightly lower than 15% because we are including butter and milk. It will maintain the range of between higher than milk, but maybe 12% to 13%.
- Vineeth Lambu:** 12% to 13% is the right assumption for the whole FY'25?
- Sunil Reddy:** Yes.
- Vineeth Lambu:** And 7% to 8% remains similar for the liquid for the whole year?
- Sunil Reddy:** Yes.
- Vineeth Lambu:** And what would be the growth rates on revenue?
- Sunil Reddy:** We will maintain the same numbers as the first quarter, although we will have a little bit of product mix variation. I think for the overall year, we can die down to what we have seen in the first quarter.
- Vineeth Lambu:** And the same remains for the profitability? So, 40%, 45%?



- Sunil Reddy:** It will remain for the profitability also. It will be slightly lower by 0.5% this way or that way, but it will maintain the same.
- Vineeth Lambu:** I couldn't get it. You are talking about the PAT or EBITDA?
- Sunil Reddy:** EBITDA margins will maintain the same. EBITDA and PAT for us will almost go in the same.
- Vineeth Lambu:** I am talking about the growth. So, the PAT and EBITDA for FY'25?
- Sunil Reddy:** PAT and EBITDA growth, if you compare the year-on-year, will grow with around 10 to 15. I mean, behind the double digits.
- Vineeth Lambu:** I didn't get you. 10 to?
- Murali Mohan Raju:** Yes. Probably, 20% will be EBITDA and even the PAT also, similar number.
- Vineeth Lambu:** Okay. So, 20% EBITDA growth for FY'25 and PAT, what is the similar range? 20% percent?
- Murali Mohan Raju:** Yes, similar range. 18% to 20%, you can take a bulk number for both EBITDA and PAT. Revenue will be around 10%, which will be a mix of value and the price and also the product mix.
- B.V.K. Reddy:** Okay. Thank you. That's it.
- Moderator:** Thank you. The next question is from the line of Falguni Dutta from Mansarovar Financials. Please go ahead.
- Falguni Dutta:** Sir, could you just repeat the milk procurement prices for Q4 and Q1 and also the milk realization?
- Murali Mohan Raju:** You take consolidated or it a standalone?
- Falguni Dutta:** Standalone.
- Murali Mohan Raju:** Standalone Q4 procurement price is 36.91 and Q1 is 35.45.
- Falguni Dutta:** 36.94 Q4?
- Murali Mohan Raju:** Q4 of procurement is 36.91 and Q1 of procurement price is 35.45. And with regard to the sales realization, we have 55.45 versus 56.54 in the current quarters.
- Falguni Dutta:** 55.45 in Q4 and Q1 would be?
- Murali Mohan Raju:** 57.82 of Q4 versus 59.56 of the current quarters.
- Falguni Dutta:** 59.56 current quarters.
- Murali Mohan Raju:** Yes.

- Falguni Dutta:** And sir, one more question is this is the first time that I'm following a milk company. So, pardon me for the basic question. Is there a seasonality in the milk procurement prices if we go by Q1, Q2, Q3, Q4? Is there any trend?
- Murali Mohan Raju:** Yes. B.V.K, will explain.
- B.V.K. Reddy:** Normally, we will have a trend. Last year, if you see, more or less in the first quarter, it was 39.62. In the second quarter also, it was 39.07. Roughly, there was a INR0.50 variation in the first quarter to the second quarter. In the second quarter to the third quarter also, there is a INR0.50 variation. In the third quarter to the fourth quarter, there is only INR0.20 variation. Slightly, there will be some variation quarter-to-quarter.
- Falguni Dutta:** But normally, there is not a big change generally quarter-to-quarter?
- B.V.K. Reddy:** Yes. If you see last year, there was only INR0.50 variation from quarter-to-quarter.
- Falguni Dutta:** Okay. Sir, can you just refer me to someone in your company from whom I can just get a handle of the basic activities in the milk industry? Operationally, if I have some basic questions, whom can I get in touch with in Dodla?
- B.V.K. Reddy:** Yes, Mr. Murali.
- Murali Mohan Raju:** Yes, I am the right person. You can contact me.
- Falguni Dutta:** Mr. Murali?
- Murali Mohan Raju:** Yes.
- Falguni Dutta:** And sir, can you just give me any landline number so that I can get in touch with you?
- Murali Mohan Raju:** Okay. I will message you.
- Falguni Dutta:** Okay, fine.
- Murali Mohan Raju:** In the investor presentation, you have. Otherwise, if you want the landline number, you can note down 45467777.
- Falguni Dutta:** Sorry, sir.
- Murali Mohan Raju:** 45467777. 45467777.
- Falguni Dutta:** Thank you so much, sir. Thank you.
- Murali Mohan Raju:** All the details are available. Contact details in the investor presentation also. You can mail it also.
- Falguni Dutta:** Thank you. Thank you. That's all from my side.

**Moderator:** Thank you. The next question is from the line of Binoy from Sunidhi Securities & Finance Limited. Please go ahead.

**Binoy:** Yes, sir. Thank you for the opportunity. Could you help me with the milk procurement volume for the India business in quarter 1 FY '25?

**BVK Reddy:** Quarter 1 FY '25? You want the overall milk volume?

**Binoy:** Yes. Procurement volume.

**BVK Reddy:** Yes, 15,96,000. 15,96,000 is standalone India first quarter procurement.

**Binoy:** Understood.

**BVK Reddy:** Console is 17.6.

**Binoy:** Console is 17.6, right?

**BVK Reddy:** Yes.

**Binoy:** Okay. Sir, in quarter 4 FY '24, we took an inventory write-off of roughly about INR23 crores. Is there any write-back of this inventory in this quarter?

**BVK Reddy:** Murali, not write-off.

**Sunil Reddy:** No.

**BVK Reddy:** No.

**Murali Mohan Raju:** Mark to market value. Continue, sir.

**Sunil Reddy:** Go ahead, Murali.

**Murali Mohan Raju:** Can I go ahead? Okay, thank you. Sir, when we compare with the market value, because whatever we use internally, that we will not have any return down value. But if we are having any excess stock, which we have mark-to-market, when you do it, there is a provision we made for INR23 crores in the Q4. And for that, we have further increased by another INR10 crores, keeping the latest rates and latest stock availability.

**Binoy:** So, you are saying essentially you provided another INR10 crores in this quarter.

**Murali Mohan Raju:** Yes, another INR10 crores we provided. As a conservative approach, we can go ahead. Yes.

**Binoy:** Understood. Sir, Maharashtra state government has actually announced some INR5 subsidy to the cooperatives and private dairies. So, if you could just help me understand the mechanism of this subsidy and when does this start?

**BVK Reddy:** Yes, they started this month, 11th onwards. July 11th onwards only they started. See, earlier, all the private dairies, they were paying procurement price to the farmer only INR27. But the

government said, you make minimum INR30 as a basic price and then the government will give you INR5 subsidy. So, subsequently, after a couple of discussions with the government, all the dairies also started paying INR30. And the government will be adding another INR5. See, that is effective from July 11th onwards.

**Binoy:** Understood. So, INR5 will be paid by the government to the farmer directly or will INR5 be paid by the government to the farmer?

**BVK Reddy:** No, no. Farmers see they pay directly to the farmer account. And people who are having direct farmer account only are eligible to get this.

**Murali Mohan Raju:** And we have to upload all the bank statements, the payments, farmer details in the portal. So, based on that, they are able to get the INR5 from the government. So, like Sir is mentioning, when we procure directly from the farmers, then those people only will get a benefit who are buying through the agent we are not...

**BVK Reddy:** People who are only getting, Yes, Murali, people who are getting milk direct through farmer account and making payment to direct farmer account only, it will help to get that government amount.

**Murali Mohan Raju:** Yes.

**Binoy:** Understood. So, net realization to the farmer will stay at 35. If the understanding is correct, right?

**BVK Reddy:** Yes, yes.

**Binoy:** Understood. Okay. So, second is that on observation. So, this quarter 1 is typically more or less lean season, right? The flush season has just about begun or yet to begin in quarter 1. So, when we look at the milk procurement volume for the India business, sequentially also there is a higher milk procurement volume.

So, anything to read and in the con call you made a statement that the milk procurement prices will stabilize at these levels. While the actual flush season is yet to start or has just, I mean, in July would have just begun. So, shouldn't the milk procurement prices fall further from these levels and you will also have a very good flush season going forward in terms of the total volumes?

**BVK Reddy:** Yes, this year, unlike, last year and previous years, this year, flush season started a little early because the monsoon onset, started from May 10th onwards, especially in southern part of India. So, that's why, instead of second quarter, the first quarter itself, procurement price -- the procurement volume has gone up. And subsequently, the second quarter may not be more than the first quarter procurement average.

If you see last year, my second quarter procurement to third quarter procurement, there is a variation of 70,000 litres. Second quarter, 15.93. Third quarter was 16.66. Then the fourth

quarter has become 15.46. So, now, see, the first quarter is 15.96. And the second quarter, see, you may have a slight variation, not more than INR16.5 lakhs.

**Binoy:** Okay. Okay. And do you also see the flush season peaking out in the second quarter? Or will it run down to the third quarter?

**BVK Reddy:** It will run down to third quarter.

**Binoy:** Okay. So, overall, net-net, you will have a longer flush season?

**BVK Reddy:** Yes.

**Binoy:** Okay. Okay. Sir, my last question. Could you help me with the overall sales volume for consolidated and India business for quarter 1 of FY '25, quarter 1 of FY '24 and likewise quarter 4 of FY '24?

**BVK Reddy:** Yes. See, if you take, consolidated, if you see quarter 1 of '24, 15.75. And quarter 2, 14.15. 13.77 is quarter 3. And Q4, 14.68. And FY '25, Q1 is 16.45.

**Binoy:** Okay. And likewise for the India business?

**BVK Reddy:** India business, if you see, last year, FY '24, 14.53, 13.14, 12.81, 13.41, and FY '25, 14.80.

**Binoy:** 14.80. Okay. Thank you so much. That's all from my side.

**Moderator:** Thank you. Ladies and gentlemen, we'll take this as a last question. I would now like to hand the conference over to the management for closing comments. Management?

**BVK Reddy:** Sir, Sunil sir.

**Sunil Reddy:** Thank you everyone for joining the investor conference and wishing you all a great day ahead. Thank you very much.

**BVK Reddy:** Thank you, Aniruddha. Thank you, everyone.

**Murali Mohan Raju:** Thank you, Aniruddha. Thank you all.

**Moderator:** Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.