

DODLA DAIRY LIMITED

MILK & MILK PRODUCTS

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Date: 28 July 2023

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 Q1 FY24 Results Conference Call held on Monday, 24 July 2023.

In Continuation to our letter dated 18 July 2023 the Company had organized a Q1 FY24 Results Conference Call with the Investors/ Analysts on Monday, 24 July 2023 at 11:00 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.

This is for your information and records.

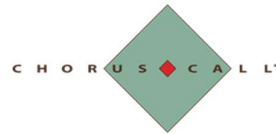
Thanking you,
Yours Faithfully,
For Dodla Dairy Limited

Surya Prakash M
Company Secretary & Compliance Officer

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



“Dodla Dairy Limited
Q1 FY ‘24 Earnings Conference Call”
July 24, 2023



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 – FINANCIAL
CONTROLLER – DODLA DAIRY LIMITED**

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



Moderator:

Ladies and gentlemen, good day and welcome to the Dodla Dairy Q1 FY '24 Results Conference Call hosted by ICICI Securities. As a reminder, all participant 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 a touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you and over to you, sir.

Aniruddha Joshi:

Yes, thanks, Zico. On behalf of ICICI Securities, we welcome you all to Q1 FY '24 Results Conference Call of Dodla Dairy Limited. We are with the senior management represented by Mr. Sunil Reddy, Managing Director, Mr. BVK. Reddy, CEO. Now I hand over the call to the management for their initial comments on the quarterly performance. I also congratulate them for an excellent set of numbers in Q1 FY '24. Thanks and over to you, sir.

Sunil Reddy:

Thank you very much, Aniruddha. Hello everybody. I welcome you all to the Dodla Dairy Q1 FY '24 earnings conference call. It is a very good result for us this quarter. Dodla Dairy has surpassed its INR8,000 million quarterly revenue milestone for the first time, registering a 14.8% year-on-year growth, and INR8,234 million in Q1 financial year '24. The company's value-added products or VAP and fat and fat products sales surged by 12.9% year-on-year to INR2,586 million, aided by an extended summer season coupled with diversified product portfolio and a strong brand record.

The Dodla's VAP sale contributed to 32% to the overall revenue of Q1 FY '24. The industry has already started to experience some benefits of the upcoming flush season of '23- '24, which is likely to see its peak in September-October of '23. Dodla aims to maintain its competitive advantage in the industry with a pharma-centric approach, thrust on quality and innovation, regular capacity expansion plans and the ability to adapt to evolving market dynamics, thereby leading the company towards a sustainable growth.

Now, taking a glance at the financial highlights for the financial year ended June 30, 2023. The operating revenues, as I said earlier, stood at INR8,234 million in Q1 for the financial year '24 as compared to INR7,170 million in Q1 financial year '23. This registering a growth of 14.8% year-on-year. The company's domestic business grew by 16.1% year-on-year to INR7,628 million, whereas the international business revenue stayed at INR606 million in the first quarter for the financial year '24. EBITDA grew by 33.9% year-on-year to reach INR603 million in Q1 FY '24. EBITDA margins expanded by 104 basis points year-on-year to 7.3% owing to lower raw material prices around 44 bps year-on-year and a decline in other expenses by 89 bps year-on-year.

However, employee expenses grew by 29 bps year-on-year in Q1 FY '24. Profit after tax surged by 40.3% year-on-year at INR350 million in the Q1 FY '24. PAT margin expanded by 77 bps year-on-year to 4.2% in Q1 FY '24. EPS for Q1 FY '24 stood at INR5.82 as compared to INR4.16 in Q1 FY '23.

Now taking you through our operational highlights for the year ended 30, June 2023. Average milk procurement during Q1 FY '24 was at 15.9 lakh litres per day as compared to 14.8 lakh



Dodla Dairy Limited
July 24, 2023

litres per day in Q1 FY '23, registering a 7.4% year-on-year growth. Average milk sales during the Q1 FY '24 were at 11.1 lakh liters per day as compared to 10.4 lakh liters per day in Q1 FY '23, registering a 6.2% year-on-year growth. Curd sales during Q1 FY '24 was at 439.7 metric tons per day compared to 426.3 metric tons per day in Q1 FY '23, increasing by 3.1% year-on-year.

Revenue from value added products including fat and fat products grew by 12.9% year on year to 2,586 million in Q1 FY '24 vis-a-vis 2,290 million in Q1 FY '23. VAP including fat and fat based products contributions stood at as I said earlier 32.0% of overall dairy revenue in the Q1 FY '24 as compared to 32.5% contribution in overall dairy revenue in Q1 FY '23. The company posed for delivering long-term sustainable growth with its robust business model, state-of-the-art dairy plants, diversified product portfolio and strong balance sheet with net debt-free status, coupled with adequate cash balance for organic and inorganic growth.

Lastly, my sincere gratitude to our esteemed stakeholders for their perennial trust on Dodla Dairy's vision. We continue to strengthen our governance framework through the trust on ESG practices. The Dodla Dairy team will remain committed to supporting its dairy farmers' network and fulfill the consumers health and nutritional needs through our milk and vap products. With this brief, I will now hand over to our CEO of our company Mr. BVK Reddy to take it forward.

BVK Reddy:

Thank you so much sir. Very good morning to all the participants. We have concluded a healthy quarter and with revenue growth and strong key performance indicators as stated earlier. We are continuously enhancing our footprints and strengthening our PAN India ambition. As on 30, June 2023, we procured milk around 1.2 lakh dairy farmers daily of which 89% are provided with a regular direct payment in bank accounts.

Our direct procurement model has further strengthened, wherein we are buying almost all the milk directly from the farmers across more than 8,150 villages as compared resulting in cost saving and establishment of deep rooted relationship with them. Local dairy, orga feed division keep supporting agriculture community and the dairy industry. Orga feed sells cattle feed directly to the farmers through a procurement network thereby strengthen their relations with the farmers by optimizing livestock health and enhancing the productivity.

Dodla Dairy looks forward to strengthen its grass to class business model, layered with the backward as well as forward integration. Our presence in the entire dairy value chain including research, procurement and storage, processing distribution and cattle feed amplifies the management clear focus on the long term business region.

Additionally, the company aims to enhance operational efficiencies with automation, digitalization, initiatives and increases distribution networks, thereby delivering sustainable value to our esteemed stakeholders. That concludes our update on strategy, which we believe has been a positive in long term statistics. With that being said, I would now like to open the floor to the question and answers. Thank you.



- Moderator:** Thank you very much. Our first question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Yes, thank you for the opportunity. Sir, I have one question. Since the last two months, three months, we have continuously seen press notes on fall in milk prices for the flush season, anywhere about 4%-5% blended for cow plus buffalo. But when I look at your gross margin, I don't see that flowing through, so just wanted to check on, what's your take on this and or is it that, we have passed on the entire price benefit on milk that we would have, if we would have gotten? So, some color there.
- Sunil Reddy:** Thank you very much Pritesh for giving us this opportunity. Yes, milk prices did go down for certain states dramatically but certain states were also a little bit holding on. Since we have passed on most of the price increase, like you rightly said, to our customers, we have not taken a very sharp drop in the milk procurement prices because we think, these kinds of prices, if we take an opportunistic drop, it will hurt the farmers in the long run and again, we will see an upswing. We have done what corrections were required from our end and we are maintaining those corrections and as and when, we find a differential, we will take corrective action accordingly.
- Pritesh Chheda:** I couldn't actually interpret, so you mentioned that, you have not got those price drops or if you have got the price drops. You have not dropped our price...
- Sunil Reddy:** For example, if somebody has taken down the price to INR32 or INR33, we are still maintaining the differential of paying the farmers INR34 currently. Because we want to see, because for us in terms of profit margin, we are not trying to dramatically drop the same to the farmers because it will hurt us in the long run in terms of our performance.
- Pritesh Chheda:** Okay. So, then from your opening remarks, you were mentioning about a better flush season. So is it that you anticipate a further drop in milk prices in anticipation of a better flush season? And if it is soft, will that flow to your gross margin expansion? Or you will take a corresponding product price drop as well. Yes, sir. Were you able to get my question or should I repeat it?
- Sunil Reddy:** I got your question to the extent of, Pritesh, that you are saying that did we pass it on to, did we take the price cut? We have not taken the full price cut. We have just taken a marginal price cut to continue our procurement going forward.
- Pritesh Chheda:** Okay. Now on your initial comments, you mentioned a better flush season. So, does it mean that, there would be a further drop in milk prices? And will you retain that gross margin benefit or incrementally...
- Sunil Reddy:** We will retain the gross margin benefits, sir. Also, as we get more and more milk, we have added advantages of getting additional fat and the SNF that we require. So effectively, our overall cost, by not only by price reduction, but also because of efficiency of milk procurement and other costs of procurement coming down, our gross margins will maintain or improve a little bit further, sir.



- Pritesh Chheda:** Okay. Thank you very much and all the best to you, sir.
- Sunil Reddy:** Thank you, sir.
- Moderator:** Thank you. Our next question is from the line of Mr. Arjun from Intellecap. Please go ahead.
- Arjun:** Yes, hi. Thanks for this opportunity. I actually want to understand the competition landscape. Let's say like, there's a lot of milk, which is, so there's more milk production happening from the farmers. So 25% is organized, 75% is unorganized, according to my understanding. So how is it that, the farmers, knowing that you will not reduce your prices, would actually reduce the prices and sell you?
- BVK Reddy:** So Arjun, this unorganized, organized, but if you look at the places, where we operate from the procurement side, it is 99% organized. So when you look at the overall country statistics, what people say that 75% unorganized versus 25% unorganized. But in the Southern, if you look at procurement and marketing, it's extremely organized, both sides of the procurement as well as the sales option.
- So the price differential is basically between all of our as competitors on the village level. And at certain times, when somebody else gives a lower price and you are giving a higher price just because I can't go and take 20x the volume because I will not have the facility to take. So we normally maintain the status quo of our farmers were giving us, we take whatever they give. We don't try to enroll additional farmers during extreme flush, when there's too much of a milk coming into the system. We maintain the farmers, who are coming to us.
- Somebody treating with dealing with the commodity might have the luxury of being able to take any amount of milk because then they can convert it to a commodity and trade as commodity. We're being more focused on B2C, do not do much of commodity trade. So we try to maintain our off takes in terms of the pharma production. But that is how we maintain the price, Arjun.
- Arjun:** Okay. This is quite detailed. Thanks a lot. My second question is on your net working capital, sir. I mean, when I compare it to some other players in the industry, you've been maintaining it in such a healthy fashion. Could you tell me, what different, how are you different from the other companies, who are not able to maintain that kind of a networking capital?
- BVK Reddy:** So basically, what we do, sir, we are basically predominantly like we said, a lot of it is we are B2C, and from a lot of time, discipline enforced by the team, is we do a majority of our business with against cash, even if it is our distributors or trade even for our product, we deal with taking cash in advance and then supplying material. So a small amount of outstanding that will be would be to certain large entities, like for example, if there is a temple there or whatever that shows the odd off take.
- But that is a discipline, we have been enforcing at the cost of maybe at some point of, sometimes getting rapid growth also, but we rather believe in that disciplined approach of growth. And coming to our own inventory that we handle, it is because, as I said, we are not yet a commodity player selling commodity. We hold inventory only to the extent of what we



forecast as our sales and our shortages of requirement for our sales. And that is the reason we have been able to hold our networking capital at a healthy rate, sir.

- Arjun:** In that sense, you pay the farmers a little later or they pay as you take the milk out?
- BVK Reddy:** We pay on time with the rest of the people, sir. Once in 10 days, we pay on time.
- Sunil Reddy:** 15 days.
- Arjun:** One last question, sir. This is with respect to Karnataka. Nandini is so aggressive in terms of trying to buy at a higher price and we understand the whole competitive scenario there is a little tricky. How is your Karnataka business functioning and what are the steps you are taking because of the intense competition, you get from Nandini?
- Sunil Reddy:** Sir, BVK will answer this regarding Nandini and the competition, we face in Nandini. We have a substantial business comes from Karnataka but BVK will explain it to you.
- BVK Reddy:** Yes sir. This is not new to us since 2000. So we are there in Karnataka, sales as well as procurement. So now see, the procurement side also we are paying on par with what Nandini is paying, and sales side is anyhow, we have a higher price, so see our market share is intact.
- Arjun:** Hello, I can't hear.
- Moderator:** Mr. Arjun, please stay connected while the management reconnects. Thank you. We have the line connected. So, you can go ahead, sir.
- Sunil Reddy:** I don't know, till where you heard the answer from BVK. Where should we repeat it from?
- Arjun:** I just heard that. Could you just repeat the whole thing? Because it was just after the 10 second, I think, the call got cut.
- Sunil Reddy:** Dodla, you see operating Karnataka since 20 years, almost 1999, 2000 onwards. So we are there in procurement side as well as sales side. So there's no problem even in spite of giving a lot of incentive to the farmers in Karnataka state by Nandini. So we were able to sell our price, the selling side, compared to a higher selling price as compared to Nandini. Then you know that, we were able to maintain our numbers. And procurement, we were saying, we are paying the same price what Nandini is paying.
- Arjun:** How is it possible? I mean.
- BVK Reddy:** Because selling is higher.
- Arjun:** How did the selling price?
- BVK Reddy:** So Arjun, what happens is when we are able to sell at a higher price because the customer is buying it because of quality, service, and other reasons, we are able to have a premium in selling. And that's why, we maintain our margins in Karnataka.



- Arjun:** Okay, thank you.
- Moderator:** Thank you. Our next question is from the line of Dhruvesh from ProsperoTree. Please go ahead.
- Dhruvesh:** Thank you for the opportunity, sir. In general, can you once again explain the overall subsidy dynamics because we hear, when subsidy is given, farmer does not really benefit and it is the consumer who gets subsidized. But if you can make us understand, the nuances of the same thing? Thank you.
- Sunil Reddy:** Dhruvesh, the subsidy given here is predominantly to the farmer, which means effectively that Nandini's outflow of cash will be less to the extent of subsidy, when they are paying to the farmer as procurement price. So what they are doing is, when it comes to the selling part of it, they try to keep it at their cost or whatever procurement and try to subsidize that money that the government is giving them to pay to the farmer to the consumer, which will translate to, let's say, INR5 or INR6 differential in the pricing mechanism that they give it to the consumer, which we are able to sell it at a little higher margin than what Nandini is selling.
- And trying to also, we try to improve our efficiencies and compensate that and keep our margins intact. So that's how we do it. The subsidy flow actually is given to the farmer. For example, every bill that is paid, the government will get a list from Nandini stating that, this quantity of milk that is collected from the farmer and therefore they need so much money and once whenever the government releases the money, pro-rata, it goes into the cooperative societies and it is disbursed. We pay the same price without what the government is paying, including the subsidies what Nandini is paying and sell it at the premium with a bit of efficiency and quality, we are able to maintain our margins, that's how we maintain.
- Dhruvesh:** Got it sir. Just one small query here again. So, when you say that you pay the same price to the farmer versus that of Nandini, but the farmer at Nandini end will also get additional benefit of subsidy prorated after a period of time, is that correct?
- Sunil Reddy:** No, no, not that way sir. Suppose, if there is a price of INR10 what Nandini is paying and government gives a INR5 subsidy, the farmer is getting paid INR15. We pay INR15 upfront. Now the INR5 of Nandini they get after maybe a month or 2 months or 3 months is when they get that lump sum of the money from the government and Nandini transfers to them. But sometimes the societies have money with them, which is their margin, which they keep having. So, society takes the burden of giving that same money to the farmers and collects it from the government later date.
- Dhruvesh:** Right. So, the current news in the last one week, where I think it is already approved by INR3 the hike in the consumer prices, this should augur very well for us in the sense that whatever little market share we might have lost for the price can be, I mean, our competitiveness increases substantially in Karnataka, is that correct?
- Sunil Reddy:** So that Dhruvesh is something that we said we will keep it as a buffer BVK will explain more in detail now. Go ahead BVK sir.



- BVK Reddy:** See, they are now taken a call only on selling side, but if we are going to see – say that in buying side also they are going to increase INR3, then in that case we will also go for selling side correction. But if they are not going in the procurement side, if they don't increase another INR3, only they keep it only in the selling side, then we'll keep quiet for some time.
- Sunil Reddy:** That is for the growth, like you said, to get more growth.
- BVK Reddy:** To get more growth.
- Dhruvesh:** Perfect. Thanks a lot and congratulations on a good set of numbers and the progress. Thank you.
- Sunil Reddy:** Thank you, Dhruvesh.
- Moderator:** Thank you. Our next question is from the line of Aditya from SIMPL. Please go ahead with your question. Mr. Aditya, may we request you to please use your handset for optimum audio quality as your line is not clear, sir.
- Aditya:** Am, I audible now?
- BVK Reddy:** Yes, sir. Please go ahead.
- Aditya:** Yes, if you could specify the average realization and procurement price for the quarter?
- Sunil Reddy:** Could you come again, sir, Aditya.
- Aditya:** For the average procurement price and average realization for this quarter?
- Moderator:** Mr. Aditya, please stay connected while we reconnect the management. Thank you. Mr. Aditya, the management is reconnected. Could you go ahead with your question, please? Could you repeat it?
- Aditya:** Yes, so if you could specify the average procurement price and average realization price for this quarter?
- Sunil Reddy:** Which quarter sir, Murali will answer the average procurement price for standalone and sales realization for standalone will be given.
- Murali Mohan Raju:** The standalone procurement price is INR39.62 for this quarter and the realization price is INR56.54.
- Sunil Reddy:** That is the procurement price sir, we will have a slight difference in terms of raw material and consumption.
- Murali Mohan Raju:** Yes, the consumption of standalone price is basically the consumption is INR41.9 because of the quarter-on-quarter stock movement and this thing...
- Sunil Reddy:** Other things...



Aditya: And this INR39.6 the previous quarter it was INR40, am I correct?

Sunil Reddy: Previous quarter was...

Murali Mohan Raju: 40.09.

Sunil Reddy: 40.09.

Aditya: Okay, so we have got a benefit of INR0.5 this quarter?

Sunil Reddy: Yes.

Murali Mohan Raju: Yes.

Aditya: And is this going to increase in the next two quarters as well?

Sunil Reddy: It will maintain the stake or it will go down slightly sir, another 50 paise it should go down, but that will get compensated by our sales overall mix and because again it's winter is coming now, ice cream and others, so it will maintain easily the status quo.

Aditya: Okay, sir. And, sir, in the previous cycles, when the procurement prices decreased, so generally do the competition also -- competition also take the benefit of this reduced procurement prices or they pass on the decrease?

Sunil Reddy: It depends on each state. Some states where there is more of the commodity players, they immediately decrease the price dramatically, places where it's more of a B2C the decreases are more sort of slower and we don't go down that dramatically only a marginal difference is taken.

Aditya: Okay and generally in our majority states like Karnataka and Andhra what does generally the competition do?

Sunil Reddy: Karnataka it will be Nandini for us majorly and then Andhra it is a blend of everybody, all the private sector players and everybody is there.

Aditya: Okay. And sir what is the revenue and EBITDA for Africa business for this quarter?

Sunil Reddy: Africa business for this quarter, right.

Murali Mohan Raju: Africa business for the quarter EBITDA in absolute amount is INR140 million and as a percentage it is EBITDA is at 23.1

Sunil Reddy: And revenue is?

Murali Mohan Raju: Revenue is basically INR60 crores.

Sunil Reddy: 600 million.



- Aditya:** Right. And if I look year-on-year, so the revenues are flat for our Africa business, but the margins are shot up. So, last year it was around 16.7% the margins, and this quarter the margin has shot up to 23%, so, any particular reason for the same?
- Sunil Reddy:** BVK will answer this sir based on why the margin has shot up, go ahead, sir.
- BVK Reddy:** Not the margin actually.
- Murali Mohan Raju:** Margin has gone up revenue has shot up.
- BVK Reddy:** See, since majority because we sell in Uganda as well as Kenya. So, Kenya in the month of last June...so, it's restricted the volumes, import restriction was there and they have not allowed the permits because of that the sales volume also has come down so there is no.
- Sunil Reddy:** But in the profitability...
- BVK Reddy:** In the profitability it has gone up.
- Sunil Reddy:** Gone up because prices in Uganda were lower compared to the previous year.
- Aditya:** So, will we pass on this benefit of customer or you would like to maintain the margins which we are currently making in the Africa business?
- Sunil Reddy:** I think this quarter at least we will keep the status quo. So, it will continue to be the same because I think it has now settled down and milk is still coming. Yes, the same margin profile and growth profile will be maintained.
- BVK Reddy:** Yes, again see that the permit started giving again out of one month. Now this quarter again volumes are going to go up and same status quo or further it will improve.
- Aditya:** Okay. And what is the current capacity utilization of our plant?
- Sunil Reddy:** Capacity utilization right now of our Uganda will be almost at 75% to 80% of capacity utilizations.
- Aditya:** Okay. And we were looking to expand our capacity in Kenya, so what is the status over there?
- Sunil Reddy:** I think the work is going on, sir. We are expecting to do trial runs in October or so, but it will be operational by December sir.
- Aditya:** So, what would be the capex amount?
- Sunil Reddy:** We have taken an approval for INR40 crores, but it will be way less than that or at least we should be able to finish between INR25 crores or so.
- Aditya:** Okay. And there was also an expansion in orga feed capacity, so has that expansion been completed?



- Sunil Reddy:** Yes orgafeed now see – see in the month of -- end of August we will be commencing the production almost in finishing stage.
- Aditya:** So, which month?
- Sunil Reddy:** August.
- Aditya:** Okay. And what are the revenue and margins for our Srikrishna?
- Sunil Reddy:** The revenue margins are -- at the EBITDA level are at Murali...
- Murali Mohan Raju:** EBITDA is less than 1% percentage.
- Sunil Reddy:** And the absolute number is?
- Murali Mohan Raju:** In absolute number it is basically 1.1 million.
- Aditya:** Okay sir. Thanks, I'll join back in the queue.
- Moderator:** Thank you. Our next question is from the line of Mr. Rohit from ithought PMS.
- Rohit:** Hello, sir. Am I audible?
- Moderator:** Mr. Rohit, could you please hold the line? The management is getting reconnected. Thank you. You can go ahead with your question now, Rohit.
- Rohit:** Yes hi good morning sir and thank you for the opportunity. Sir, just wanted to understand now obviously you've done a very good show in this quarter and you're saying it will continue, but I was just reading that the feed prices are also going up due to erratic rainfall and that, I just wanted your view on how does that put pressure on our cost and given that prices have already been into increased, so does that leave for us little room to sort of, I mean, does that put a pressure on our margins for you in the coming quarters or how do you view this?
- Sunil Reddy:** No, sir the rainfall has not been that bad as we've seen Delhi and the flooding. It's been reasonably okay for us as of now. So, it is basically more in terms of more water availability and the pricing we are hoping will keep the same trend. It won't dramatically change. The only difference we normally face is because we have extended rainfall, we take a little bit of bit on our products like ice cream and other such like the curd which comes down a bit. But that is more than actually it's compensated by own milk procurement increasing and efficiencies of procurement coming up. So, we don't see any major change in maintaining the same trend going forward. So, that means for a couple of quarters there's absolutely no, we don't see any changes.
- Rohit:** Okay, okay, got it. That's it from my side. Thank you sir.
- Moderator:** Thank you. Our next question is from the line of Sameer Gupta from India Infoline. Please go ahead.



- Sameer Gupta:** Hi, good morning everyone and thanks for taking my question. Firstly, on this average realization of INR56.54. I believe this is for the blended including value added products, can you give for just liquid milk average realization for the quarter?
- Sunil Reddy:** Thank Sameer. Good morning Sameer. Murali will give you the realization of milk for the quarter. Go ahead, Murali.
- Murali Mohan Raju:** Yes, so the total milk is basically 55.63. So, the breakup is like, it includes cream milk, standard tone and double tone. Then value added products, the average realization price is INR58.92, which includes curd, ice cream, and all that other stuff.
- Sameer Gupta:** Got it, Thanks for that. So, one more question, if I may. So in Karnataka, basically what I hear is that the subsidy was always there, but it was very shabbily implemented plus over the years, there's not been much increase in the outlay. Now with the regime change in Karnataka, first of all, what has been your experience? Is there a material difference between whichever party comes to power, there is no real meaningful change in the way they operate subsidy or there is a real risk now that with the change in regime there can actually be more competitive intensity coming from Nandini in this part?
- Sunil Reddy:** No sir, all the regime changes still maintain status quo because the execution agency again remains to be Nandini and the bureaucracy in general. So, they maintain the same process and status quo that is there, nothing much. But as we all know that, if more pressure comes on the treasuries of the respective governments, the payments will be more delayed in terms of the availability of money with the governments. So, that is all it is. We have to wait and see if present regime will come under more stress or they will be having more cash which we cannot judge on, but that's how it normally goes. Status quo will be maintained and no major changes.
- Sameer Gupta:** Got it, sir. That's all from me. Thanks.
- Sunil Reddy:** Thank you, Sameer.
- Moderator:** Thank you. Our next question is from the line of Aditya Joshi from Alchemy Capital Management Private Limited. Please go ahead.
- Aditya Joshi:** Good morning, sir. Thanks a lot for your time and congratulations on a great set. Sir, firstly, I just wanted to understand why the percentage of VAP sales, the percentage of total has come down a bit versus last summer. Is it just to do with the erratic rain?
- Sunil Reddy:** More than the erratic rain, sir, our ghee is still not caught on, what it was even compared to the last quarter to this quarter because we are running short of VAP and we had withdrawn ghee. Now, we are actually trying to push more ghee. I will ask Murali to give you the specs of our change in the value add from last quarter previous year-on-year to this quarter, if it will help Aditya, is it okay?
- Aditya Joshi:** Yes, yes.



- Murali Mohan Raju:** Last quarter we are at INR26 crores visa-a-vis this quarter we are at INR32 crores. And with regarding a curd we are at INR189 we are at INR217 so that's what the breakup of this. And products we are at least year we are at INR13 crores. So, we are INR9 crores only this quarter that way that INR4 crores shortage is in the butter and ghee.
- Sunil Reddy:** The INR4 crores shortage came in terms of the butter and ghee and overall number increase also helps in terms of value add, milk caught on a little more faster, which will also give a slight difference in percentage. Otherwise, like we keep saying we had grown on product-to-product on an absolute basis.
- Aditya Joshi:** Got it, sir. That was really helpful. Sir, subsequent to this, if you see our curd sales, it has just curd volume sales growth, it is around 3%, so is it that the pricing in curd have increased substantially versus any of the other value-added products, you mentioned that it has moved from INR189 crores to INR279, out of which only 3% would be volume. So, remainder is pricing, am I correct?
- Sunil Reddy:** Repeat it once again, if you don't mind Aditya.
- Aditya Joshi:** Sir, the volume growth in curd Y-o-Y is 3% and if we see the total revenue growth you just mentioned, it's around 47%. So, is it fair to assume that around 40%, 44% was price hike in curd?
- Sunil Reddy:** It's not only price hike Aditya. Actually, what has happened is our volume also would have been higher, but because of this price increase in stagflation, if you take the number of packs per se we have increased, but volume pack has also come down. So, it's a blend. I don't know how to say it. Maybe you can call it as a price increase or per pack volume coming down. That is the reason why we will see. So, effectively, it is a price increase, but in terms of volume we have also curtailed in terms of giving lower in each pack. So, 200 ml curd pack has now come down to 150 ml, 140 ml.
- Aditya Joshi:** Got it, got it sir. And, sir lastly from my side, what is the value added percentage, a target value added percentage where you will be comfortable with, right now we are doing anywhere between 30%, 32%. So, any ballpark numbers you have in mind that...
- Sunil Reddy:** Normally I keep saying, every year we try to increase by 1% and keep going with that as an overall because we hope that our milk volumes also increase. Absolute numbers will be a little higher, but overall we are thinking of 1% growth rates.
- Aditya Joshi:** Got it, got it sir. That was very helpful. Thanks a lot again, sir and all the best.
- Sunil Reddy:** Thank you Aditya.
- Moderator:** Thank you. Our next question is from the line of Punit Kabra from Alpha Invesco. Please go ahead.
- Punit Kabra:** Hello. Am I audible?
- Sunil Reddy:** Yes, go ahead, Punit.



- Punit Kabra:** Yes, Yes. Sir, can you just repeat the answer you gave on Africa, what exactly is the license that created us limitation for growth?
- Sunil Reddy:** In terms of you want the specific per litre prices, sir.
- Punit Kabra:** No, our Africa business had negligible growth this quarter. So, just to a previous participant you had explained about the issue why we could not grow volumes in Africa, if you could just repeat that?
- Sunil Reddy:** So, basically what happens is when we produce milk in Uganda and sell in Kenya, by law there are not supposed to be any restrictions, but they have an underlying restriction of giving us something called permits which allow us to move the vehicles into Kenya. Whenever there is a disproportionality of procurement and milk available in Kenya, they try to restrict the trade of milk coming in from Uganda. So, that's how this happens on a seasonality basis, only to overcome the seasonality. Now we are building our own plant also in Kenya that hopefully when we go in future and that starts operating, we will maintain equality in both.
- Punit Kabra:** Okay, and sir my second question is we had a higher tax rate in this quarter, but for the full year normalized we can expect about 25% should be the normalized tax rate?
- Sunil Reddy:** After that we had more of deferred tax. Sir this time that benefit on this we will maintain the 25%, 26% tax rate.
- Punit Kabra:** And sir so finally, in our opening remarks you had mentioned about cash balance which gives us opportunities for both organic, inorganic growth. But would it be fair that, you would be at some stage looking to either do some dividend distribution or a buyback at least in this financial year?
- Sunil Reddy:** If we don't find any opportunities coming up we'll definitely look at -- we have to look at the money coming back in what form which is more effective we'll be able to decide maybe I guess by end of December or so, sir.
- Punit Kabra:** Okay, sir. Thank you, sir. And we're looking at opportunities. If they pan out, we won't have the pressure. If not, then we'll have to look at opportunities. All right, sir. Thank you. Good luck, sir.
- Sunil Reddy:** Thank you so much sir.
- Moderator:** Thank you. Our next question is from the line of Pratik Kothari from Unique Portfolio Managers. Please go ahead.
- Pratik Kothari:** Hi, Good afternoon. Sir, just a clarification, you mentioned in the beginning of the call that there has been some price drops which we have not passed on. So, this is to the farmers or to our end customer?
- Sunil Reddy:** To the farmers, sir, because in certain states, like where there's commodity, where there's been an even more dramatic drop, we have not taken that price cut, keeping in view with the farmers' requirement and long-term relationship with the farmers.



- Pratik Kothari:** Correct. And you also mentioned that going into the flood season, three months, four months, five months down the line, the prices would come down and we hope to pocket this difference and we wouldn't be passing it on to the end customers?
- Sunil Reddy:** Yes, sir. We have to wait and see if they really come down a lot more. We will take the benefit of that also. As it is, we get a good benefit in terms of better utility, utilization of our own milk increasing plus we can get the benefit of prices if they come down more significantly, they come up.
- Pratik Kothari:** Correct. And say from a gross margin perspective, I mean, what is our internal target or what is our steady state number that we work with?
- Sunil Reddy:** I would rather try to keep what we are at this quarter as our steady state number, sir. I mean, because more of being -- instead of being more predictive, we rather wait and see when it comes to October and November at that time. But I think, we can confidently say these steady state numbers as we have now will continue without any issues.
- Pratik Kothari:** Okay and sir my last question on this value added products in if we can bifurcate this INR250 crores how much of it is from the ghee, curd price et cetera?
- Sunil Reddy:** Murali will just give the bifurcation of the value added products as product wise for stand-alone in terms of India. Go ahead Murali.
- Murali Mohan Raju:** Total value added products in standalone is INR237 crores out of that major jump is INR187 crores from the curd, INR13 crores from ice cream, butter milk is INR10 crores and INR6 crores from Lassi, sweets and paneer, et cetera, from all those things around INR14 crores. And apart from this, we have butter and ghee. Ghee is around INR8 crores, and butter is around INR44 lakhs. These are all comes under the value-added products.
- Pratik Kothari:** Thank you and all the best, sir.
- Murali Mohan Raju:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Jagvir Singh from Shade Capital. Please go ahead.
- Jagvir Singh:** Good morning sir and thanks for the opportunity. sir I joined late. So my question is regarding the EBITDA margins. So what kind of EBITDA margins we can see in the financial year, FY '24?
- BVK Reddy:** Jagvir sir, I think we can comfortably maintain what we are showing in the first quarter itself and subject to the flush coming up it can be beneficial or whatever we will have to wait and see but we can definitely say that these kind of margins we will maintain going forward.
- Moderator:** Thank you. Our next question is from the line of Mr. Bharat Gianani from Moneycontrol Pro. Please go ahead.



- Bharat Gianani:** Yes, sir. Good morning and congratulations for a great set of numbers. My question is more on the FY '23 as we know was a bit of a challenge as far as the RMC is concerned given the increase in the procurement price. So what is the kind of margins that you would like to maintain in the medium term and what is the kind of revenue growth target that you have? Obviously, in '23 there was a favorable impact on realization as well. So, what is the kind of growth that you would like to maintain? So, that would be my first part.
- BVK Reddy:** So, I think we will maintain our current year growth rates as we have been seeing, sir. We will continue to maintain the same.
- Management:** And revenue growth of 15% is what we have maintained, I think, in this quarter. We will try to keep maintaining that revenue growth and EBITDA margins will continue to be what they are now. There might be improvement if the flush becomes even better, we might get margin, but rather be safer than and say we will maintain the same.
- Bharat Gianani:** Right. Got it. Sir, this last part, if you can give the sales and the procurement, the realization and the procurement for the business in FY '23, you gave the number for Q1 FY '24, but I wanted the number for FY '23. So what was the...
- Management:** You want Q1 of FY '23 or for the whole year FY '23, sir?
- Bharat Gianani:** Also, for the whole year FY '23.
- Management:** What is the number for FY '23?
- Management:** FY '23, standalone it is 36.95, whereas we are standing in this quarter 39.62. In compare with consol level, we are at 36.31, now we are at 38.14.
- Bharat Gianani:** And sir, realization, what would be...
- Management:** The realization is the FY '23, total amount is 53.57 at the consol level, for the Q1, we are at 56.40. Overall, only for the stand-alone it is 53.02 realizations. Vis-à-vis, today we are standing at this quarter 56.54.
- Bharat Gianani:** Okay, so for the consol FY '23, realization was at 53.57 and for quarter 1, it is 56.4. And the procurement price for FY '23 was for quarter 1.
- Management:** Could you repeat the last procurement number, sir? You were just cracking up a bit.
- Bharat Gianani:** Okay. So the realization number. So what was the procurement number for FY '23? If I heard it, it is 36.9 in FY '23. Now it is 9.6 in quarter 1, or how was it?
- Management:** One minute, sir, procurement in FY '23 was 35.06 and in FY '24 was 38.19.
- Bharat Gianani:** Okay, fair enough. Okay, thanks and all the best. Thank you.
- Moderator:** Thank you. Our next question is from the line of Mr. Ramesh from Smart Investment Solutions. Please go ahead, sir.



- Ramesh:** Hello, thanks for the opportunity. So I have a question on this procurement flush, I mean, which is being talked very widely over the newspapers and all. So what is your outlook on flush in the coming Q2 and Q3? Can you just give your thoughts on it?
- Management:** So I think flush for us is already in terms of cow flush, which is already there which starts in June, July, August will be there. And of course October, November, December, when winters do come in, buffalo improves a little bit and we also get a little more of other areas of flush coming in for us.
- So what it means is that majorly I don't think we will see a tremendous upswing in terms of excessive surpluses, but we will at least make sure that we don't run short and we will have enough for our own requirements for this year and the next year commodity requirements for whatever shortages are there. So that's what we foresee, sir, and we are very comfortable with that and that's the reason we're saying we're very sure that the numbers will maintain status quo.
- Ramesh:** Okay, sir. And one more thing was quarter 1 FY '23 versus quarter 1 FY '24, your revenue growth, standalone revenue growth was around 16%. Is it because of Shri Krishna being acquired in March and quarter 1, Sri Krishna sales were not that great. Is it because of it or is it an organic volume growth...
- Management:** Organic growth all over, sir. Sri Krishna contributed very small amount to the overall number. But it is, I think, the specific number of Sri Krishna contributing was only...
- Management:** Sri Krishna, the revenue is INR23 crores in the current quarter and previous quarter it's only INR19 crores.
- Management:** So it's only a difference of INR3 crores, INR4 crores.
- Ramesh:** Only INR3 crores, INR4 crores.
- Management:** And the last quarter this year it is only INR12 crores. So, Yes, it's only INR9 crores increase.
- Ramesh:** And the last one, so I'm seeing your investor presentation, where you are saying you have procured 15.9 lakhs LPD and your sales is 11 lakhs LPD in a quarter, in a liquid milk sale. So there is a gap of around 4 lakhs LPD, 5 lakhs LPD. Is this, whatever milk you have, you convert into butter, other than curd sale, you convert into butter and SMP or is there any other thing you do, sir?
- Management:** No, that's it, sir. We basically sell majority as either our own milk products or whatever that 1 lakh, 1.5 lakh surplus, we convert into SMP and fat.
- Ramesh:** Compared to Q4, are our butter and SMP stocks increased or is it at the standard level?
- Management:** It's at the standard level, sir. It will increase maybe this quarter marginally, but it's at the standard level? And this quarter compared to last year, with the same quarter, we will have the same stock level. Either we would have bought or we make our own. We will maintain the same.



- Ramesh:** Okay. Thank you. Thank you so much, sir.
- Moderator:** Thank you. Our next question is from the line of Dhruvesh from ProsperoTree. Please go ahead.
- Dhruvesh:** Sir, the typical difference in the price by Nandini and us in terms of sales, today stands at INR8 to INR9 or more?
- Management:** Dhruvesh, sorry, I was just looking at the -- I had to switch phones. Could you repeat the question please?
- Dhruvesh:** The typical difference in the price per litre in sales versus Nandini and I mean, in comparison of Dodla to Nandini, will it be INR10, INR9 approximately today?
- Management:** The difference between sales and Dodla with all put together should be in the same INR8 to INR9 differences.
- Dhruvesh:** And sir, let's say, if you give us some sense on what was this before four, five years when such kind of subsidization was not there.
- Management:** No, it was -- I think as long as memory goes for us, the subsidization has been there from almost seven, eight to 10 years, sir. And we have been maintaining that same differential from that time. In fact, it has only expanded. I think the earlier days, the differential should be INR3 or INR4. Now it has moved to the INR7 or INR8.
- Dhruvesh:** Okay, sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of Sarang Sanil from RW Investment Advisors. Please go ahead.
- Sarang Sanil:** Hi sir, good morning. Thank you for the opportunity and congrats on great sales number. Sir, could you please give some color on the domestic utilization figure and how you are expecting for the year? My second question is what is the available cash balance?
- Management:** Okay. So the first question was in terms of VAP , right, Sarang?
- Sarang Sanil:** Domestic utilization.
- Management:** Domestic realization, okay. Domestic realization for the consolidated stand-alone and cash balance, right? So I think, Murali will answer both of them. One minute.
- Sarang Sanil:** Murali sir, utilization?
- Murali Mohan Raju:** Yes. Sure. The realization for the Q1 as a stand-alone is per liter is 56.54 and the revenue is INR762 crores. And with regard to the total cash and balances, as on date, we have INR467 crores across all the consolidated levels. At the Dodla Dairy, stand-alone India operations, it is INR376 crores. And at Orgafeed, we have 1.7. And balance INR30 crores in Singapore, Uganda around INR52 crores, INR5 crores in Kenya. These are the total cash balance we have.



- Sarang Sanil:** Sir, you had mentioned 75% to 80% capacity utilization in Uganda, right? And what would that be in India?
- Murali Mohan Raju:** INR762 crores is in India only. In Uganda it is INR60 crores. It's a regard to the value.
- Sarang Sanil:** The capacity utilization, 75% to 80% in Uganda, right?
- Murali Mohan Raju:** 75% to 80% utilization?
- Sarang Sanil:** Yes. And what would that be in India?
- Management:** Could you repeat the question again, Ashish?
- Sarang Sanil:** So you had mentioned 75% to 80% capacity utilization in Uganda, right? And what would that be in India?
- Management:** In capacity utilization in India, basically 60% to 75%. Because what happens is we also have extra capacity for peak season and non-season. So that's why it will be around 60% to 75% in India.
- Sarang Sanil:** Sure, sir. Thank you. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.
- Rishikesh Oza:** Hi sir. Thank you for the opportunity. I have just one question. So regarding the input cost pressure, have you passed on all the increases in the input cost or is there some pass-on still pending?
- Management:** No, it's all pass-on, sir. Because basically, whenever our price increase happens, normally we have that 15 days to one month time lag at the most. It's either passed-on or we absorb and continue. As of today, it's all passed-on, sir.
- Rishikesh Oza:** Even for the value-added products?
- Management:** Even for the value-added products, sir.
- Rishikesh Oza:** Okay. Thank you.
- Moderator:** Thank you. That was the last question of our question-and-answer-session. I would now like to hand the conference over to the management for closing comments.
- Management:** I would like to thank all the investors who came onto the call today. I hope we had answered all your queries and requirements. If anything else is further required, we have our mail ID on our investor presentation, and you can always write to that and we'll be more than happy to answer your questions. And thank you again once for all of you for joining for this call. Thank you very much, and bye.



Dodla Dairy Limited
July 24, 2023

Moderator:

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