

Date: 24 May 2024

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

Dear Sir/Madam,

**Sub: Transcript of Q4 FY24 Results Conference Call held on Tuesday, 21 May 2024.**

In Continuation to our letter dated 10 May 2024 the Company had organized a Q4 FY24 Results Conference Call with the Investors/ Analysts on Tuesday, 21 May 2024 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](http://www.dodladairy.com).

This is for your information and records.

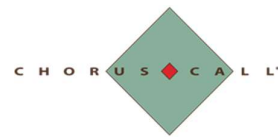
Thanking You,  
Yours Faithfully,  
**For Dodla Dairy Limited**

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

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



“Dodla Dairy Limited  
Q4 FY ‘24 Earnings Conference Call”  
May 21, 2024



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

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

**Moderator:** Ladies and gentlemen, good day and welcome to Dodla Dairy Q4 FY '24 Earnings 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 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, Mr. Joshi.

**Aniruddha Joshi:** Thanks, Manav. On behalf of ICICI Securities, we welcome you all to Q4 FY '24 and FY '24 results conference call of Dodla Dairy Limited. We have with us senior management represented by Mr. Dodla Sunil Reddy, Managing Director, Mr. B. V. K. Reddy, CEO, and Mr. Murali Mohan Raju, CFO.

Now, I hand over the call to the management for initial comments on the quarterly as well as annual performance. Then we will open the floor for question and answer session. Thanks and over to you, sir.

**Dodla Sunil Reddy:** Thank you very much, Aniruddha. Hello, everyone. This is Sunil. Thank you very much. I welcome you all to Dodla Dairy Q4 and FY '24 Earnings Conference Call. I hope all of you had an opportunity to review the company's Q4 and FY '24 earnings collaterals uploaded on the exchanges.

I am very happy to say Dodla Dairy surpassed the revenue milestone of INR 3,000 crores or INR 30,000 million in the fiscal year 2024, demonstrating the company's thrust towards procurement, expanding distribution networks, and focusing on value-added products (VAP).

The company's EBITDA margin saw an improvement of 244 basis points year-on-year, reaching 9.2% in the FY 24. This is thanks to the flush season and increased sales of VAP. In the Q4 FY '24, there was a write-down of inventory to the net realisable value amounting to INR 230 million or INR 23 crores. Consequently, the EBITDA for Q4 FY '24 and FY '24 would have been INR 984 million and INR 3,118 million, respectively. The EBITDA margin would have been 12.5% and 10% for Q4 FY '24 and FY '24, respectively.

Efforts to enhance the procurement network, including the addition of chilling centres and small collection points in nearby villages, led to 21.2% year-over-year growth in procurement, reaching 16.8 lakh litres per day in the FY '24. The revenue share from VAP and Fat and Fat products grew 143 basis points year-on-year to 28.3% of total revenues in the FY '24. Sales of VAP increased by 16.3% year-on-year to over INR 7,408 million in FY '24, driven by deeper market penetration, effective branding activities and a robust distribution network and strong brand recognition.

We strive to ideate, initiate and implement several organic opportunities, continuing the growth momentum. As a testament of this, in the Q4 FY '24, Dodla Dairy started commercial production of its new facility in Kenya, which has a capacity of 100,000 litres per day.

The new capacity is expected to contribute to the company's revenue growth in Africa in the coming years. The capacity of Orgafeed, that is the company's cattle feed business, was significantly expanded by fivefold to 480 metric tons per day during the FY '24. It further enhances the relationship with the dairy farmers, leading towards increased productivity and profitability.

Our goal is to sustain our upward trajectory by prudently allocating resources to enhance our brand. I am pleased to share with you that the company has rechristened its logo as Dodla. The pivotal shift aims to leverage Dodla's growing product portfolio to forge an emotional connection with existing and new customers.

Dodla's dedicated human capital continue to meet the changing needs of consumers by offering a variety of products and to expand its reach. The management is focused on enduring growth through a robust business strategy framework, a strong financial performance, powered by a robust balance sheet graced with a net debt-free status, and a sufficient cash reserve to materialize both organic and inorganic growth opportunities within the company's integrated business model and create value for its esteemed stakeholders. Additionally, I would like to express my deep gratitude to our valued stakeholders for their perennial faith and trust towards Dodla Dairy's long-term vision.

We are further enhancing our governance structure by emphasizing environmental, social, and governance, i.e., ESG initiatives. The Dodla Dairy team continues to stay committed towards this network of dairy farmers and strive to enhance their quality of life, along with satiating the health and nutrition requirements of our customers with our milk and value-added products.

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

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

Thank you, Sunil Sir. Hi everyone. Our team's ability to stay ahead of the curve has led us to end the year on a high note with revenue growth and robust performance metrics. We are actively expanding our reach and reinforcing our goal of nationwide presence. As of March 31, 2024, we engage with approximately 1.4 lakh dairy farmers daily, with 90% receiving constant direct payment into their bank accounts.

Our direct procurement approaches have been further solidified with nearly all milk sourced from the farmers in over 8,400 regions, leading to cost efficiencies and the establishment of strong bonds with the farming community. The company is committed to growing its farmers network through various initiatives that prioritize the farmers' interests, such as fair milk pricing, access to quality cattle feed at a competitive price, timely veterinary service, and several additional programs for the dairy farmers.

Our Orgafeed division continues to support the agricultural sector and dairy industry by selling cattle feed directly to the farmers through our procurement network, thereby fostering a stronger relationship, improving livestock health, and boosting productivity.

We continue to strategically invest in Orgafeed to capitalize the vast, untapped potential of the cattle feed market. As a result, our total cattle feed plant capacity has increased nearly fivefold, 480 metric tons per day in FY '24. Orgafeed revenues clocked INR 83 crores in FY '24, with EBITDA of around INR 7 crores during the same financial year.

Regarding our operational footprint, we operate in 13 states across India with 16 processing plants that have combined capacity of nearly 24 lakh litres per day as of March 31, 2024. We have 150 chilling plants and 604 Dodla retail outlets. Our distribution is robust, with over 1,900 milk and milk products distributors as well as an established agent network of more than 2,650 across the country.

Dodla Dairy is committed to reinforce its grass-to-grass business model, which includes comprehensive backward and forward integration. Our involvement in every step of the dairy value chain, from research, procurement and storage, processing, distribution, and the cattle feed underscores the management clear focus on the long-term vision for the business. Moreover, we aim to boost operational efficiency through automation, digital initiatives, and expanding our distribution network, all while delivering sustainable value for our stakeholders.

This concludes our strategic update, which we believe has been favourable across various measures. We now welcome any questions you may have please. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Himanshu Nayyar from Systematix.

**Himanshu Nayyar:**

Sir, firstly just wanted to understand this inventory strategy a bit better, if you can explain the reason for this inventory write-off that we have taken, plus the fact that our inventory this year has increased by INR 270-odd crores, so which is almost 45 days of sales. So what is the strategy going forward out there and how do you think this inventory build-up, will impact or support our margins going forward and whether we should expect more write-offs – is there a risk of more write-offs in the future?

**Dodla Sunil Reddy:**

Thank you, Himanshu. Basically, what we have done is, like I had explained in the earlier quarter, we have now moved into a strategy of getting more milk into the system and operating more milk in terms of fresh milk for our day-to-day operations. This is mostly with the view because now we have to increase our brand spend and awareness of the product to the customers.

Therefore, we want to be able to give sustained quality. When we go for this instead of us becoming a net buyer of commodity we can become a net seller of commodity. So, with this in view the reason we have provided with abundant caution we have only taken care that we have given an NRV value which is a little bit lower than our production cost is the reason that we have taken it.

But I think in the first month of the operation of this current quarter itself we have sold a little higher than the NRV value that we have provided. Therefore, we are confident that the benefit of these results will be seen in the current quarter results itself. So, this is mostly being more cautious in terms of taking the NRV value and keeping it in a more cautious state than being in a more aggressive state.

So, that is the reason we have provided for it and taken that in the Q4, but historically also our Q3 results would normally be a little better than Q4 because of maybe the milk prices in whichever way we consider the summer the onset of summer. So, these are the basic two reasons, but we are very confident that this provision that we have done in terms of confidence our results will be better and no more further write-down will be required.

**Murali Mohan Raju:** I will add something to this conversation. See, the NRV what we have taken after NRV. Now, we have sold some quantity much better price. So, it says we have taken NRV also and very conscious even cost we have taken, book value.

**Himanshu Nayyar:** Understood, sir. And going forward this inventory level then will stay at that 40 days, 45 days of sales or do you think this will come down?

**Dodla Sunil Reddy:** Basically, if you go through seasonal demand it will come down and again start building up which will be a seasonal flow as we go forward. So, by the time it comes down to the full next season we will try to bring it down and then again it will start to build up. So, this is like you said we have taken an aggressive stand on procurement because after this we do not want to back off a lack of product.

For example, a couple of years ago majority of us had to pull back from the ghee market because we did not have enough fat with us and therefore we had to withdraw, but going forward once we are spending a lot of money on brand and brand building we do not want that to happen. So, in that case is why we are building up our procurement maybe for a couple of years, it will be a little variation from the 45 days to come down to 15 days and again build up.

But as we go forward, it will be a more stable at 20 days to 25 days which was what it was historically earlier days.

**Himanshu Nayyar:** Got it, sir. The other bit was on the margins. I mean, obviously X of this inventory write-off we would have done an EBITDA margin of almost 12% which is close to what we have, that is the best number. So, can you give us an outlook on margins in light of the current procurement prices, any sense for FY25? You think we are set for structurally higher margins or they will again get back to the normal range of 8%, 9%?

**Dodla Sunil Reddy:** Himanshu, we are always more conservative in our forward-looking estimates. So, at least maybe I will say that 9% for sure is not better.

**Himanshu Nayyar:** And final question would be on our volume growth outlook. This, of course, was a slightly softer in terms of volumes with growth mainly driven by mix realizations, more value-added products. So, what is your sense on volumes? Do we see a pickup now this year?

- Dodla Sunil Reddy:** Himanshu, I think volumes will also be the same and muted a little bit is the reason why we are looking at, but that is again being on the conservative side because of thinking of more deeper penetration, but for us we will be able to get a substantial growth from a revenue point of view because of all the other activities that are doing well for us be it cattle feed and also maintaining the higher price as we go forward. So, I think we will maintain the status quo and it will not be much of a difference.
- Himanshu Nayyar:** I will jump back into the queue, Sir. That would be all from me. All the best to you.
- Dodla Sunil Reddy:** Thank you, Himanshu.
- Moderator:** Thank you. We have our next question from the line of Aditya from Securities Investment Management Company. Please go ahead.
- Aditya:** Hi, Sir. Thanks for the opportunity. So, first question is regarding the inventory. So, how many months of inventory are we carrying currently? And secondly, what we see is that in Q1 and Q2 we see an increase in procurement prices which impacts our margins. But the inventory now which we are carrying, should that help us consolidate our margins in the 9% to 10% range that we are carrying?
- Dodla Sunil Reddy:** Thank you, Aditya. Yes, because the margins will give us a lot more in terms of if not the volume growth of liquid milk. Even if we sell the inventory levels we have, it will add for the overall growth percentage in terms of the milk product that we have.
- And also that is the reason why we have also taken a more conservative view in an NRV and provided a lower NRV so that it will be rather on the side of conservativeness rather than being on the aggressive side. So, I think we can see as to margin improvement which will happen.
- Aditya:** Understood. And Sir, how many months of inventory are we carrying?
- Dodla Sunil Reddy:** Roughly now it will be around 35 days or so of sales in terms of value. That is what we will be carrying now currently.
- Aditya:** Understood, Sir. We saw a drop in procurement prices this year after the highs of FY23, but the drop we saw this year were the procurement prices at normalized levels or they were way below the average. So, do you think that if the flush season is decent next year these prices could sustain or these prices are not sustainable for the farmers and there could be an increase in procurement prices?
- Dodla Sunil Reddy:** I think the way things are going we will not see any procurement price increase as we go Aditya. It might take a little downward trend.
- Aditya:** You see procurement prices decreasing from current levels as well?
- Dodla Sunil Reddy:** Originally, but it will not increase.
- B. V. K. Reddy:** It will maintain a status quo. It will not go down further.

- Aditya:** Okay. And Sir, now our revenue growth for India has not been that good this year and you have talked about inflation impacting consumption, but do you think going forward this growth should come back on its own with consumers accepting these higher prices or we as a company would have to do something additional to bring back revenue growth?
- Dodla Sunil Reddy:** We'll have to do a little bit more additional because consumers will also be pushing forward. But I think it will change in the forms of various forms that will be coming into play. So, we are that's why actively going for a brand recognition and doing a little bit of more brand spread and presence. I think that will also help us in increasing our growth.
- Aditya:** So, could this additional expenses have an impact on margins or you are confident on maintaining these margins?
- Dodla Sunil Reddy:** We should have a at least bare minimum of existing margins, but the conservative side and also can see improvement in margins as we go forward.
- Aditya:** Okay. And sir for our new plant in Kenya, do you expect the utilization of that plant to be quicker considering we were already selling our products from Uganda plant or do you think the utilization will take some more time?
- Dodla Sunil Reddy:** We just started I think it will come up and we'll be able to do a little better job this year. At least 20% to 30% of capacity utilization will happen this year.
- B. V. K. Reddy:** The Kenyan capacity utilization will be around 35% to 40% this year.
- Aditya:** Understood. And what kind of capacity utilization is Uganda plant currently running?
- Dodla Sunil Reddy:** Uganda, to the maximum, we are already utilizing the capacity.
- Aditya:** Understood. And first book keeping questions what was the procurement and realization price for this quarter?
- Dodla Sunil Reddy:** Your realization of the procurement price you are talking?
- Aditya:** Average procurement price and average realization price for this quarter?
- Dodla Sunil Reddy:** For ongoing current quarter is what you are asking Aditya?
- Aditya:** No Q4 FY24 and for the full year next quarter we may not able to disclose.
- Dodla Sunil Reddy:** Yes Murali Q4 cumulative is INR35.81. Standalone is INR 37, i.e., INR36.91 that is the procurement price.
- Aditya:** INR 36 currently and realization price?
- Dodla Sunil Reddy:** Murali, can you give the realization also, Murali?



- Murali Mohan Raju:** Realization sir for the quarter it is INR 57.82 standalone and consolidated INR 57.29.
- Aditya:** And what was the curd sales amount for this quarter in rupee terms?
- Murali Mohan Raju:** The Curd sales will be in rupee terms for the quarter it is INR 182 crores.
- Aditya:** Thank you, sir.
- Dodla Sunil Reddy:** Thank you.
- Moderator:** Thank you. We have our next question from the line of Bhavesh Jain from DV Investment. Please go ahead.
- Bhavesh Jain:** So, in last quarter, we see a dividend distribution of INR 35 crores from the Uganda subsidiary. So, just wanted to gain some insight like what are the expansion opportunities we have on the African business side or we will keep incurring higher dividend tax rates through because of accumulated profits we have in future?
- Dodla Sunil Reddy:** So, we have basically taken this year for our expansion in Kenya and kept our enough reserve. And normally in Africa we don't want to keep more of the money that's the reason we brought it back to Singapore.
- We are also working on getting a tax residency certificate in Singapore and if that works out and pans out for this year it should also help us in our taxation not being that high. So, we are assuming that for the next year also once we get a tax residency certificate we will get back our money to Singapore and keep it in Singapore and if required, we can always move it back from Singapore for investments.
- Bhavesh Jain:** Okay. So, second question is what we have - what part of inventory we have seen a write-down?
- Dodla Sunil Reddy:** We've taken both in terms of powder and ghee which we've taken more in terms of a conservative view of the write-down from the prices that were there. So, as B.V.K. was saying earlier in the first month of this quarter, we have sold it at a higher price than the price that we have in our NRVs.
- Bhavesh Jain:** Okay. Thank you so much.
- Moderator:** Thank you. We have our next question from the line of Resha Mehta from GreenEdge Wealth. Please go ahead.
- Resha Mehta:** Yes, thank you. This is Resha. So, the first one if I see your revenues that has increased by 11% while the jump in your employee and operating costs is almost to the tune of 14% and 16%. So, what has led to a higher growth in employee and operating costs versus revenues and do we see this kind of stabilizing or moderating?
- Dodla Sunil Reddy:** I think you will see more of moderating because we have also added like you said our Orgafeed the new plant that has been added, the Kenyan plant operations that have been coming in. So, I

think with all the new additions that we have done it will seem higher now, but I think in the current year once all the operations come online it will start to moderate again.

- Murali Mohan Raju:** Yes. So, it is more of like 10% generally normal year-on-year increase, but you have to see the overall employee cost is 5% of the turnover. So, on that 10% also is a normal escalation that comes around 0.5%. Apart from that, we have added a new CDDL facility in Kenya and new feed plant which was operation in FY24. That is it.
- Resha Mehta:** Any more such ramp ups in capacities, be it in India or Africa expected in this year which could kind of lead to cost escalation?
- Dodla Sunil Reddy:** Right now, no, ma'am, but if we find the right acquisition opportunities we might ramp up the capacities.
- Resha Mehta:** Got it. And on this inventory so basically this is for milk powder. This is a clarification you said this is for milk powder the write-off that we have taken.
- Dodla Sunil Reddy:** No, it is both for milk powder and fat, ma'am both.
- Resha Mehta:** Milk Powder and fat. And typically historically like what has been the inventory write-offs on an annual basis and also what is the inventory policy in terms of how many days of fat would we like to keep?
- Dodla Sunil Reddy:** So basically, our earlier policy was we were erring on the side of being a net buyer rather than a net seller and we would be anywhere ranging from 5 days to 10 days. The earlier days I'm talking about 5 years 6 years ago we would be at 30 days, 35 days. Now, since we are moving to saying that we will be a net seller and not a net buyer. I think our policy will be that we will maintain the 20 days, 25 days of average inventory for the year. Based on seasonality you might find one quarter to be higher and one quarter to be lower, but I think we will keep around 20 days 25 days of inventory, ma'am.
- Resha Mehta:** So 20 days, 25 days of fat and milk powder.
- Dodla Sunil Reddy:** Basically, fat and milk powder.
- Murali Mohan Raju:** But our accounting policy was consistent because as per the accounting standard the net realizable value, we have to bring it down. Because of the year-end, the prices are low. As a conservative approach, we have written down the carrying value of each cell. So we are not write-off. It is basically write-down of the carrying value per kg. That's what we have done, ma'am.
- Resha Mehta:** Okay. And also, you mentioned that FY'25 will also be muted in terms of volume growth. But if we look at across FMCG, I think volume growth is something that is still or expected to see a revival. So why would we expect FY'25 to be muted in terms of volume growth, considering that we are also penetrating newer markets, etc., in India as well?

- Dodla Sunil Reddy:** So we will find the volume growth to be better because of our Ghee and our value-added product will increase. Maybe you are saying mute it in terms of the liquid milk, ma'am.
- Resha Mehta:** Okay. So you are saying liquid milk will be muted?
- Dodla Sunil Reddy:** Liquid milk will be slightly on the same or what the same or it will be a little higher.
- Resha Mehta:** Okay. And what is the guidance for revenue for FY'25?
- Dodla Sunil Reddy:** I think we will continue to maintain the 12% to 15% growth rate in revenue.
- Resha Mehta:** And for that, what is the planned addition in village-level collection centers and how do you see procurement growing?
- Dodla Sunil Reddy:** Procurement, as we said, we are now already doing, we have increased our capacity. We will continue to maintain the same and take a call in another three months to further enhance.
- Resha Mehta:** So around 16 lakh -17 lakh litres per day is what we can expect will continue.
- Dodla Sunil Reddy:** Yes. That's for India alone and it will get back to a little better also.
- Resha Mehta:** Okay. And considering that you also are guided for that the procurement prices will remain soft or will remain stable. So in that light, the prices have been soft for almost the last 18 months now. So are you seeing that it's no longer as lucrative for farmers to kind of take care of the animal's health and maybe they are compromising on feed, et cetera, which could impact their animal productivity in the near future. And hence, we start seeing an increase in procurement prices. Are you seeing that on the ground in your markets?
- Dodla Sunil Reddy:** I don't think so, ma'am, because the prices that we are giving now is lucrative. That's why we are seeing a huge uptake in farmer productivity and that will help in terms of keeping the farmer also comfortable because per animal per litre, number of litres increases and his overall cost comes down. I think the price correction that we have taken over the past two years have come to the point where it will be comfortable for them now. And that is why we are not bringing down prices, although there is milk in the system.
- Resha Mehta:** Okay. Yes. So if you could just quickly tell me, what has been the, for the full year FY'24, India milk procurement volume and the total procurement volume?
- Dodla Sunil Reddy:** As a comparative for FY'24 and FY'23, ma'am?
- Resha Mehta:** Yes.
- Dodla Sunil Reddy:** I'll give you the data. See, if you see the procurement, India alone this year, it was 15.73 lakh litres per day. The average for the entire year, the procurement. But last year, it was only 12.85 lakhs litres per day.
- Resha Mehta:** And for Africa?

- Dodla Sunil Reddy:** Africa, procurement last year was 99,000 lakh litres per day. This year, 1,06,000 lakh litres per day.
- Resha Mehta:** Okay.
- Dodla Sunil Reddy:** And also the total procurement, all total console is 16.78 lakh litres per day.
- Resha Mehta:** And what would be the milk procurement price, standalone India for this full financial year FY'24?
- Dodla Sunil Reddy:** Yes, INR 37.51 paisa consolidated. And standalone India INR 38.57 paisa.
- Resha Mehta:** Okay, so INR 37.51 paisa for FY'24 and INR 38.5 for FY'23.
- Dodla Sunil Reddy:** INR 38.57 was the FY'24, standalone. If you want FY'23, INR36.95 paisa.
- Resha Mehta:** Okay, so INR38.57 is for FY'24?
- Dodla Sunil Reddy:** And FY'24 is higher.
- Murali Mohan Raju:** Ma'am, I'll just repeat. Standalone last year, INR 36.95. Current year, INR 38.57. And consolidated last year, INR 36.31. And current year, INR 37.51, ma'am.
- Resha Mehta:** Okay, that's clear. Thank you so much. That's it for me.
- Moderator:** Thank you. We have our next question from the line of Mythili Balakrishnan from Alchemy. Please go ahead.
- Mythili Balakrishnan:** Thank you for the opportunity. Couple of questions. I wanted to check with you on what is the status of the capex which we had planned out in Maharashtra? How is that sort of coming along?
- Dodla Sunil Reddy:** Basically, now we'll be looking at two, ma'am. We're looking at further things of acquisitions and Maharashtra. I think we'll have more clarity in a couple of months' time. If the acquisitions come to the fore, we will take that up first and keep Maharashtra on a slower pace. If the acquisition doesn't come to fore, we will go ahead with Maharashtra.
- Mythili Balakrishnan:** And also wanted to check with you on this volume growth rate. I know we have asked multiple questions on it, but just wanted to get a sense from you of what is exactly happening in the marketplace. Is there like a pullback which is happening from the customers or is it more that we have reduced grammage and how to sort of think about it?
- Dodla Sunil Reddy:** It is basically since we have reduced grammage, per packs are increasing, but we have taken a huge drop in terms of grammage. Roughly around 20%-20% percent in grammage reduction has happened. So, that to recover is taking time, but the per packs are increasing as per normal. But to compensate the 20% reduction in grammage is where the difference is coming in overall volume.

- Mythili Balakrishnan:** And what would be the per pack increase in volume growth that we have seen?
- Dodla Sunil Reddy:** A per pack increase would be, correct me if I am wrong, would be 8%-9% percent of per pack increase.
- Mythili Balakrishnan:** Got it. So, we have seen a per pack increase, but because we have reduced the gramage and therefore, that is sort of impacting.
- Dodla Sunil Reddy:** Therefore, that is not showing in the overall volume increase.
- Mythili Balakrishnan:** Got it. Going ahead, do you think we are, do we plan to sort of improve the gramage as over a period of time?
- Dodla Sunil Reddy:** That will depend on the pricing, Ma'am. Procurement pricing, because if I improve gramage is as good as me reducing pricing for me or profitability, based on the price of milk that keeps coming, we will make that call as we go forward, and to maintain our profitability.
- Mythili Balakrishnan:** Got it. And in terms of milk prices, what is the trend that we are seeing currently?
- Dodla Sunil Reddy:** Procurement and sales should remain status quo.
- Mythili Balakrishnan:** Okay. So, no broadly, no change in pricing is what we are sort of expecting.
- Dodla Sunil Reddy:** Yes. Maybe some marginal little correction here and there, but nothing more major.
- Mythili Balakrishnan:** Got it. Then in terms of the volume or the revenue growth that we are sort of looking at, could you, when we talk about the 12%-odd, revenue growth, could you just sort of give us a sense of how much you are expecting in terms of volume? Do you think pricing will go up further or how are we sort of thinking about it?
- Dodla Sunil Reddy:** So, volume growth, we are taking an aggressive stand, but even if I take it at, 6%-7% of volume growth, our overall margins, I mean, overall revenue will grow to 20% because of added revenue coming from cattle feed and added revenue coming from our commodity sales that we are doing in terms of the inventory that we have and Kenya operations. So, all that put together will make sure we have an aggressive growth in terms of revenue, even if my volume is limited in terms of money.
- Mythili Balakrishnan:** Got it. That's all from my side. Thank you. Thanks a lot.
- Moderator:** We have our next question from the line of Bharat Gianani from Money Control. Please go ahead.
- Bharat Gianani:** Thanks for the opportunity, Sir. Two questions from my side. You gave the procurement prices for both the standalone and the consolidated business. So, Sir, can you get the realization price for both standalone and consolidated business for FY23 and FY24?
- Dodla Sunil Reddy:** Murli, can you help us with the realization of the same?

- Murali Mohan Raju:** Yes, Sir. Consolidated level, INR 53.57 for the last year. Current year, INR 57.15. Now, I'm talking about standalone, INR 53.02 for the last year and INR 57.43 for the current year.
- Bharat Gianani:** And, Sir, just one clarification to the earlier question. FY25, you said the revenue guidance, what is the revenue guidance and what will be the breakup between the volume and the pricing mix basically?
- Dodla Sunil Reddy:** I think, guys, with the volume of the inventory and what we're looking at our growth, our volume will come back to those 10%, 11% of volume and the revenue will definitely be at 15%.
- Bharat Gianani:** Okay. Thank you. Thanks a lot, Sir. All the best.
- Moderator:** We have our next question from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.
- Aniruddha Joshi:** Yes. Just a slight confusion on my side. If you can repeat the milk procurement price and selling price for Q4, FY24. I know you have told, I guess, already twice, but just getting confused. So, please suggest these two prices.
- Murali Mohan Raju:** Okay. Q4 standalone is INR 36.91. Okay. And consolidated is INR 35.81, only Q4.
- Aniruddha Joshi:** Okay. And selling price, sir?
- Murali Mohan Raju:** Selling price INR 57.82 standalone Q4 FY24, INR 57.29 consolidated Q4 FY24.
- Aniruddha Joshi:** INR 57.29. Okay. Yes. Understood, Sir. Coming to second question regarding ice cream business, how do you see the road ahead? Because I guess we had started and had initial good track. Now, so any further update on that that you want to indicate? Let's say a three-year roadmap or so. That is question number two.
- And in terms of now cattle feed, we see a pretty good amount of investments. So, how should we see the overall profitability improving because of investments in cattle feed? And how do you see overall, in a way, revenues, stock profitability in this business shaping up from a three-year perspective? Yes. Thanks. That's it from my side.
- Dodla Sunil Reddy:** Yes, I will answer question number one, ice cream, actually compared to last year to this year, now we have grown by almost 33%. That is as far as ice cream is concerned. FY23 to FY24 comparison, ice cream has grown by 33%. And this year also, even FY25, also we are expecting good growth in ice cream. And as far as the cattle feed is concerned now, cattle feed also, so we have taken very aggressive growth rate.
- Actually, in FY24, we have done only INR 83 crores top line. But coming FY25, we have taken a target of INR200 crores, INR207 crores, very aggressive target we have taken.
- Murali Mohan Raju:** Going forward in the three years, I think we will maintain the same growth rates.
- Aniruddha Joshi:** Yes. Okay.

- Dodla Sunil Reddy:** Is this clear, Aniruddha? Anything else?
- Aniruddha Joshi:** Yes, sure, sir. Sure, sir. Understood. Very helpful.
- Dodla Sunil Reddy:** Yes. Because I have taken more than 100% growth rate in cattle feed. Correct.
- Aniruddha Joshi:** Correct. No, no, sir. That is very encouraging.
- Moderator:** Thank you. We have our next question from the line of Nikhil from SIMPL. Please go ahead.
- Nikhil:** One bookkeeping question. In the value-added product, excluding of curd, if you can help me with the sales numbers for the top three categories, like ice cream and whichever other categories, absolute sales number for this year and last year?
- Dodla Sunil Reddy:** Murali, can you give the absolute sales numbers in terms of value?
- Murali Mohan Raju:** Yes, I will tell you, sir. But yes, curd will be around, current year, it will be around INR 614 crores. And ice cream will be around INR38 crores. And top another value-added product is buttermilk around INR 23 crores in the current year. Last year, we have around, curd is around INR 545 crores. And last year, we have SFM is the second category is INR 37 crores. And ice cream is around INR 25 crores.
- Nikhil:** Okay. That is done. The second question, sir, this is just to understand. Now, if we look at our liquid milk volume sales growth, this year, we've been very tepid. And when you talked about the projections, even next year, if I heard it right, you said the volume growth may not be very high, even next year. But over three to five years, when you talk about and liquid milk is the core business through which, in a way, what I understand also creates our brand when we go into a newer market.
- So when we do our investments for new market, or creating or adding more geographies, how do we think about what is the sustainable rate at which liquid milk should keep on growing for us? Because on that, we will create our value-added sales growth. So how should one understand your investments and the long-term volume growth in the liquid milk? Because for two years, in a way, we would be flat.
- Dodla Sunil Reddy:** I think as we go forward, sir, the normal Indian consumption has been growing at 4%-5%. I think we can look forward to the 7% or 8% of liquid milk growth in the days to come. Like I was saying earlier, because if you have taken a 20% dip in per pack volume, it is only taking time to recover the per pack dip. And once the per pack dip is corrected, though the volume that we achieve, I think we will still maintain the 7%-8% by volume in liquid milk.
- Nikhil:** But sir, on the contrary, see, in the last two years, this year FY '24 and even in FY '25, we would have also added some new geographies, right, which would be a completely inorganic kind of a volume for us?

- Dodla Sunil Reddy:** We have not done much. We will be doing a little more this year. Not much in the last. Because whatever the dairies that we acquired, we just sort of consolidated. So it will be more aggressive this year and the next year.
- Nikhil:** Okay. And last question, at the farmer level, this question was asked, but now if the prices remain stagnant for this year, and for FY '24 also the procurement prices were either stagnant or lower. At the farmer level, are the spreads which they are making on their cost of like procurement of all the input cost, is the spread remaining same or is the cost inflation is higher than the milk inflation, milk realization for a farmer?
- Dodla Sunil Reddy:** I think we actually paid more for the farmer in FY '24. So the milk price in FY '24 was higher than FY '23. And if I take FY '25, is what we are saying that FY '24 price is also maintained. There's not been much of inflation in terms of the other inputs of cattle feed. As of the moment, we have to wait and watch, but as of the moment, there has been no inflation.
- Nikhil:** Okay. Fine. Thanks. Sure. Thanks a lot. I'll come back.
- Dodla Sunil Reddy:** Thank you.
- Moderator:** Thank you. We have our next question from the line of Amit Bohra from SBI Mutual Funds. Please go ahead.
- Amit Bohra:** Sir, just wanted to check whether when we talk about Maharashtra expansion, have we acquired land in Maharashtra or is it still in the phase of evaluation?
- Dodla Sunil Reddy:** It's in the still of evaluation, Amit. We are evaluating other options in terms of acquisition. So we're trying to phase it out and we'll make definitely a call in the next couple of months.
- Amit Bohra:** Okay. So capex layout for Maharashtra is still not out. It is just on evaluation phase.
- Dodla Sunil Reddy:** Yes. So it will be either capex for Maharashtra or capex for an acquisition. The same amount of money will be deployed either or.
- Amit Bohra:** Fair enough. Got it. And sir, just on volume growth guidance, if you look at the volume growth historically, we've been growing our pouch milk sales in double digit. What do you reckon the reason to taper down this guidance to, say, 6%-7% now? Is it increased competition or lower falling prices in government procurement prices?
- Dodla Sunil Reddy:** No, no, sir. It's basically because if we have taken a volume right down by ourselves on a per pack of 20%, we first have to recover that volume plus get the growth. So that is why we're taking a little lower guidance. Growth will continue to be there. But to compensate that lower volume in terms of the per pack and again, get back to higher volumes is where we'll have to, we're taking a breather kind of a space. That is the reason why we're giving a lower guidance. For other things of commodity and value add that we add back, overall the revenue growth will surge.



- Amit Bohra:** So when we are in a steady commodity cycle where the raw material, milk prices are steady, then the volume growth tends to be even stronger. Because, if you're saying we had a low single digit volume growth this year and pack sizes growth was higher, then so volume pickup is there. It is just that grammage reduction has led to the low single digit growth?
- Dodla Sunil Reddy:** That's why we're giving that muted. So if I've taken a 20% in grammage reduction, I have to cover the 20% in grammage and get the growth. So that's why we're taking a little more muted growth volume.
- Amit Bohra:** And the last question, the focus on value added products, I can understand that we are increasing our procurement to around very fast pace, but entering into ghee and all that, right? Our traditional understanding has been that ghee is a very commoditized category and making money in that is difficult. So what is the rationale to push forward more ghee or is it just to complete the basket of products we have?
- Dodla Sunil Reddy:** It's just to complete the basket of products. Amit not also to be withdrawing, right? Like we had built almost a 5 to 8 ton per day sale of ghee category in the B2C segment. And when we had a lack of volume, we're pulling back. So right now, when we're going in investing in creating a brand, looking, creating more brand awareness, whatever basket of categories of products we are presenting, we don't want to pull back. So that is the reason we're being aggressive with procurement to ensure that all our products are available all the time.
- Amit Bohra:** Fair enough, So, but it will not be much substantial, I'm presuming. Our focus will be on pouch milk and curd.
- Dodla Sunil Reddy:** Yes, pouch milk, curd, but the differential of whatever when we get to be net sellers of commodity, a little bit more than we have, it'll take it up by 1%-2%.
- Amit Bohra:** Great, Thank you, Sir.
- Moderator:** Thank you. We have our next question from the line of Binoy from Sunidhi Securities and Finance. Please go ahead.
- Binoy** Okay. Sir, in the Orgafeed, I believe we used to reach approximately 30,000 farmers of our own. So what is the status currently out of 1.4 lakh total farmers? How many do we reach? Do we sell to them?
- Dodla Sunil Reddy:** I will give you the data.
- Binoy:** Last year, you know, we had around 24,000 only farmers we have reached.
- Dodla Sunil Reddy:** So this year, you know, we are we are aggressively pursuing and maybe, you know, this year it will become at least 40,000 we are targeting.
- Binoy:** Okay. Right now, it's about 24,000, you said?

- Dodla Sunil Reddy:** Yes, between 20,000 to 24,000 only we are reaching the farmer. Now, this year, we are targeting a minimum of 40,000 farmers.
- Binoy:** Understood. And what is the practical, how many farmers can we sell our Orgafeed to? Because the reason I'm asking this question, let's say in the 1.4 lakh farmers that we have a network with, right? Many of them would also be giving their milk to other peers. And they might be, buying the cattle feed from the peers. So in that sense, what could be the practical farmers that we can really sell?
- Dodla Sunil Reddy:** So the advantage, because, you know, we are recovering the feed price from their milk bill. So the cycle, along with the payment, it will be convenient. You see, somebody is using, you know, the competitor brand of feed. So the amount deduction and also delivery also is a problem. So majority of the people, you know, they're adopting because, you know, our own procurement vehicle goes and gives a delivery to them. It is a very good access. And also deduction also is very convenient.
- B.V.K. Reddy:** Basically, we're giving them service right at their doorsteps in terms of the receivable of the feed, what they're getting and deducting it from the milk bill so that they don't see much of the cash outflow. So basically the peers, unless they're picking up from the same center, but then the feed bill ratio will be skewed because if I'm giving more feed than the milk bill, we don't give it that way. So that way we are ensuring that we get our money back because we keep the ratio of their milk bill to the feed that we're giving. Is it clear sir?
- Moderator:** We have the participant disconnected. We'll move on to the next participant. We have the next question from the line of Puneet Kabra from an individual investor. Please go ahead.
- Puneet Kabra:** Yes, sir. Puneet here. My first question was around the Africa business. So has the Africa business shown some kind of a degrowth this year? If I am not wrong
- Dodla Sunil Reddy:** See, it is not degrowth. Actually, by volume it has grown. But basically in Africa, whenever the purchase price goes down, simultaneously they will take a call of selling price also they will reduce. So because of lowering the selling price, the revenue growth has comparatively shown less. But whereas in procurement, overall sales have grown by 7%-8%. Okay.
- B.V.K. Reddy:** So volumetric growth was there, sir. Revenue growth was muted because it is a differential of the passing on the price that the price comes down, we take it down in the selling price also. Volume growth has been there.
- B.V.K. Reddy:** Yes, volume growth we have 8%, sir. Earlier we had 1,03,000 litres per day. Now we have increased 1,10,000 litres per day. But in Africa, generally, wherever the procurement price is, there is a small reduction we do in the selling price also. That is why the revenue wise there is a minor reduction, 4%.
- Puneet Kabra:** How is our EBITDA affected because of this? I mean, because we have volume growth but not value growth. What has been the change in, say, the absolute EBITDA of the EBITDA market?

- B.V.K. Reddy:** Absolute EBITDA, there is no major change. We have same last year and current year.
- Puneet Kabra:** Okay. So if the absolute EBITDA is the same but we have a volume growth, it means on a per litre basis, the EBITDA would have dropped a little bit, right? Yes.
- B.V.K. Reddy:** And also like last call we have mentioned, there is a one-time hit of around 4.5 crores in the last year. That is the reason. There is a little lower side but that will not be there going forward. Yes.
- Dodla Sunil Reddy:** Yes. But you see, in spite of that, EBITDA percentage was the same last year to this year.
- Puneet Kabra:** Yes.
- Dodla Sunil Reddy:** Okay.
- Puneet Kabra:** So what will be the guidance, sir, for the Africa business this year in terms of procurement prices in Africa? Are they likely to go further lower or they are at a fair price now and now it should either stabilize or start going up?
- Dodla Sunil Reddy:** Yes. Comparatively, also slightly lower now this April and May compared to last year because of good rains here in Uganda and Kenya. So procurement price is slightly lower compared to last year. But our sales numbers are very intact. In fact, it would be a little higher.
- Puneet Kabra:** So we are expecting a better margin, sir?
- Dodla Sunil Reddy:** Yes. Better margin this year. Even the volume growth, what we have taken also from these two months, April and May, we are way ahead. Our versus target achievement.
- Puneet Kabra:** Okay. Sir, second question is we guided for a margin of 9% on the conservative side. Would it be fair to assume that this margin is considering the inventory write-downs? If any, it includes any additional spend that we will have to do towards marketing. So all of the new or the unknown variables have been provided for when we are guiding for a margin of 9%?
- Dodla Sunil Reddy:** Yes, Sir. We are being very conservative by taking all the negatives and giving the guidance. We are confident that if nothing, even if status quo maintains, we should do better.
- Puneet Kabra:** And generally, how would the margin spread across the different quarters, sir? I mean, highest margin, I guess, would be in Q3. But is it like Q2 will be better than Q1? Q3 will be better than Q2? And then in Q4, you will have better margins?
- Dodla Sunil Reddy:** Q1, Q2, Q3 will be on the little higher side. So they keep increasing. It depends. Sometimes, seasonality-wise, Q1, if there was a shortage of milk, Q1 will be muted. But in the current year, Q1 is also looking to be good. So this year, we presume Q1, Q2 will be also great, sir. It will do well.
- Puneet Kabra:** My third question, Sir, was around the inventory write-down. It's been discussed. But I just wanted to still check, like if we had, say the cost was INR 100 and we provided the NRV of INR 80, and now we are saying that we have sold it for a higher NRV. So are we going to recover?

Is our NRV equal to or greater than INR 100? So we recover whatever was the written down value? Or is it somewhere in between like INR 90, 95, 85?

**Dodla Sunil Reddy:** Our 9% is taking it at the current written down value, sir. We will improve even if we get back to INR 100, which is what we were implying that we should be there, sir.

**Murali Mohan Raju:** See, with the provision we made for NRV, if it is not going to impact, that will strengthen our EBITDA. We will also still strengthen our EBITDA because we have not provided, we get the profitability. But even if we get a marginal increase of our NRV, what we have seen in the first month, we will have improvement in margins from the 9% we have got.

**Puneet Kabra:** Yes, I agree with that. That is understood. But my question is, whatever is the write-down that we took, the recovery that we are seeing in April, is it the full recovery or is it a partial recovery?

**Dodla Sunil Reddy:** It is a full, higher than the provision that we have made, sir. Yes, higher than the provision, yes.

**Puneet Kabra:** Yes, okay. That is what I wanted to confirm. And sir, my last question is around growth. So I know we have been guiding for 12 to 15% kind of a growth and we are at the lower end of that range. For the coming year again, you have maintained the same guidance. But do you think that we could be towards the higher end of the guidance this year or towards more like 13-14 or what is the view like?

**Dodla Sunil Reddy:** We will be at the higher end, sir. Because even if I take the inventory that we have sold and our Orgafeed growth, Africa growth itself, it will be higher.

**Puneet Kabra:** So it should not be the lower end of the guidance, right?

**Dodla Sunil Reddy:** No, it will not be lower end of the guidance. It will only be higher end of the guidance. But we like to give our conservative projections, we rather give conservative and perform better.

**Puneet Kabra:** And sir, on the last question around our cash balance, I know we started Maharashtra, now we are talking about some acquisition in Maharashtra. I think in one of the conferences you had mentioned about some opportunity in Orissa. So what will be the, and what will be, we have a good cash balance. We will be creating more cash in the coming year as well. So is there any plan to do any kind of, at least dividend or do some buyback or the money will still be conserved even in this financial year for acquisitions or capex?

**Dodla Sunil Reddy:** I think by the middle of this year, we will have a clearer picture, sir, based on what we are going to be doing with our inventory and our acquisitions or the greenfield project. By the middle of this year, we will be able to take a call, sir. But if there is surplus, if middle of the year nothing is happening, definitely we will be looking forward for either a buyback or a dividend.

**Kaushal Chopra:** All right, sir. Thank you, sir. Thank you for taking my questions and good luck.

**Moderator:** We have our next question from the line of Binoy from Sunidhi Securities & Finance. Please go ahead.

- Binoy:** Yes, sir. Thank you for the opportunity to ask the question. Sorry, I got dropped out of the call and my question was pertaining to Orgafeed wherein you said that next year, you are targeting 40,000 farmers. I just wanted to understand what is the practical maximum potential farmers that you can tap within the current network? Because the existing farmers within your network would also be overlapping with your peers side. And they'd be buying cattle feed from your peers. So that's, from that angle?
- Dodla Sunil Reddy:** The overlapping is very little, Binoy, because what we look at it is normally a ratio between what milk we are getting to what feed they are. We have a sense of the number of animals they have. So that overlapping will be much smaller. So it does not normally happen. And therefore, we are confident. It's basically based on the milk that we are getting to the cattle feed that we are giving when we look at the farmers. So that way we are confident that we'll move forward to being able to achieve our full cattle feed capacity.
- Binoy:** And this is by when are we targeting full capacity utilization?
- Dodla Sunil Reddy:** We have now taken almost a fivefold increase, but at least it will take us three years to reach full capacity. Between three to four years.
- Binoy:** So next question was, if you could just help me with the average daily procurement that you've done in the India business for Q4 as well as for full year FY'24.
- Dodla Sunil Reddy:** Yes. Murali, can you help with the procurement number for FY'24 quantity of the milk?
- Murali Mohan Raju:** Yes. 13.41 lakh litres per day is the Q4 for standalone India. And for the full year, it is 13.47 lakh litres per day.
- Murali Mohan Raju:** Sorry. I think, are you asking about procurement or are you talking about sales?
- Binoy:** No, I'm talking about the procurement. Daily procurement.
- Dodla Sunil Reddy:** Procurement, I'll give you the standalone in Murali. So Q3 was 16.66 lakh litres per day and Q4 was 15.46 lakh litres per day. And the whole year, 15.73 lakh litres per day.
- Binoy:** Okay. This is for the India business, right? This was standalone.
- Dodla Sunil Reddy:** This is only India business. Yes, Sir.
- Binoy:** Okay. So last question is on the flush season. I just wanted some color on how has the flush season panned out? Is the calving cycle on track as well as the weather? Are you also being able to get more milk from a single farmer?
- Dodla Sunil Reddy:** Per farmer average is increasing, sir. And the average farmer is also increasing.
- Binoy:** So, but this, the flush season in South India has set in on track or it has been delayed?
- Dodla Sunil Reddy:** It's on track, sir. Already on track.



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- Binoy:** On track. Okay. And how has the procurement prices behaved during this flush season? On a worldwide basis?
- Dodla Sunil Reddy:** We won't take a dip because it will hurt the farmers. I think we will maintain the same status quo.
- Binoy:** Okay. Thank you so much, sir. That's all from my side.
- Moderator:** That would be the last question for today. And I now hand the conference over to the management for closing comments.
- Dodla Sunil Reddy:** Thank you, everyone for joining on the earnings call. Any questions that you guys need to answer further, you can always get in touch with us with our email and then we can take it from there. Thank you very much.
- Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.