

Date: 29 October 2024

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

Dear Sir/Madam,

Sub: Transcript of Q2 FY25 Results Earnings Conference Call held on Thursday, 24 October 2024

In Continuation to our letter dated 14 October 2024 the Company had organized a Q2 FY25 Results Earnings Conference Call with the Investors/ Analysts on Thursday, 24 October 2024 at 11:00 AM 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.

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
Q2 FY'25 Earnings Conference Call”

October 24, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 24th October 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: Ladies and gentlemen, good day and welcome to the Dodla Dairy Limited Q2 FY25 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunil Reddy, Managing Director. Thank you and over to you, sir.

Dodla Sunil Reddy: Thank you very much. Good morning and season greetings to everyone on the call. On behalf of Dodla Dairy Limited, I extend a warm welcome to everyone joining us on our call today. I hope everyone had an opportunity to go through the financial results and investor presentation which has been uploaded on the stock exchanges and on our company's website.

In continuation of our exceptional start for the financial year 2025, we are pleased to announce that Dodla has once again delivered a healthy performance, achieving its highest ever revenue of INR998 crores for the second quarter of financial year 2025.

We have also witnessed benchmark performance and value-added products which accounts for 39% of our total revenues during the quarter. The company has declared an interim dividend of INR3 per equity share. This is our first ever dividend since listing.

Talking about opportunities, Q2 marks the end of the flush season and we have built up sufficient inventory to be able to deliver milk throughout the year with consistent quality throughout the rest of the year. So Dodla brand is synonymous with consistent quality and purity and has a very high recall value in South India. Our brand salience is not limited to Tier 1 cities, but also extends to Tier 2 and Tier 3 cities. We continue to invest in various brand building activities to maintain our brand recall.

Now I would like to take a minute to update you on our recent land acquisition in Maharashtra. On the back of favorable raw material prices, we entered the state about three years ago and established a strong procurement footprint. Today we procure approximately 2 lakh litres of milk per day from this region. Our target is to take this procurement to around 7 lakh litres per day in the next three years.

With such a large procurement, we foresee a requirement of an integrated manufacturing setup. Towards this, we have acquired 35 acres of land in Maharashtra. We are in the process of

finalizing our project plans for an integrated plant. Once these are crystallized, we will communicate it to you.

The Indian industry is undergoing a structural shift and buoyancy that we have seen in the recent times and we will continue to buck the trend. Seasonality is inherent in our business, but broadly we intend to maintain a healthy mix of VAP and line with the current performance on an annual basis. We expect margins to stay in the same ballpark and if things improve, we might be able to pass the savings on to our farmers and consumers.

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

BVK Reddy:

Thank you, sir. As Mr. Sunil Reddy stated in the opening remarks, we witnessed a healthy performance in Q2-25 on an overall basis. We achieved the highest ever quarterly and half-yearly revenue along with the stable margins.

Due to significant butter and SMP sales in the quarter, we also recorded our highest ever quarterly VAP sales. Ghee continues to perform well. During the quarter, we were able to procure 17.2 lakh litres of milk average. This was around 16.9 lakh litres of the same period last year.

Average milk sales were 11.6 lakh litres per day, an increase of 7.2% on a year-on-year basis. Curd sales stood to grow by 4.7% on a year-on-year basis, 323.8 metric tons per day, while VAP sales registered growth of 93.5% on a year-on-year basis to reach 378 crores. Sharing a few statistics on the procurement price for India business, our average selling price stood INR68.2 per litre during the quarter, vis-à-vis INR57.6 per litre for the same period of the last year. The increase was mainly due to bulk sale of butter and SMP.

Our average procurement price INR34.9 per litre during the quarter and the same period of last year, INR39.1 per litre for the same period of the last year. Since we made a price cut in the previous quarter, this time around we have kept our milk prices unchanged and are confident to sustain our robust volume throughout the year. Further, our efficiency in the milk procurement from the farmers continues to help us manage our raw material cost.

During the quarter, our Africa business delivered a top line of 94 crores with comprises 9.5% of total sales. Due to delayed monsoon, the procurement prices in the geographic increased significantly. Recently, some pressure on the margins. With the onset of monsoon, this has already begun to reverse in this quarter. The EBITDA margin in Africa for the quarter was 5.5%.

On the other hand, Orgafeed which is our animal feed business reported revenue of INR32 crores representing 3.2% of our total sales. In the upcoming quarter, we expect a strong festive demand for the ghee as well as sweets. Further, we will continue to pursue butter SMP sales as a part of our VAP portfolio.

Now, I would request our CFO, Mr. Murali to share the financial highlights of this quarter. Thank you.

Murali M Raju:

Thank you, Mr. B.V.K Reddy sir and Sunil sir and a very good morning to all the participants on the call. Talking about our quarterly performance in Q2 FY25, the revenue from operations came in at INR998 crores versus INR768 crores in Q2 FY24. In the quarter, our gross margin stood at 25.5%. There is a compression in GP margin on account of higher procurement costs in Africa.

Employment expenses increased by 17% on a year-on-year basis, on an absolute basis, this is in line with Q1 FY25. Other expenses, which are semi-variable in nature, increased by 16.1% on a year-on-year basis. We reported an EBITDA of INR96 crores as against INR70 crores during Q2 FY24 with a margin expansion of 50 bps.

The net profit for the quarter stood at INR63 crores and a margin of 6.4% with an improvement of 67 bps. Coming to our performance in H1 FY25, the revenue from operations came in at INR1,909crores versus 1,591 crores in H1 FY24.

We reported an EBITDA of INR201 crores as against INR131 crores during H1 FY24. The net profit for the year stood at INR128 crores and a margin of 6.7%. With strong performance in H1 FY25, the company generated INR342 crores in cash from operations, solidifying our overall balance sheet position.

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

Moderator:

Thank you very much. The first question is from the line of Nandita Rajhansa from Marcellus Investment Managers. Please go ahead.

Nandita Rajhansa:

Sir, congratulations on an exceptional quarter. I mean, it's commendable, the kind of operational performance that you keep for the year. So, my question is largely on the inventory side. So, we saw that there was a INR150 odd crores drop in the inventory level. Is this seasonal or is it structural? Can we see further inventory dip in the future going forward in FY25 or is it going to rise?

Dodla Sunil Reddy:

Basically, it is structural, ma'am. Whatever we had built up as inventory in the previous year is what we are liquidating in the current year. And once, I think, we are now entering into more of the lean season which comes in, I think we will see a further dip in inventory as we keep going forward.

Nandita Rajhansa:

Okay. So, further dip in inventory is expected?

Dodla Sunil Reddy:

Yes.

Nandita Rajhansa:

Understood. Thank you, ma'am.

Moderator:

Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi:

Yes. Sir, congrats for a really excellent set of quarters this time. Just two to three questions from my side. One, how do you see the milk procurement prices moving in let's say, H2 for this year? And, again, what is the outlook on the milk prices in FY26? That is question one.

Secondly, how do you see the, in a way, cattle feed prices shaping up? So, in a way, because it is the raw material for the farmers, so how do we see that moving forward? And in a way, profitability, is the sector near the peak of the profitability? So, how should we think about the profitability going forward? Yes, that's it from my side.

Dodla Sunil Reddy:

Okay. Thank you very much, Aniruddha. I think regarding cattle feed, I'll ask BVK to answer whether the prices will go up or not. Broadly speaking, when we look at the procurement prices of the current year of '25, there will only be marginal increases and we don't think that it will go up substantially and status quo will be maintained. Regarding financial year '26, we will have to wait till the summer of April, May, June comes into play to see if this trend will continue or whether it will not continue. But bringing it in relationship to Dodla, we will continue to be aggressive on our procurement and try to maintain a higher procurement.

Regarding profitability, although I would say that we can maintain the status quo very comfortably, we will try to pass on any other benefit for the sake of growth. Broadly speaking, we will be able to maintain this absolute number and growth in the form of the absolute number, whether it is the trade-off between the larger quantities of commodity that we've got or if it is going to be the price increases or the increase that we get from our milk and milk products.

Like we've been saying, we will be concentrating on an absolute profitability number increasing in tandem with our historical growth rate. But we will use our reaction to see whether we can manage with our own internal between profitability. Regarding cattle feed prices yield prices, I'll ask BVK to give an answer.

BVK Reddy:

Yes, see, adding to similar comments on the procurement also, see, the third quarter, already one month, we are very close to the first month of the third quarter, and still prices are very stable. Slightly, maybe after Diwali, the milk procurement is going to go up for November, December. I don't foresee any challenge in the procurement. And maybe the prices may go up in the fourth quarter, not in the third quarter much. Number one, that is.

Number two, our feed is very stable, and raw material prices are very stable. Now, maize and other prices, the last one month, I've seen, yesterday also I reviewed, prices are very stable. We are expecting a similar growth and the same profitability margin in Orgafeed also.

Aniruddha Joshi:

Okay. Sure, sir. Understood. Now, in terms of last question from my side, there is a good amount of cash on the balance sheet. Now, I understand that the company has been evaluating, in a way, inorganic opportunities, and as and when you are doing acquisitions also, we have seen that. But any immediate plan with that, the excess cash on the balance sheet?

Dodla Sunil Reddy:

One is, as we have already announced in my talk earlier, we are giving an interim dividend, and we'll try to see if INR3 per share. We'll also be looking at by end of the year to see if it will be a little more of a dividend, which will come in. We will start deploying a bit of the cash now on expansion in Maharashtra that we are doing now, and we will be looking forward for acquisitions as always. I think immediate horizon, I don't think there is anything. We're looking at some which is not panning out, but we will be looking forward for acquisitions too.

Aniruddha Joshi:

Okay. Okay. Sure, sir. Understood. This is very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Nuwama Wealth Management Limited. Please go ahead.

Abneesh Roy: Congrats on a good set of numbers. My first question is on the entire controversy of Tirupati ghee and the Analogue paneer, which came in Zomato in Delhi. So how widespread is this issue of all this mixing of fats, animal fats in ghee by the other smaller players, for example? And similarly, in terms of paneer, etcetera, if you could comment how widespread is the Analogue paneer consumption? I'm sure in the branded space, it will not be there, but is there an opportunity for you to really seize this and do branding exercise and gain market share from some of the local and unorganized players in some of your markets?

Dodla Sunil Reddy: Basically, regarding Tirupati, it is very controversial, but from the industry point of view, it is mostly the adulteration we normally foresee comes from oil, not from lard as such. That is what I personally believe. I think even the test reports will revert to that. And regarding analogue paneer and other such products, they've always been in the market. It is predominantly between a price versus value. Like you were arguing too, I think as more and more awareness does come in, I think labelling requirements are becoming stringent.

FSSAI norms are becoming even more stringent. We will be actively trying to make customers more aware of what they require. Like, for example, now even if there was a bit of a ruckus about A2 milk, where there was a notification given whether it should not be labelled or should be labelled because there was no testing, and again, it was brought back saying there's labelling.

But I think all of us are going to be doing our bit in terms of customer awareness, and we are confident that it will help us as we go forward. Because I think with the GDP of India growing and per capita consumption also increasing, people will want better quality products. And we think all this is good and favorable in our terms because we will be able to educate the customers more.

Abneesh Roy: And one follow-up, so in terms of mixing of oil with ghee, again, in terms of the local players, is that a very widespread issue? Because when I see pricing of ghee, the range is quite wide. So we have very premium ghee also, and then we have got all the branded players in a tight range of 10% pricing in terms of range. So how come there is so much of differentiation in pricing and how widespread is the oil mixing in terms of ghee?

Dodla Reddy: So I think I can categorize it as broadly three categories. So one would be the super-premium ones, which people try to say it is done by the bilona method and done this, and those are insignificantly small volumes compared to the overall pie. Although the per unit price will seem high, you will find ghee at INR1,000, INR1,500 a kg.

The volume is very small and it's a very niche kind of a market. The much lower prices, where I think, like what you are alluding to, will be mostly taken into the B2B scenario, where people really don't care and they're looking at price. But the larger companies, like all of us, who are now fighting the battle of B2C and trying to be there, invariably will be along the same lines.

It depends on the distances where we are. Some might come out a slight bit more premium in terms of, because of the brand that they've established. But broadly speaking, the more organized

will be in a similar range when it comes to B2C. You will have the niche players with a very small volume on the top and that bottom of B2B might be catered to a wide range of people.

Abneesh Roy: So my second question is on the overall category, FMCG, in terms of consumption. So this time, if you see the results of Nestle, HUL, Dabur, and others also, and DMart also, there is a slowdown which everyone is pointing towards in terms of the big cities. So if you could tell us in your markets, how the big city consumption compares with the rural areas in your market, for you?

Dodla Reddy: Our market, we have been seeing growth, sir, because whatever we are selling, the same names like DMart and whatever, where we are retailing also, we have seen reasonable uptake and uptake coming in. So we are seeing no slowdown, but the growth to be maintaining the growth trajectories, even in the big cities.

Abneesh Roy: So you're not worried because of the very high food inflation, vegetable inflation, you are not seeing any kind of an impact for you?

Dodla Reddy: Yes, because this year, I don't think we have taken much of price increases. In fact, because of on the back of good procurement prices, we have further made it more comfortable for the customers and passed on a bit of the margin profile to the customers. So we don't see much of a pressure on our growths.

Moderator: The next question is from the line of Vinamra Hirawat from JM Financial Limited.

Vinamra Hirawat: So a few questions. Firstly, will there be any impact from the excess rainfall in South India in October in our Q3 numbers?

Dodla Reddy: Basically it's a seasonal -- depending on how much of impact it will be with the cyclones. Maybe we lose a couple of days of sales or revenue, but the difference will be very small. It won't be significantly impacting compared on quarter-on-quarter. It will maintain a good quarter and continue to grow. As a seasonal impact of what we had previous, you will find a little bit of a difference, but nothing major.

Because now we are spread across all the four or five states, so we don't get impacted with rainfall in one particular area being that much or one being lesser.

Vinamra Hirawat: So, regarding the VAP, should we expect similar growth in the sale of butter and skimmed milk powder? And we want to know what the margins for these two products are.

Dodla Reddy: So basically, sir, like we said earlier, skimmed milk powder will not have much of a margin because we will look at it from a seasonality point of view and how we sell it. Regarding ghee, we are again pushing a lot of it going through B2C rather than bulk butter. So between bulk butter and SMP powder that we are selling, we might have a very small margin, which is the reason why you might see a little compression happening between Africa prices and powder and butter in terms of gross margin.

But like we always keep saying, we keep in mind the absolute number of growth. And keeping that in mind, we keep offloading our butter and ghee and keeping making sure our absolute profitability number increases.

Vinamra Hirawat: And just finally, can you divide the sales volumes of liquid milk between India and Africa? I think we have the sales volume numbers, but just wanted it for India and Africa. And can you give it for FY24 as a whole and Q1 and Q2 of FY25?

Dodla Reddy: So basically you're saying you want milk number of Africa and milk number of India for the whole year of FY24 and half-yearly of FY25, correct?

Vinamra Hirawat: Yes. So the sales volumes, just divided that in India and Africa.

BVK Reddy: Yes. I will answer that. Last year, see in Africa -- see India was 13.47 lakhs per day FY24 last year and Africa was 1.11Lakhs per day FY '24. And this H1 of '25, so India is 14.13 lpd whereas in Africa is 1.78.lpd

Vinamra Hirawat: Sorry, this is procurement or this is sales?

BVK Reddy: This is only sales.

Vinamra Hirawat: Sales volumes, right? Liquid milk?

BVK Reddy: Yes.

Vinamra Hirawat: Okay.

BVK Reddy: You want procurement number also?

Vinamra Hirawat: No. The sales is fine.

Moderator: The next question is from the line of Mythili Balakrishnan from Alchemy Capital Management. Please go ahead.

Mythili Balakrishnan: Congrats, sir, on a good set of numbers. Just had a couple of questions. One, could you quantify how much of the value-added products were bulk products this time around?

Dodla Sunil Reddy: Yes, ma'am. Basically, it is only SMP that is there. Murali will give you the specific number of how much the bulk number was.

Mythili Balakrishnan: Out of this INR378 crores, just wanted to get a sense of how much is bulk kind of a product?

Murali M Raju: Yes. For bulk, ma'am, for the full half year, we are saying that butter is around INR153 crores and SMP is around INR48 crores, we have said. The full half year, ma'am.

Mythili Balakrishnan: And for the quarter?

Murali M Raju: Overall, in the Q1, the breakup is like INR35 crores in Q1 and INR166 crores in Q2. That was the breakup.

- Mythili Balakrishnan:** Got it. Just wanted to get a sense, right, if we look at the gap between the procurement and the sales, it's still a healthy gap that we have. So we will continue to see these kind of sales as far as the SMP and bulk butter is concerned, right?
- Dodla Sunil Reddy:** Yes, ma'am, we'll continue with this.
- Mythili Balakrishnan:** Got it. And in terms of the milk, right, we are seeing now an uptake as far as the volumes are also concerned and coming now at 6%. Is that the trend that you are seeing should continue into the festive and beyond that as well?
- Dodla Sunil Reddy:** Basically, October, November, December, we will see a little bit of muting of milk and milk products because of the weather being colder. Products like curd and things do come down a bit, which will be offset a little by the ghee sales that we are doing. It is more because now we are aggressively pushing brand marketing and we are pushing it a lot more that we are seeing this uptake. I think we will maintain maybe if not similar growth, but we will maintain growth. We will maintain some kind of growth in the coming quarters too.
- Mythili Balakrishnan:** Got it. And my last question was on capex. We have not had a very high capex so far this year. Just wanted to get a sense if there is something that we can expect in the second half, especially with the land acquisition done for the Maharashtra plant.
- Dodla Sunil Reddy:** We will be having a little bit of capex going forward. I think because the Maharashtra plant acquisition land has just begun, we will start doing work, we will commence now. And other capexes which we are doing, I think we are on target with whatever we have budgeted for the capex, which is to the extent of...
- Murali M Raju:** Regular capex, madam, we have spent around INR43 crores in the full half year, which is in line with our normal trend. And only Maharashtra, we have to come up with the proper plan.
- BVK Reddy:** Maharashtra, we have acquired 35 acres of land and further some more land also we are going to acquire. And by the end of this November, we will start civil operations. So the clear picture, the crystal clear, you know, total project cost, we'll give you in next quarter. So some capex we will have in the third and fourth quarter.
- Mythili Balakrishnan:** Got it. But the capex will happen over, just in FY '25 only or will it spread over to FY '26 as well?
- BVK Reddy:** It will spread over '26 also. Maximum capex will happen in '26.
- Mythili Balakrishnan:** Maximum in FY '26, got it.
- Murali M Raju:** '25 to '26 financial year.
- Mythili Balakrishnan:** Got it. And if you could just give us some points on the Africa business, how is it seen in terms of volume growth, in terms of what are your plans there as far as value-add, etcetera, is concerned?

- Dodla Sunil Reddy:** So Africa has actually done well in terms of volume. BVK will give you the specific numbers and also profitability on an absolute number basis has maintained growth. Although on a percentage basis, it's taken a slight beating because of -- high milk prices in Kenya when there's a shortage of milk.
- But we're very confident in the coming -- the remaining six months, Africa will do well for us. It will be doing well in terms of good numbers. You would also have to say that the dividend that we're declaring now is actually coming from our proceeds from Africa, which was in Singapore, which are getting back to India in terms of that and that is what we're dividing out to our shareholders. BVK will give you more specifics about how the growth that we have seen in terms of volume and where we are now.
- BVK Reddy:** Yes, last year, we have done only 1,11,000 litres per day but now H1, we have done almost 1,78,000 litres per day So roughly about 58,000 litres- 60,000 litres growth from Africa because since we have commenced new operations from Kenya that has started only in the month of March, this financial year. So that has given around 30,000 litres additional volume and also the existing plant from Uganda also, there's a volume uptake high. So put together, 55,000 to 58,000 litres per day, the more volume has come from Africa.
- Dodla Sunil Reddy:** And also the product range and milk have been maintaining the same proportion between yogurt that we are one of the largest sellers of yogurt and milk that we sell in UHT plant. Long life milk
- Mythili Balakrishnan:** Got it. But as of now, we are still ramping up Kenya and the focus is on that. So there is no, there's not much more investment which is going to happen in Africa.
- Dodla Sunil Reddy:** No, no more investment, not in India, which will stabilize both Uganda and Kenya. There will not be no investment there.
- Mythili Balakrishnan:** Yes. Okay. Thanks a lot and congratulations on a very good set of numbers.
- Dodla Sunil Reddy:** Thank you, Madhu ma'am.
- Moderator:** Thank you. The next question is from the line of Jainis Chheda from Spark PWM Private Limited. Please go ahead.
- Jainis Chheda:** Good morning sir and congrats on the good set of numbers. A couple of questions from my side. First is that in Q2 FY25 gross margins on a Q-o-Q basis as well as Y-o-Y basis have come down. Of course, you mentioned that Africa was one of the factors, but I suppose Africa contributes roughly 10% of the total revenue while 90% is still from India. So any particular reason why you didn't pass on the price changes to customers in the current quarter?
- Dodla Sunil Reddy:** So Africa is one thing sir because Africa normally it's seasonal and it is in tandem with the season. This year the season was a little bit lower and then again October itself it's recovered and back to normal. So that is a normal trend that we do and we don't do it immediately as a pass on because it's not permanent in nature and it's only that one two month differential which is going as per function.

The other reason is also the butter and ghee that butter and SMP that we have sold. The volume of sales in those is higher although the margin might be a little smaller in that. Combination of these two is the reason why you see a gross margin drop marginally. But on an absolute number basis we'll keep growing.

Jainis Chheda: So that's what if you can like going forward if it's possible for you to share a segmental breakup in terms of margins as well in terms of fat and milk that will give us a bit more clarity in terms of where the things are moving forward. So that's one.

Dodla Sunil Reddy: We'll do that giving the segmental numbers we'll put it up on the websites also.

Jainis Chheda: And second question to do is how well will we peak in terms of our share of value-added products in total revenue at what percentage because it has been going up significantly higher in last three quarters. So where do we see it being stabilized in terms of percentage share of total revenue?

Dodla Sunil Reddy: So I think it will be in the same current trend what we are maintaining will be in the same trend of what we are seeing as value-added products I think now this year we are showing it as 39%. We will continue to keep it in those ranges of 39% to 40% is what we think it is.

Jainis Chheda: So in terms of steady state margins we can assume it somewhere plus or minus 100 bps in the current levels?

Dodla Sunil Reddy: Yes sir.

Jainis Chheda: Okay. Thank you so much. That's all from my side. I will join the queue.

Moderator: Thank you. The next question is from the line of Tanish Mehta from ithought PMS. Please go ahead.

Tanish Mehta: So my first question is regarding your Africa business. So for the quarter EBITDA margins in Africa business were one of the lowest which is that 9%. So if you could just give the reason for that. Okay. And my second question was regarding the inventory levels also. And they have gone up in Africa and I was wondering whether it is a seasonal thing or do we anticipate a rise in procurement and that's why you're building up inventory?

Dodla Sunil Reddy: No sir. It's basically that as we said the seasonality when it came in is why Africa inventory went up a little bit because it's between Uganda and Kenya and when we do cross-border sales sometimes when we get permission we try to move more milk from Uganda and if it is not there we sell it in Kenya only. So that will be a smaller difference.

In terms of profitability although the prices went a little steeply because of more shortage. That is why you see the difference but I think it will correct it instantly once the rains have come and you'll see that in the current quarter the movement upward will happen rapidly. Regarding the inventory levels of India, I think we will continue to keep bringing them down.

Murali M Raju: Yes, yes. It has reduced already. If you see last March we are at around INR390 crores. Now we are at INR231 crores. There is INR141 crores of reduction in the inventory. And whatever we

built up in the current six months that also we sold out. So we'll continue like a very aggressive like a net buyer only. Okay. And yes. That's all.

Tanish Mehta: Okay. Thank you. And my second question was regarding the Orgafeed registered at 13% margins in H1. So are these margins sustainable or is it because of higher fee prices which may fall down in the future?

Dodla Sunil Reddy: No, it will be sustainable. So plus or minus 100 bps this way that way depending on the commodity. But otherwise because we basically are doing it more efficient now where bigger plant is coming to operational. I think we can maintain these.

Tanish Mehta: Okay. Yes. Thank you so much.

Moderator: Thank you. The next question is from the line of Rishabh Gang from Sacheti family office. Please go ahead.

Rishabh Gang: Yes. So, with respect to the expansion plan in Maharashtra, if you can just share some information on what are the current operations on the distribution front in Maharashtra, as well as any broad game plan for Maharashtra that you have and by when, can we start expecting the distribution to increase? And how do you look while assessing where to enter and what are your return requirements or payback period in mind, while doing this kind of Capex?

Dodla Sunil Reddy: Our BVK will give you more definitive answers about the Maharashtra when we start to do and what is our penetration. Regarding returns, we normally plan returns between 5 years to that 8 years period is what we look at as getting the return on investment back, whether it is an acquisition, whether we do our own Greenfield. That is regarding the return. I think BVK will give you specifics of when we will start the operation and what we look at as distribution.

BVK Reddy: Maharashtra, we are already producing 2 lakh litres of milk every day and we have been in operation since 3 years. Now, recently we acquired a land and by 26th April, we are planning to start commence our operations in Maharashtra. So, maybe, it will take 15, 16 months to complete the project. So, it is an integrated project. So, there we will make milk, curd and also SMP, butter and ghee.

Rishabh Gang: And what is the land cost?

BVK Reddy: So far now, see, 35 acres land we have taken for INR10 crores and because, this is a converted land, everything is added INR 1 crores. So, it has become INR11 crores so far now. So, further some more land also we are going to acquire because, since we are planning to set up bigger plant, 10 lakh litres, capacity plant. So, some adjoining lands also we may acquire.

Dodla Sunil Reddy: It is also going to be done in a stage manner. We will start a stage 1, stage 2. So, we are looking at it as a significantly large plant for us.

Rishabh Gang: Also, sir, any guidance that you give regarding the revenue and the margins for next 1 or 2 years?

- Dodla Sunil Reddy:** We will maintain the status quo what we are doing currently, sir. The 10% by volume and 15% by value is what we keep targeting and maintaining the profitability also at current levels is what we will be pushing forward for.
- Rishabh Gang:** Also, on the inventory side, like how much inventory of milk powder do you actually carry at the moment?
- Dodla Sunil Reddy:** So, milk powder inventory we are carrying now, I think, exact number will be given by...
- Murali M Raju:** September 24th, sir. Simply we have around 4200 tons we have.
- Rishabh Gang:** And in terms of value?
- Dodla Sunil Reddy:** In terms of value, that would be around SMP and butter put together, INR160 crores is the inventory value.
- Murali M Raju:** Around INR111 crores?
- Dodla Sunil Reddy:** Only SMP.
- Rishabh Gang:** Just a last question. What is any distribution strategy for the value-added products that you have in states where we don't have any procurement function, right? Where we are just selling these VAP like ice cream and all?
- Dodla Sunil Reddy:** Ice cream, sir, we are doing ghee as a major push which we are now selling across pan-India, which we do a bit more in the northern Indian states also. But we will be doing more of the ice cream because it will be in areas where we operate and we concentrate because we have the advantage of having our own cold chain across these states where we operate. We are also pushing more of branding and pushing to the market. So, we will see a little bit of uptake in our paneer and our ghee consumer sales, which will add to our growth in value-added products.
- Moderator:** Thank you. The next question is from the line of Abhishek Mathur from Systematix Group. Please go ahead.
- Abhishek Mathur:** Just coming back to the gross margin decline that we saw in the quarter, you shared that one reason was the higher amount of butter and SMP that we scored, where the margin is smaller and volume is higher. So, it's possible if you can share the proportion of butter and SMP in the total VAP sales that we have and also the indicative margins for these two segments. And also, secondly, if you can share the console procurement – milk procurement cost and console sales for the quarter? That's it. Thanks.
- Dodla Sunil Reddy:** So, if I can get the question right, you want to know the console sales volume and price for liquid milk, and you want the breakup of the quantum of fat and SMP that we have sold.
- Murali M Raju:** The total VAP sales is around INR378 crores in Q2 FY'25. Out of that, INR166 crores is the bulk sales plus INR23 crores is VAP products. So, total out of INR378 crores And, secondly, the question is...

- Dodla Sunil Reddy:** The quantity of milk and the consolidated volume of procurement and sale of milk.
- Murali M Raju:** Milk procurement consolidated is for this quarter is 17.2 lpd liquid procurement and this. And, overall, last year FY'24, it is 16.78. lpd
- Abhishek Mathur:** So, just need the console milk procurement cost and the realizations per litre?
- Murali M Raju:** Procurement consolidated cost for this quarter is 34.64. And, revenue realization is 66.86 for this quarter, including SMP and butter.
- Abhishek Mathur:** Thank you, sir. And, if possible, if you can share the indicator margins for the butter and SMP segments within VAP?
- Dodla Sunil Reddy:** Yes, we'll try to send it to you after the call sir, because again, we'll have to bifurcate bulk and consumer and retail and we'll send them to you.
- Abhishek Mathur:** Thank you, sir. That's all from me. Thanks.
- Moderator:** Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.
- Nikhil:** Yes. Hi. Good morning and congratulations on good set of numbers. I had two questions. One is on - there was a question with someone asked on next two years and you said we will try to maintain our profitability at this level. And, even in during the beginning of the call you said, we will focus more on absolute earnings growth. While if I go back to our previous calls, we used to say that our EBITDA margins should remain in that 9% to 10% range.
- Is there a change in how you're thinking or do you also believe that this kind of profitability of 9% to 10% may not sustain in future and that's why focus is more on absolute growth versus maintaining the margins. How are you looking at it?
- Dodla Sunil Reddy:** So, basically what we're saying is we will maintain this 9% to 10% margin growth. So, for expansion of margin maybe there might be a little correction here and there in terms of because the top line might increase even more dramatically if we go into more of a commodity in one year of a season. So, we will try to maintain the same EBITDA margins and therefore the absolute number will also continue to grow. Even if there is a slight correction in terms of the EBITDA margin in terms of percentages, the absolute number will continue to be healthy and grow stronger because the overall revenue might increase.
- If the other way around, if it is a little bit of a lesser revenue, you might see the EBITDA percentage increasing. So, that EBITDA percentage not to consider that as a fine number, but more the absolute number is where as a business we take a call in terms of when we have opportunities to grow more rapidly and when we see that the growth is coming in, we rather push more growth and take maybe a slight correction in terms of EBITDA and if the other way around happens we push the EBITDA and keep the absolute number the same or improve the absolute number.
- Nikhil:** Okay. And second question was on the inventory and Sunil sir, you had mentioned in previous meetings and calls that we would now focus on building inventories. Now, if I look at our

inventory level today, we are back to like two years back. So, over the next six months we would continue to follow the strategy which we started last year of building inventories during the flood season to move over the weaker season and then probably liquidating or is there a change in that thought process?

Dodla Sunil Reddy: No, it's the same thought process. We will be continuing to aggressively keep pushing our procurement and going forward and improving our procurement and keeping the inventory levels. So, we might use it to our own a little bit of more to our manufacturing facilities available with us in terms of conversion to the season. We might be doing a month or two of corrections here and there, but we will overall maintain a better inventory position.

BVK Reddy: Not only that normally in the fourth quarter, there will be no butter movement. Normally, butter movement sales will not happen in the month of January, February, March, April, that particular month. That's why we will see inventory levels are slightly high, but in the second quarter when festive season starts, the prices also will be better and the movement will also be better. That's why we have seen a lot of uptake in the second quarter.

Nikhil: Okay, but over the next six months there again will be a larger inventory?

Management: We'll be building up.

Nikhil: Okay, and last question you were also looking at entering the eastern markets. So, any developments over there?

Dodla Sunil Reddy: That's the reason we'll be pushing Maharashtra. The Eastern market I think will be postponing for a while because we're trying to enter and we're not finding suitable opportunities. As and when they come up, we'll go forward with the Eastern markets.

Nikhil: Okay. Thanks. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Jayvansh Mehta from Care PMS. Please go ahead.

Jayvansh Mehta: Good morning sir. Thank you so much for the opportunity and congratulations on a good set of numbers. Sir most of my questions have been answered. Basically you have declared a dividend INR3 on an interim in the recent quarter, so will it be like – will we be maintaining a 15% payout in the future or are we looking at some other investments of cash?

Management: No we will be trying to maintain this as a dividend policy. Going forward, we will keep declaring dividend is what we are looking at our regular feature.

Jayvansh Mehta: And sir secondly if we like remove the butter and skimmed milk powder and VAP has not really doing so much, so are we seeing a slowdown in the value added thing?

Management: So the VAP in terms of absolute number has grown because the overall price is looking bigger, the percentage might be in smaller, but VAP has also grown for us in terms of the numbers that it is there in terms of curd has grown if you compare last year from INR378 crores to almost INR400 crores in the current year in terms of what curd has grown.

- Jayvansh Mehta:** Thanks. And sir last question was can you like you said we will be acquiring more land for Maharashtra capex, what are the total capex that we are looking at Maharashtra, if you can just give a rough number if you have it?
- Management:** The rough number right now because we were between INR200 crores to INR250 crores is what we are looking at an overall project cost which will be done in stages. We will have more specific numbers by the end of December when we start to move forward.
- Jayvansh Mehta:** And lastly to confirm like we are expecting it to commence from April 26?
- Management:** Targeting April 26 maybe little earlier, little later one two months, this way that way can be the range.
- Moderator:** The next question is from the line of Naitik from NV Alpha Fund. Please go ahead.
- Naitik:** Hi, sir. Congrats on a good set of numbers. My question is, can you give us the mix of SMP plus butter in the VAP? In VAP, can you give the mix between, say, SMP plus butter and the rest of the VAP?
- Dodla Sunil Reddy:** SMP plus butter will be one, and then we will not be concluding ghee into that because that is the B2C that we have. I think Murli will give you the specific.
- Murali M Raju:** SMP we have done around 21,000 litres basically. It is around INR210 per kg . The value wise INR40 crores we have done and butter we have around INR126 crores. So if you remove this, overall VAP we have done around 189 crores in the VAP and VAP products around 22. That is almost on 211 crores we have done in the products other than SMP and bulk.
- Naitik:** And how do you see this going forward? Is the mix going to remain?
- Dodla Sunil Reddy:** We have done well. Our paneer, for example, is almost doubled from what we were selling previously. There is a slight mutation because of ice cream, because of too much of rains and monsoon. Otherwise, it would have been far better. But we are doing well with our curd, consumer ghee and paneer. All have grown for us. Okay.
- Murali M Raju:** And ghee also, like farfetched consumption, last year we have done around INR11 crores, now we have done around INR21 crores. There is a substantial increase in the ghee consumer sale.
- Naitik:** Thank you. That is fantastic.
- Moderator:** Thank you. The next question is from the line of Resha Mehta from GreenEdge Wealth Services. Please go ahead.
- Resha Mehta:** Thank you. One just wanted to understand, with such sharp spike in your butter - SMP sales, would it be fair to assume that with this new inventory policy that we have, it would be very normal to see such spikes in butter - SMP sales going forward?
- Dodla Sunil Reddy:** You won't see such spikes because this current year is where we have actually moved up from being a net buyer to a net seller. So, the years going forward, we will enhance them to be as a

proportionate of our growth. So, whatever we do as overall B2C, maybe this will contribute the same levels of what we are now. So, you won't see spikes, but we will be maintaining more equivalent in terms of profitability because this will help us in maintaining a price stability.

Like I've been explaining earlier, if there is a reduction in price of milk, the selling of butter and the powder might seem to be a little lower value, but milk compensates for that in terms of profitability. And the other way around, when there is a shortage of milk and milk prices go up, these will give us more profitability. So, this will be evening out our sales. In terms of growth, the spikes will not be there, but as an overall growth, this will also fuel the growth in terms of the percentages because we are adding a whole new segment of growth for us.

Resha Mehta: Right. And a related question. So, since we don't have the numbers handy for margins of each of these products, SMP butter, and the rest of value-add products handy. If you could just share that and just a clarification here. So, you mentioned to the previous participant that almost half of the 380 crores of VAP sales came from butter and SMP in this quarter. And also, were there any fat provisions for this quarter that we took?

Dodla Sunil Reddy: No provisions made for this quarter. And basically, margins is whatever we had done as a March NRV, and that is what we are looking at in selling. And there is no provision that we are making, and the status quo maintains on profitability.

Murali M Raju: We are reversing the provisions, whatever we made it in the earlier periods. Based on the sales, we are reversing it. So, we always mark to market. So, there is no change in the mark to market prices over the last five, six months. So, we are following that conservative approach. We are in line with whatever we have estimated.

Resha Mehta: So, no provisions and zero provisions for this quarter and also out of INR378 crores of VAP revenues for this quarter, how much of that comes from SMP and butter? And again, SMP and butter would essentially be all bulk sales or would there also be some B2C element there?

Dodla Sunil Reddy: What we call as butter and powder is what skim milk powder and butter, Murali will give you the specific details. We also sell a portion of the ghee in terms of our consumer retail, which has increased. So, specific numbers, Murali will give you.

Murali M Raju: Total, madam, for this quarter, we have done around 378 crores of turnover. Out of that, SMP is around 40 and butter is around 126, if you remove it. So, we have done around INR211 crores of other than bulk sales, B2C.

Resha Mehta: Which is including ghee, INR22 crores?

Murali M Raju: Yes, includes ghee.

Resha Mehta: And SMP and butter is all bulk sales and ghee is all B2C that we do, right? Yes.

Murali M Raju: So, last year, the same quarter, after removing the B2B sale, it is around 195. There is a growth, we have seen it.

Resha Mehta: Right. And lastly, you know, just on the Africa business, so Kenya specifically. So, since we have just started operations in Kenya, just wanted to understand the seasonality. So, let us say Q2, would it be normal for there to be milk shortage there? And so, on an annual basis, would it be fair to assume that Africa margins, will dip in Q2? And so, if you could just explain the seasonality in terms of milk in Kenya.

And second, since, you know, you have guided for a value growth of 15% and if we look at this financial year, H1, we have already done a 20% top-line growth. So, would you want to revise your top-line growth guidance at least for the current financial year?

Dodla Sunil Reddy: Madam, regarding Africa, BVK will give you more specifics. So, this, what we look at as the 20% that we have already done and 15% of what we have been committing. So, in the dairy industry, the seasonality does play a role of 2%-3%, which will be up in one year, which will be lower in one year. Our guidance that we normally give on 15% growth is saying that on an average CAGR growth, this is what will be maintained. So, I think this year will be a good year, maybe next year might be a little lower year, but we will maintain in the range of the 15% as we grow forward. Regarding Africa, BVK will explain about the seasonality in Kenya and how we are doing it.

BVK Reddy: Kenya, especially, Q1, normally the price's gross margin will be very high. If you see from Q1 to Q2 this year, especially from 40% to 25%, it has dropped because of that gross margin is impacting that. Normally, in Q2, the gross margin is less. In the last couple of years also, we have seen. This year also, this is a slightly higher set because of delayed monsoon. So, that is a variation. Otherwise, Q3, again, it will come back.

Resha Mehta: And Q2, what was the gross margin you mentioned?

BVK Reddy: So, this financial year, first quarter, it was 43%, and second quarter is 25%.

Moderator: The next question is from the line of Deepak Pawar from Vasuki India Fund.

Deepak Pawar: Do we procure milk from cooperatives?

Dodla Reddy: No, we don't procure milk from cooperatives. In India, we don't procure milk from cooperatives. In Africa, we procure at a village level, what is called an association of people, not a cooperative.

Deepak Pawar: And the second question would be, sir, that White Revolution 2.0, would there be any benefits to us?

Dodla Reddy: The White Revolution 2.0 is more in terms of the whole industry trying to get better and talking about a larger play that India will be in the global scale. So, that is what our Honourable Home Minister has announced, saying that we will try to get organized cooperatives to be larger, productivity to increase. So, all these are the right signs for the overall business to grow from India as a country, sir.

Like they wanted to do put-in-mouth free, which will give us a larger global label in the future as we go forward.

Deepak Pawar: So, no direct or indirect benefits to us?

Dodla Sunil Reddy: No, sir. No benefits, sir.

Moderator: The next question is from the line of Praful Siddharth from Shravas Capital.

Praful Siddharth: I just wanted to know what is the sales realization during the quarter. The console sales realization?

Dodla Reddy: Yes. Console number realized.

Murali Raju: 66.86 is the console for this quarter. Standalone 68.16.

Praful Siddharth: And that's the milk? That is the liquid milk? What is the sales realization?

Murali Raju: No, it is not the milk. It is a combined number. Only milk price you want standalone is basically 55.1. per ltr

Praful Siddharth: So, sales realization is 67 on console level and procurement is INR35. Correct?

Murali Raju: Yes, sir.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we will take this as the last question. I now hand the conference over to the management for closing comments.

Dodla Reddy: Thank you everyone for joining us today on this earnings call. We appreciate your interest in Dodla Dairy. If you have any further queries, you can please contact SGA, our Investor Relation Advisor, and we will get back to you as soon as possible with all your queries. Thank you.

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