

DODLA DAIRY LIMITED

MILK & MILK PRODUCTS

Corporate Office : # 8-2-293/82/A, Plot No. 270-Q, Road No. 10C,
Jubilee Hills, Hyderabad - 500033.
Ph : 040-4546 7777 Fax : 040-4546 7788



Date: 08 August 2022

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 FY23 Results Earnings Conference Call with Analyst / Investors.

In Continuation to our letter dated 28 July 2022 the Company had organized a conference call with the Investors/ Analysts on Wednesday, 03 August 2022 at 10:00 Hrs (IST). A copy of Transcript of earning 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.

Kind take on record and oblige us.

Thanking you,

Yours Faithfully,
For Dodla Dairy Limited

Surya Prakash M
Company Secretary & Compliance Officer

Enclosed Attachment

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



“Dodla Dairy Limited
Q1 FY2023 Earnings Conference Call”

August 03, 2022



MANAGEMENT: **MR. SUNIL REDDY – MANAGING DIRECTOR - DODLA DAIRY LIMITED**
MR. B.V.K. REDDY – CHIEF EXECUTIVE OFFICER - DODLA DAIRY LIMITED
MR. ANJANEYULU GANJI – CHIEF FINANCIAL OFFICER - DODLA DAIRY LIMITED

ANALYST: **MR. ANIRUDDHA JOSHI - ICICI SECURITIES**



Dodla Dairy Limited
August 03, 2022

Moderator: Ladies and gentlemen, good morning and welcome to Dodla Dairy Limited Q1 FY23 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 “*” then “0” on your touchtone 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: Thanks, Michel. On behalf of ICICI Securities, we welcome you all to Q1 FY23 Results Conference Call of Dodla Dairy Limited. We have with us today the senior management of Dodla Dairy represented by Mr. Sunil Reddy – Managing Director, Mr. B.V.K. Reddy – CEO and Mr. Anjaneyulu Ganji – Chief Financial Officer. Now, I hand over the call to the management for their initial comments and then we will open the floor for question and answer. Thanks and over to you Sir!

Sunil Reddy: Thank you, Aniruddha. This is Sunil here. Thank you very much everybody. I welcome you all to Q1 FY23 Earnings Conference Call. We hope all of you are doing well. I am glad to announce that we have reported the highest ever quarterly revenue of INR 717 Crores, registering 40% year-on-year revenue growth on the back of strong volumes and operational numbers. The milk procurement grew by 20% YoY to 14.8 lakhs liters per day in Q1FY23. Our average milk sales also increased by 26.2% YoY to 10.4 lakhs liters per day. Our geographical expansion of operation into new markets are visible through growth in the numbers of our facilities direct and indirect distribution channels.

Despite the challenging macro environment, our VAP sales surpassed Rs. 200 Crores milestone, demonstrating a strong recall of Dodla brand. The VAP sales have surged by 51.1% YoY to INR 229 Crores during Q1FY23. The VAP share of overall revenue expanded by 248 bps YoY to 32.5% in the Q1FY23. The integration of Sri Krishna Milk is shaping up well. We look forward to enhancing our footprint in the Southern Karnataka and Goa markets. We are also evaluating the organic and inorganic growth opportunities that enables us and ensures the synergy in the business model. We are looking forward to strengthen our existing presence along with penetrating new geographies. We also like to extend my gratitude to all our stakeholders for their continuous support of Dodla Dairy vision.



Dodla Dairy Limited
August 03, 2022

We anticipate a strong demand recovery in the coming quarters, along with expected softness in procurement cost as we enter the flush season of milk procurement. We have a strong governance framework, our business model of end to end social have positively impacted it over a lakh farmers at one end of the procurement whereas in the other end we ensure help in nutrition by meeting consumers through our milk and VAP products. Our long-term growth engine continuously focused on ESG practices, which is our environmental, social environments and pursuing the business model with the balance support system. We are looking forward to adding value for stakeholders through our well-planned strategies and execution. With this brief I will now hand over to CEO of our company, Mr. B.V.K. Reddy for his comments. Thanks for this.

B.V.K. Reddy:

Thank you so much, Sunil, Sir. A very good morning to all the participants. We have delivered a healthy quarter showing a growth in revenue and other parameters. Our constant push towards expanding our footprints across India is progressing well. So, as on June 30, 2022, we procured milk around 1.2 lakhs dairy farmers daily of which 85% provide with the 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 8,000 villages as compared resulting in cost saving and establishing a deep-rooted relationship with them.

Our Orgafeed operations wherein they provide a high quality to the dairy farmers to help us strengthen these relationships with them and I also ensure both parties to get benefited. Orgafeed revenues surged by 33.4% YoY to INR 14 Crores in Q1 FY23, EBITDA grew by 15% YoY to above INR 1 Crores in Q1FY23. In terms of our presence, we continue to have third highest market presence across 12 states in India supported by third largest procurement network, 15 processing plants with 22 lakh liters daily capacity.

We currently have 114 chilling centers as on June 30, 2022. We have 558 Dodla retail parlors, we also have a strong network 1,700 milk and milk distributor channel. We aim to adapt to state of art processing technology with focus in automation, which will help us in reducing operational costs and increase efficiencies. We continue to strive for enhancing our footprints and brand visibility with every passing year and we are making constant efforts to expand our geographical footprints, distribution network, strengthen the brand recognition and improve our margins our unmatched growth in the industry. With that said I would request our CFO Mr. Ganji to give a financial overview of this quarter. Thank you.



Dodla Dairy Limited
August 03, 2022

Anjaneyulu Ganji:

Thank you, Sir. Good morning everyone. I would like to briefly touch upon the key performance parameters for Q1FY23. We have also submitted a detailed presentation of our financial performance on the stock exchanges and also have also uploaded the same on our website.

Now, taking a glance at the financial highlights for the first quarter ended June 30, 2022, the financial highlight for the quarter ended was, the operations revenue stood at INR 717 Crores in Q1FY23 as compared to INR 512 Crores in Q1FY22, a robust growth of 40% YoY. The Company's domestic business surged by 34.6% YoY to INR 657 Crores whereas the international business grew exponentially by 150.6% YoY to INR 60 Crores. EBITDA was at INR 44 Crores in Q1FY23 as compared to INR 51 Crores in Q1FY22. Profit after tax was at INR 24 Crores in Q1FY23 as compared to INR 36 Crores in the same period last year. The earnings per share for Q1FY23 stood at INR 4 per share as compared to INR 6.1 per share in the previous year same quarter.

Now, talking about our operational highlights for the quarter ended June 30, 2022, the average milk procurement during Q1FY23, was at 14.8 lakhs liters per day as compared to 12.3 lakhs liters per day in Q1 FY22 registering a 20% YoY growth. Average milk sales during Q1FY23 were at 10.4 lakhs liters per day as compared to 8.3 lakhs liters per day in the same period of previous financial year clocking a growth of 26.2% YoY. The curd sales during Q1FY23 was at 426 metric tons per day compared to 294 metric tons per day in Q1FY22 recording a strong growth of 44.8% YoY. The revenue from value added products including fat and fat-based products grew by 51.1% YoY to INR 229 Crores in Q1FY23 vis-à-vis INR 151 Crores in Q1FY22. The value-added products including fat & fat-based products contribution expanded by 238 bps YoY to 32.5% of the overall dairy revenue during the Q1FY23 as compared to 30.1% of the contribution of overall dairy revenue during the same period previous financial year.

That concludes our update on finance and strategy, which we believe that in a positive zone in most of the aspects. With that being said, we would now like to open the floor for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Pranjal Garg from ICICI Securities. Please go ahead.



Dodla Dairy Limited
August 03, 2022

Pranjal Garg: Good morning, Sir. Thanks for the opportunity. My first question is, can you share some highlights on the region wise revenue and procurement?

Sunil Reddy: Region wise revenue and procurement?

Pranjal Garg: Yes.

Sunil Reddy: We will just give you the state wise procurement and sales.

Anjaneyulu Ganji: So, the procurement overall for Q1 FY23 for India we had about 13.78 lakhs liters per day overall, so I am taking the India business procurement and we have around 1.2 lakhs liters in Africa, so for India in the region wise, so AP we have around 4.8 lakhs liters per day procurement and Karnataka around 2.7 lakhs liters, Tamil Nadu around 4 lakhs liters per day, and Telangana around 1 lakh liters and Maharashtra 1.4 lakhs liters per day in terms of procurement.

Sunil Reddy: And also sales, right, Mr. Garg?

Anjaneyulu Ganji: The sales contribution for Q1FY23, we have around 35% contribution of sales coming from Andhra Pradesh, 39% from Karnataka, 16% from Tamil Nadu, and Telangana around 10% in terms of volume contribution.

Pranjal Garg: That is helpful. Sir, my next question is regarding do we operate at the same EBITDA margin in all territory, at least at the same gross margin?

Sunil Reddy: See, between gross and EBITDA margins there will be variations depending on which milk is going to where in the product mix which that we have because each location we will have a different product mix in terms of effectiveness and what we otherwise operate, but it would not be a huge margin, there will be a fluctuation of maybe 1% to 2% in terms of the EBITDA margins.

B.V.K. Reddy: See, each state has got a different price, suppose you know Tamil Nadu has a different price, Karnataka has a different price.

Sunil Reddy: So, there were different things in pricing depending on the product mix, so the difference would not be much, it will be marginally different.



Dodla Dairy Limited
August 03, 2022

- Pranjal Garg:** Thank you, Sir. I will get back into the queue for any further questions.
- Moderator:** Thank you. The next question is from the line of Sanjay Bembalkar from Union Asset Management. Please go ahead.
- Sanjay Bembalkar:** Thanks for the opportunity. Sir, my question was on the milk procurement cost, can you call out on what kind of milk procurement cost we had during this quarter and inhouse milk procurement cost going ahead?
- Sunil Reddy:** I will just give you the brief and Anjan will give you the specifics, so the procurement cost this quarter has been higher in terms of comparison with the same period last year. We have entered into the flush season, the procurement cost should come down, in case if it does not come down then we will have to go ahead and pass it onto the consumer, so that is the reason why we were waiting for the flush and the rains have to come, but if it does not come then we have to take a call increase in the selling prices. Anjan will give the specifics of the increase in price.
- Anjaneyulu Ganji:** For the current quarter, we have procurement cost of around INR 35.4 per liter so compare to in the previous quarter we have around INR 34.3 and in Q1FY22 we around Rs.31.6 in the previous year mostly this is because of the COVID season in the last year same quarter, the price was a bit low around INR 31.6 per liter in Q1FY22 and for the current quarter it is INR 30.4 per liter of milk procurement, it is a weighted average of August catch together.
- Sanjay Bembalkar:** Thanks, and the second question is on this value-added product mix, so our value-added product mix has increased monthly to almost like one-third of the business, can you give me some colour with respect to what kind of margins would you be making in this value-added product versus the milk business as such?
- Sunil Reddy:** The value-added products probably for us is consists of curd and the fermented drinks of lassi and butter milk, which we add all together in the bunch of the curd, which we look at as fermented and fat and other products, which are there, Anjan will give you the specifics of the percentage of the bunch and also brief on the margin profile.
- Anjaneyulu Ganji:** So, for this current quarter we had an overall EBITDA margin of around 6.2%, so what we got is from Orgafeed we got around 10% of EBITDA margin from Orgafeed business, around 16% coming our overseas business out of the remaining India business we made around 5% of EBITDA margin, around 2.6% EBITDA margin from milk and around 10% EBITDA margin for the value-added products.



Dodla Dairy Limited
August 03, 2022

- Sunil Reddy:** Does that answer the question?
- Sanjay Bambalkar:** Yes, Sir. Thank you so much and Sir, on the Africa business, what are the triggers which are visible on the topline as well as in the profitability, can you give some colour?
- Sunil Reddy:** Africa business, I think the first quarter like volume wise we have done well, which will sort of taper as we go down it is also seasonal there, we will give you the specifics of the numbers and volume.
- Anjaneyulu Ganji:** So, for Africa business volume is around 1,04,000 liters per day of the business and the revenue generated was from the Africa business INR 60 Crores with gross profit of INR 19.6 Crores and an EBITDA of INR 10 Crores from the Africa business.
- Sanjay Bambalkar:** Sir, my question is on the outlook on this business going ahead, what is the aspirational growth are you looking for this business?
- Sunil Reddy:** As compared to the last year that we were operating in Africa business, our volumes will improve competitively because again the same COVID impact not being there. We will maintain the same as our CAGR of what we were doing earlier coming back to the current number of on our growth CAGR because Africa being also hit by COVID, but we will be regularizing the pre-COVID numbers and having a growth rate from that may be 10% to 15% or above that.
- Sanjay Bambalkar:** Great and Sir, on the capex side, what are our capex expectations for FY23 and FY24?
- Sunil Reddy:** Basically we do not give no specifics, what we have already taken permission from it will be broadly the capex will be in terms of two the new ones that were doing, I think B. V. K. will explain now in detail.
- B.V.K. Reddy:** You see, we have taken one feed plant actually now we are going at new feed plant, that now already started work, so that INR 40 Crores, so that it will take another seven to eight months by year end by March 2023 likely will commence Orgafeed. We have taken approval for INR 40 Crores investment in Kenya also, but since in Kenya elections are going on still we have not made anything ready now, see that may be going delay, otherwise other capex is a regular capex is there in regular plants in India, it is going on, it will also for a smaller form maybe at small regular expansions, the big expansion are INR 40 Crores towards Orgafeed and INR 40 Crores in Kenya that is what we are projected and



Dodla Dairy Limited
August 03, 2022

the rest is only a year the expansion of chilling centers and regular capex in the regular plants.

Sanjay Bambalkar: Great, thank you so much. Thanks for answering all my questions.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from Incred Financial Services. Please go ahead.

Nitin Awasthi: Sir, I had two questions, one on the company and one of the industry, I will start with one on the industry first, just wanted to get your thoughts on the news articles that some of us have been reading on Lumpy skin disease and its impact on the industry and the upcoming flush season?

Sunil Reddy: Today, that was thing is that starting to spread from Gujarat, I think we already had one doubt of lumpy skin disease two years ago in Tamil Nadu, where I think at that point of time people had got vaccinated, if the lumpy skin does progress, yes, it will definitely affect the milk productivity, last when it affect the south it did not affect the north that much, this time we hope that it has already been aware in the southern procurement centers, people are aware of it, we see the symptoms everywhere due to fast reaction and segregate the animals and hopefully it will be contained.

Nitin Awasthi: Let us hope for that and when you say vaccinated the animals last time was around what we had was that the only vaccination available is goats of vaccination, which has been given for Lumpy skin disease is that correct?

Sunil Reddy: So far especially the goat vaccine, which was working, but there is no shortage of that because it will not only channelized import people are aware of it, so last time what happened was people did not know how to handle the lumpy skin at all, now they know that they can vaccinate against lumpy skin with this vaccine itself gives the protection.

Nitin Awasthi: So, despite that information there is so much damage has happened?

Sunil Reddy: Because Tamil Nadu we did not have much of mortality of animals because they were more or less cross brace, they were able to take we did not know what is happening with the monsoon.



Dodla Dairy Limited
August 03, 2022

- Nitin Awasthi:** Understood, Sir. Secondly, on the company specific, I wanted to understand how much percentage of our own farmers only procures milk, how much percentage of that would you be selling feed through rough figure?
- Sunil Reddy:** The feed percentage number of farmers in the feed person that is what you are asking?
- Nitin Awasthi:** Yes, so I fear procuring for 100% farmer's milk how many of those use our feed?
- Sunil Reddy:** B. V. K. will answer it, Sir.
- B. V. K. Reddy:** We are getting milk daily from about 1.2 to 1.3 lakhs farmers and now, we have reached around 20,000 to 22,000 farmers for feed.
- Nitin Awasthi:** Okay, Sir, roughly 20%?
- Sunil Reddy:** Yes, roughly 20% to 25% now just we have reaches and with that our feed plant capacity has now become 100% so that is why we are entering for a new one Greenfield.
- Nitin Awasthi:** How much is the current capacity; how much you are expanding there?
- Sunil Reddy:** The current capacity is 2,000 tons per month and we are going towards 12,000 tons per month capacity.
- Nitin Awasthi:** Could you repeat that?
- Sunil Reddy:** Yes, right now we have only 2,000 tons per month capacity to our feed plant that is already running in full capacity and the new one we are planning to go for 12,000 tons capacity per month.
- Nitin Awasthi:** Okay, so then total capacity will be 14,000 per month metric tons per month?
- Sunil Reddy:** Yes, it becomes 14,000 tons per month.
- Nitin Awasthi:** Okay, that is big. Now, the reason why I ask this question is in the new geographies that you are looking to enter there is also another player from Kerala who is a very strong feed player who is entering the dairy segment in these areas of Karnataka and Tamil Nadu and these are always have upper hand in the supply of feed, so do you see that as a disadvantage to your company?



Dodla Dairy Limited
August 03, 2022

- Sunil Reddy:** No, Sir. It is not a disadvantage because what happens is as and when the dairy companies give it to their own farmers they get the advantage of payment being deducted from the feed, they do not have to pay money as advances. Our service quality is far better because with our own distribution that we do prior in chilling centers so they can even regulate quantity, they do not have to buy one large quantity because they are buying at one time they can buy as much as and when the season how much of quantity, so that is why almost 100% of our payment is only captive, we are not selling anything outside, so we are very confidence that once we have our own capacity to introduce but it will come us, our farmers are more comfortable because of the service and push in delivery. They also have the advantage of not having the extra cost of supply chain, transport and marketing because we use the existing supply chain, which gives us a cost advantage also.
- Nitin Awasthi:** Got it, Sir, understood. Thank you for answering all the questions.
- Moderator:** Thank you. The next question is from the line of Dheeral from PhillipCapital. Please go ahead.
- Dheeral:** Good morning, Sir and congratulations for the good set of numbers. My question is that whatever growth that we have seen in Q1, how much growth has come from the core market and how much the new region?
- Sunil Reddy:** Basically, 2% to 2.5% can from the new acquisitions; others are core market and basically strengthening in the core market also.
- Dheeral:** So, incremental 2% to 2.5% that will come form the new market and 37% to 38% come from the existing market?
- Sunil Reddy:** Yes, core markets.
- Dheeral:** Sir, on a quarter-on-quarter basis, how much milk procurement prices have gone up and as we taken price hike to protect our margin?
- Sunil Reddy:** Anjan will give you the details. The procurement prices from last year to this quarter had gone up substantially roughly from INR 31 to INR 35, quarter-to-quarter not much but we have translated that in increase of selling price, but the other thing is other costs have also gone up tremendously, due to Ukraine war in terms fuel packing material, which now we have to take a consideration of whether procurement flush season come down if does not we will have to pass on to consumers.



Dodla Dairy Limited
August 03, 2022

Anjaneyulu Ganji: In terms of procurement per liter compared to last year, so there is an increase of around 11.9%, last year the procurement per liter was INR 31.6 per liter and this year Q1FY23 we have INR 35.4 per liter of procurement, which is around 11.9% percent increase and compared to previous quarter where we have per liter cost is INR 34.3 per liter an increase of 3.2% in Q1FY23.

Dheeral: Sir, how much price hikes we have taken?

Sunil Reddy: We have already taken a price hike, the selling price had an improve on an overall basis by 6%, Sir.

Dheeral: So, do you think that going ahead and because of this flush season our margins will again bounce back to 9% to 10%?

Sunil Reddy: We will come back with those numbers.

Dheeral: Okay, got your point and how is the progress in the new acquisition of Sri Krisha milk?

Sunil Reddy: So, Sri Krisha milk has done well and we have integrated it. Anjan will give you specific numbers, for Q1FY23, I think we have done around INR 10 Crores worth of revenue and we are looking at further improvement as it goes forward because three months since we took over, we streamlined the process and we are very confident that it should touch three to four times in number.

Anjaneyulu Ganji: For Q1FY23, we have reached INR 10 Crores revenue for Sri Krisha milk with the volume of around 22,000 liters per day., We acquired it on April 13, 2022, so April 13, 2020 onwards weighted average was around 25,000 liters per day from Sri Krishna so all the adjustments are being done for the current quarter, so we did the break even already we reach the break even for the Q1FY23 in terms of EBITDA and going forward we will further improve our EBITDA margins and extra volumes.

Dheeral: Sir, this backward integration in terms of expansion in the feed side, so now that we are expanding it almost 5 times, so does it suffice the entire farmer category that we are procuring from?

Sunil Reddy: We are increasing our procurement from the farmers and also taking care of the sales, so cattle feed right now no, because as we said earlier we are only catering to 20% and our



Dodla Dairy Limited
August 03, 2022

plant is a full capacity, the new expansion once it comes into place it will take care of 70% to 80% of our requirement.

Dheeral: And you said that you are the third largest in the southern, so what is our market share particularly?

Sunil Reddy: Mostly more than market share what we are saying is because in the private sector our spread is what we are saying, so the spread in all the places our market share differ from state to state, average should be around 7% for the internal number. We look it as private sector it would be much larger, we are including the cooperative and bringing it down to 7%.

Dheeral: And Sir, lastly as of value-added segment revenue contribution has grown to almost 32%, so maybe in the next two to three years, is there any guidance to reach maybe 40% or even more than that any chance of that?

Sunil Reddy: If you go and look at our historical CAGR, whatever we have been doing, doing on a historical CAGR of going by 1% to 2%, normally the summer quarters are substantially larger than the other quarters, but we will grow as per expected CAGR of 1% to 2% year-on-year.

Anjaneyulu Ganji: Always historically if you see the market growth for value added product is higher than what is the milk growth is, so overall the contribution on a steady state level 1% to 2% is what we try to improve.

Dheeral: Understood, Sir. Thank you so much, Sir.

Moderator: Thank you. The next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.

Nikhil Jain: Thank you for the opportunity. Just a couple of questions, so I just wanted to know when did we actually increase the prices, so we thought that we have increased by 6%, so when did we take this price hike?

Sunil Reddy: We started it during the mid of May 2022 and they got increase in different locations, different products. We had started in May 2022 and we have taken even later in the end of June 2022 also in certain areas we have corrected prices, the impact of all that will start coming in from second quarter onwards.



Dodla Dairy Limited
August 03, 2022

Nikhil Jain: So, do we anticipate that by the end of second quarter, we will be at the rate of around 10% margin, whatever we have guided for?

Sunil Reddy: Closer to those, it might be in the 10% range.

Nikhil Jain: Right, but it would definitely improve from here on whatever we showed in the quarter?

Sunil Reddy: Because the question was as we said earlier it was not only the milk procurement price that we have been able to compensate with the selling price that we have taken up as the hike, but also the packaging material all related to all, which is shorter which we are thinking will get covered or not we are waiting for the flush, if it does not happen we will have to continue the price increases to recover the margin.

Nikhil Jain: Yes, definitely. My second question was with respect to the value-added products, so besides the curd and some of the other milk products, so are there any plans to introduce new products in the value-added segment?

Sunil Reddy: Not as new products, what we have itself the variation, how we distribute them is increasing so broadly we have the frozen in which we have ice cream, we have other items like paneer, flavored milk, Indian sweets and ghee. So I think in that we will remove the ghee will be not almost muted because we are concentrating more on the liquid and other products which consume more of a surplus fact that we have, so we need to concentrating on these products moving up I think comparatively we have moved up by 1% to 2% also in these products of the volume if I think previous year we were at 4% we have become 1% increase in ghee and 1% increase in the other products as above groups so that is also increasing, in those SKU we keep adding, but a category wise, new category not yet planned.

Nikhil Jain: Right and my last question was on the value-added products again, so we keep an indication about how much curd we have sold so it that the largest value-added product do we have and what could be the contribution of other value-added products let us say the flavored milk, ice cream, paneer and other things?

Sunil Reddy: In terms of contribution of the revenue model is 6% by value and obviously curd is the balance in value added segment, I will ask Anjan to go into the specifics.

Anjaneyulu Ganji: So, in terms of value added products for the curd contribution was around 26% out of 32%, the remaining 6% was coming from the other value added products and to the volumes around now we have butter milk around 30,000 liters; curd around 366,000 kgs, ice cream



Dodla Dairy Limited
August 03, 2022

around 6,000 liters, lassi around 15,000 liters, paneer and all around 1,500 kg, flavored milk again contributor of around 15,000 liters and remaining sweets were around 600 to 700 kg, sweets are normally that comes under the back in terms of 15 lakhs LPD we reached so it is the breakup.

Nikhil Jain: Right. I would presume that the margins in curd would be comparatively lower than the other value-added products, right, so is there any specific focus that we have on increasing the share of other value-added products, so the other value-added products also increase it or increase it at a higher rate?

Sunil Reddy: We keep pushing for themselves, but unfortunately out of the value added products lassi, butter milk, ice cream become a seasonal product, but that drops during seasonality, so it is only the season uptake and in the off season they keep coming down and moving forward, we are pushing products like paneer, flavored milk and others, flavored milk was doing well and was growing well, but again GST came in at 12%, so the pricing went up for consumer point of view, it was muted but I think currently it will come back to good growth level.

Nikhil Jain: Fair enough and just one last question, there have been a significant jump on the top line revenues even on a quarter-on-quarter basis right, so do you think that this is a new normal or is it like there is some kind of seasonality in the summer months?

Sunil Reddy: See, the seasonality that come in, that is why we have a substantial jump, but we are very confident that if it take our CAGR of 15% CAGR that we will continue to grow as the past historical before COVID after normalizing for COVID numbers we will still continue to have a 20% to 25% increase from our CAGR value, Sir, in top line.

Nikhil Jain: Right, Sir. Sure, that is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vivek Tulsyan from New Mark Capital. Please go ahead.

Vivek Tulsyan: Anjan, could you help me with the selling price per liter data for this quarter?

Sunil Reddy: Selling price per liter, Anjan will give you, one minute, Sir.

Anjaneyulu Ganji: So around overall INR 50.9 was the selling price per liter for this quarter and that is the net realization, not selling price, so it is a net realization at the company level INR 50.9 per liter of sales out of which milk contributed around Rs.49, and remaining weighted average value



Dodla Dairy Limited
August 03, 2022

added products around Rs.126 contribution came from in terms of per liter per kg from value added products and curd around INR 48.2 from the curd so the overall weighted average was INR 50.9 per liter compared to Rs.48.2 in the previous year same quarter.

Vivek Tulsyan: And what was that for last quarter the overall contribution?

Anjaneyulu Ganji: Q1 INR 48.2 per liter and last quarter it is INR 50.2. in India.

Vivek Tulsyan: Understood and the other question is on other expenses, which has gone up quite a bit for this quarter, would this be largely mean to fuel price increase and packaging cost increases?

Sunil Reddy: Anjan will take the specifics.

Anjaneyulu Ganji: Vivek, this is Anjan, again. The increase in the cost is coming from the packing materials almost in terms of packing material cost last year we have around 4.3% of the packing material around 4.7%. This year we have 5% overall of the packing material cost against revenue and the remaining cost my overall other expenses increased by around 35% so the majority of the cost coming from the carriage out load, tightened inward cost and power and fuel, so there are certain reasons we have also, the power rate increase has happened in Telangana because of which the cost had gone by almost 25% compared to Q1 of last year and the rates and taxes we are aware so the flavored milk impact was there, apart from that everywhere there is here and there, there is a certain impact so the major contribution of the increase in the average business coming from packing materials and the fuel increase.

Vivek Tulsyan: Understood and the last question was on procurement price, so you have mentioned first quarter obviously the prices were higher compared to last year, but in July and right now, are you seeing this price is softening or this price continue to remain at last quarter level?

Sunil Reddy: Yes, I will pass it on to Mr. B. V. K. The price is softening whether it is just raining now, the specifics will be given B. V. K. more in terms of reason wise, but I think the prices will not soften dramatic, so we have to wait and watch for another ten days when we will know, but if not then will take a price increase, so B. V. K. will just to you about the prices.

B. V. K. Reddy: The prices are still in higher side only and the last 10 to 15 days everywhere every day and maybe now we are expecting that prices will very soon began to soften, so now you will have to take a price hike in the sales side.

Vivek Tulsyan: Understood, perfect. Thank you and all the best.



Dodla Dairy Limited
August 03, 2022

Moderator: Thank you. The next question is from the line of Ankit Shah from White Equity Investment Advisors. Please go ahead.

Ankit Shah: Thank you for taking my question. Sir, regarding the price increase that are continuing in July, so we had so far not taken a price hike, now suppose if we take a price hike, etc., should it continue to have an impact on our margins for the coming quarters?

Sunil Reddy: No, we gradually have started taking the price hike, so we discussed earlier in the call, so last year, we started taking the price hike in the last January 2022 we had one price hike, recently we took one price hike, but slowly and gradually we are taking the price hike inline with increase in procurement rises and other crops, see month-on-month it will improve if you see from April to May, May to June, June to July month-on-month see the margins are improving because so based on the procurement prices we have keep on collecting so it will improve.

Ankit Shah: Sir, next can you share percentage contribution of key value-added products, percentage of value-added products or percentage of overall revenue?

Sunil Reddy: Yes, coming to the overall percentage of value added product was 32.5% out of which 26% to 27% is coming from curd and remaining 6% to 7% are coming from remaining value added products out of the remaining value added products out of this 7% flavored milk is the highest contributor followed by butter milk and paneer, ice cream is around 6,000 kg of increase cream and sweets, flavored milk is the highest contributor with 15,000 liters, lassi around 15,000 liters and the remaining value added products are a small contribution, we sold around 3,500 liters and 200 tons of butter this quarter.

Ankit Shah: Sir, can you share percentage combination of flavored milk?

Sunil Reddy: It would be around 1%, so we have around 15 lakhs liters per day and we sold 15,000 liters so 1% contribution come from flavored milk.

Ankit Shah: On the feed plant, the new plant that is coming up of 12,000 tons, what would be the peak revenues whenever we hit it?

Sunil Reddy: The peak revenue will be around INR 180 Crores once we reach the full potential at 80% capacity utilization.



Dodla Dairy Limited
August 03, 2022

Ankit Shah: Right and what should be the trajectory here in terms of growth numbers for the next two to three years, my question is more coming from we are at peak capacity utilization in the current plant so assuming that there is more demand, is there a pent-up demand for the scenario where new plants will immediately show growth?

Sunil Reddy: So what I think based on what we have seen with when we took the feed from zero to what we have reached our current capacities of 1,000 tons of per month of sales, I think we will be able to increase for entire another 12,000 tons we will be increasing that on a 30% of capacity year-on-year and in another three to four years we will reach that capacity of what we have installed for the new plant.

Ankit Shah: Sir, one more is, we have this one single plant at one location; will we have to incur transportation costs to transport the output across five to six states wherever we are supplying?

Sunil Reddy: Sir, we have taken a call of putting it this plant is coming up in Chittoor, which is closer to the raw material supply of the ingredients that we need and also our majority of our sales rather than Maharashtra which will be further away between Karnataka, Tamil Nadu and Andhra it is the center point for all.

Ankit Shah: Got it. Thanks for taking my question.

Moderator: Thank you. The next question is from the line of Pranjal Garg from ICICI Securities. Please go ahead.

Pranjal Garg: Thanks for the opportunity again. I have just one question, Anjan highlighted that we will be doing some capex in Kenya to grow our business in Africa, but as far as I can recall in one of the earlier calls the company has highlighted that you do not want to grow the business further from 6% to 7% of the total business, but has changed in the market that is attracting in the management's attention to go there?

Sunil Reddy: It is not that growing for the 6% to 7% of the overall means that we will continue to grow there also, Sir, so between two countries that we have a Uganda manufacturing in Kenya, we do not want a new point of time to get some disruption in sales in Kenya because of countries and border and border dispute, so to mitigate that is what we are putting up this plant there, so it will mitigate the risk of the Africa business of cross border between Uganda and Kenya.



Dodla Dairy Limited
August 03, 2022

- Pranjal Garg:** Sir, what can be the guidance for the revenue contribution from the business in the long term, shall we assume it?
- Sunil Reddy:** The revenue contribution will be 6% to 10% is the long term, depending on our India growth. The Africa business will continue to grow 10% to 15% CAGR.
- Pranjal Garg:** Thank you so much, Sir.
- Moderator:** Thank you. The next question is from the line of Ankit Shah from White Equity Investment Advisors. Please go ahead.
- Ankit Shah:** Thank for taking the followup. For this Africa business are we hedged on the currency or how are we going about it?
- Sunil Reddy:** So, currency I think between Uganda and Kenya or India we are doing everything on dollar basis because Uganda is the freely traded the currency for dollar so whatever money that we make for the month is all converted to dollars and when there is a buildup of money that is transferred to our holding in Singapore is where we hold surplus money.
- Ankit Shah:** Got it and from a three to five-year perspective let us say on the base of FY23, what will be the annual revenue growth numbers for us?
- Sunil Reddy:** So, earlier our annual revenue growth we are a CAGR of almost 15% to 17% CAGR growth, annual revenue CAGR growth, I think we will be popping it up a little bit if an acquisition comes along the way, so we were looking at between 20% kind of a annual CAGR growth.
- Ankit Shah:** So, we are looking at 15% to 17% organic revenue growth plus acquisition?
- Sunil Reddy:** Yes, Sir.
- Ankit Shah:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.
- Sameer Gupta:** Sir, thanks for taking my question. I just heard that you said Africa, the growth rates will be similar to India, I just wanted to understand that India will have the levers of distribution



Dodla Dairy Limited
August 03, 2022

expansion, new procurement expansion into adjoining areas states. I would assume Uganda, Kenya, we would have already exhausted those opportunities largely right, so how is the growth rates going to be similar to India?

Sunil Reddy: Because in Uganda and Kenya, we are still very small market share, we not even got a sizeable market share, procurement wise in Uganda there is lot available, Kenya we entering the new plant a lot more available, our market shares are not substantially large in Uganda and Kenya because there is not headroom for growth, we are only cautious in keeping the growth in a consistent manner rather than trying to push an aggressive growth.

Sameer Gupta: Got it, Sir. Thanks.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comment.

Sunil Reddy: So, thank you very much everyone and taking your time to ask us whatever questions you require, if anything else that you guys needed and always reach out to our CFO Anjan that his e-mail is on the portal and the website and will be more than happy to answer your questions. Thank you again so much for coming out for the call.

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