Dodla Dairy Ltd

23 September 2026

Clear visibility of strong demand growth, QoQ margin uptick

COMPANY UPDATE

Sector: FMCG	**Rating: BUY**
CMP: Rs 1,048	**Target Price: Rs 1,295**

Stock Info

Sensex/Nifty	74693 / 23377
Bloomberg	DODLA IN
Equity shares (mn)	60.3
52-wk High/Low	Rs 1460 / 964
Face value	Rs10
M-Cap	Rs.63.3bn/US$0.7bn
3-m Avg Turnover	US$ 0.3mn

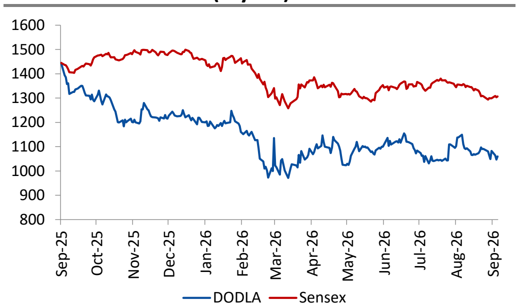
Financial Snapshot (Rs mn)

Y/E Mar	FY27E	FY28E	FY29E
Sales	46,894	52,681	59,686
PAT	2,288	3,071	3,829
EPS (Rs)	37.9	50.9	63.5
PE (x)	27.8	20.7	16.6
EV/EBITDA (x)	17.6	12.7	9.7
P/BV (x)	3.4	3.0	2.5
EV/Sales	1.3	1.1	0.9
RoE (%)	12.2	14.3	15.3
RoCE (%)	13.0	15.8	17.3
NWC (days)	1.0	1.0	1.0
Net gearing (x)	-0.1	-0.2	-0.4

Shareholding pattern (%)

	Jun 26	Mar 26	Dec 25
Promoter	58.9	58.9	58.9
–Pledged	-	-	-
FII	6.1	6.4	7.4
DII	25.9	25.3	23.8
Others	9.2	9.3	10.0

Stock Performance (1-year)



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Dodla Dairy's (DODLA) management issued an upbeat business outlook at their recent non-deal roadshow in Singapore hosted by Systematix. Management **reaffirmed revenue growth guidance of 15% over the medium term**, expecting sales' salience of value-added products (VAP) to go to 40% (from current c.30%). This would translate into **incremental revenue/ volume accretion of c.Rs 28bn/ c.15 LLPD in the next 2-3 years** (FY26: Rs 41.2bn/ c.20 LLPD), driven by processing volume additions at 1) Maharashtra greenfield plant of 10 LLPD, 2) Bihar and Jharkhand (*Osam*) of 3 LLPD and 3) Uganda greenfield plant of another 1.5-2 LLPD. With the Maharashtra plant, Dodla plans to sell 1-2 LLPD locally with the rest serving north Karnataka and Telangana. The Uganda greenfield enables expansion in fresh milk (vs legacy presence in long-life milk and yogurt), and should be commissioned by FY29.

On margins, management sees Dodla reverting to OPMs in the 7-8% range near-term (1Q27: 5.4%). Dodla has taken calibrated price hikes of c.Rs 1.5/litre (c.+2.5%) over July-September – as indicated in their 1Q27 earnings call – which should help in sequential margin recovery. Management noted **current milk supply remains constrained**, and with no flush-related uptick visible in supply as yet, believes the supply cycle (winter flush-lean summer) could now gradually be giving way to a more even, consistent supply through the year.

Management emphasized that Dodla is also moving to take advantage of the current 1) protein consumption trend and 2) strong growth in paneer (with its paneer volumes growing 4x over the recent past, and all other dairy companies also participating in the category expansion). More broadly, optimal allocation of the current net cash of c.Rs 6bn is a key challenge for Dodla at present. Management indicated it would look at small acquisitions similar to Sid's Farm (recently acquired 2% stake) to grow in new segments, rather than create those segments organically.

Views: Demand continues to sustain at healthy levels for Dodla and the industry; in addition, for Dodla there are multiple growth levers working to drive medium-term expansion (capacity expansions in Maharashtra, Uganda; building out *Osam* in the eastern region). We expect the company to maintain low-mid teens' revenue growth momentum, spearheaded by India VAP and Africa. We expect stable India/ robust Africa growth (FY26-FY29E sales CAGR of c.12%/ 22%), supported by sustained high VAP growth of c.20%, incremental sales from capacity expansions and addition of *Osam*. Persistent sharp milk inflation is a concern and has resulted in OPMs getting re-set to materially lower levels over the past 2 quarters; however, **the QoQ margin uptick of 1Q27 (+40bps) and the further uptick guided for 2Q27 support our view that OPMs troughed in 4Q26, and should pick up gradually over FY27** as price hikes land and mix improves with increasing salience of VAP/ Africa - we build a slim OPM decline in FY27E followed by accretion in subsequent periods. While milk supply could be constrained/ volatile and procurement costs could remain elevated near-term, we believe Dodla has the requisite playbook of pricing, inventory management, procurement network and supply chain capabilities to play this phase out.

Valuation: We keep our FY27E-FY29E estimates unchanged, building FY26-FY29E revenue/ PAT CAGR of 13%/ 24%. We maintain BUY rating on the stock, valuing it at P/E of 24x (broadly in-line with its current one-year forward multiple) June-2028E EPS to arrive at an unchanged TP of Rs 1,295.

Investors are advised to refer disclosures made at the end of the research report.

Key takeaways from the management roadshow

Outlook

- Revenue growth guidance of 15% over the medium-term reaffirmed, with VAP sales salience going to 40% (vs current c.30%).
- Management expects the company to revert to OPMs of 7-8% near-term, aided by price hikes of Rs 1.5/litre taken over July-September (c.+2.5%).
- Africa's RoC is at 40-45% vs India's c.20%. In Africa, Dodla will continue with Uganda and Kenya for now.

Pricing

- Dodla's product pricing remains at a Rs 5 premium vs cooperatives in Karnataka and at a 20-25% premium vs Aavin in Tamil Nadu.

Milk supply

- Current milk supply remains subdued; not certain if this is due to El Nino effect.
- With no flush-related uptick in milk supply as yet, management believes the milk supply cycle (winter flush-lean summers) is now gradually giving way to more consistent supply through the year.
- *Osam* milk availability is still subdued with low operating margins. Dodla is trying to set the procurement right here.

Emerging consumption trend

- Dodla is also taking advantage of the current 1) protein consumption trend and 2) strong paneer growth (with all dairy companies participating). But management is unsure if these are longer-term trends or just passing fads.

Processing capacity

- Medium-term target is to take the current milk processing capacity from c.20 LLPD to c.35 LLPD in next 2-3 years, with addition of 10 LLPD at the new Maharashtra plant, 3 LLPD from Bihar & Jharkhand (Osam) and another 1.5-2 LLPD from the greenfield Uganda plant.
- This volume capacity addition could garner incremental revenue of c.Rs 28bn in medium-term (addition of c.Rs 2bn per LLPD).
- Maharashtra greenfield – plan to sell 1-2 LLPD milk locally, with the rest going to north Karnataka and Telangana markets.
- Uganda greenfield expansion is in the pasteurized/ fresh milk segment (vs legacy presence in long-life UHT milk and yogurt). This should be commissioned by FY29. Thereafter, further capacity expansion would be required in legacy products.

Acquisitions

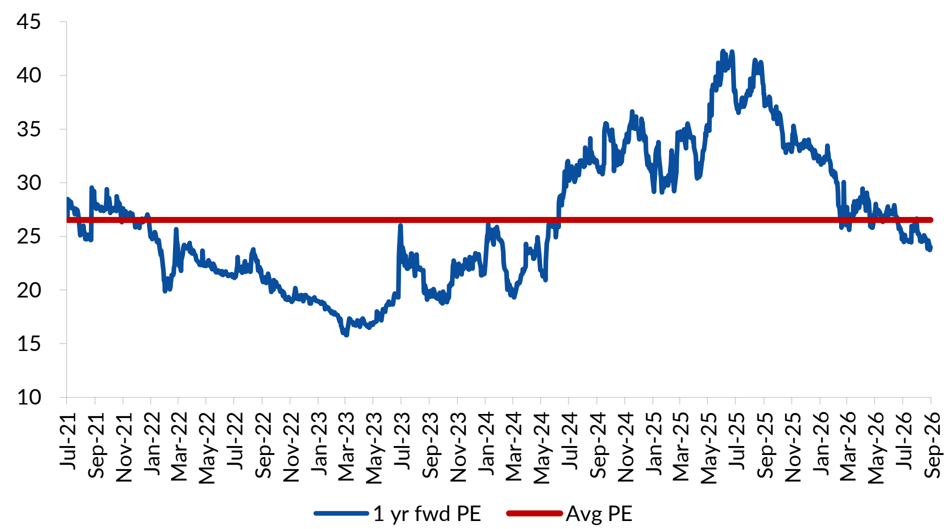
- Recent investment of 2% equity stake in Sid's Farm is a long-term bet on the front-end (brand is salient in D2C and e-comm in Hyderabad, Bengaluru). With FY26 sales at c. Rs 2.5bn, immediate target is to get to Rs 10bn and achieve net profitability.
- Optimal allocation of current net cash of c.Rs 6bn is a key challenge at present.
- Dodla would consider acquisitions similar to Sid's Farm to grow in new segments/ categories, rather than create those categories organically.

Exhibit 1: Valuation Snapshot

DAIRY										
Company	Rating	CMP	Target Price	Upside (%)	Mkt.Cap (Rs bn)	CAGR over FY26-29E (%)			Valuation on FY28E	
						Revenue	EBITDA	Adj. EPS	PE (x)	EV/EBITDA (x)
Dodla Dairy	BUY	1,045	1,295	23	64	13.1	21.9	24.1	21	13
Hatsun Agro	NR	1,167	NA	-	260	12.0	17.1	36.5	40	18
Heritage Foods	NR	417	NA	-	39	12.4	20.3	17.1	19	10
Parag Milk	NR	277	NA	-	35	13.0	18.5	24.9	17	11
Milky Mist	NR	317	NA	-	244	26.5	33.2	53.2	58	31

Source: Company, Systematix Research. Based on consensus estimates for not-rated stocks. NR – Not Rated

Exhibit 2: Currently trades at 24x one-year forward P/E



Source: Company, Systematix Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**37,201**	**41,252**	**46,894**	**52,681**	**59,686**
Gross profit	10,211	10,548	12,070	13,851	15,978
Gross margin (%)	27.4%	25.6%	25.7%	26.3%	26.8%
Operating profit	**3,808**	**3,085**	**3,488**	**4,579**	**5,592**
Operating margin (%)	10.2%	7.5%	7.4%	8.7%	9.4%
Depreciation	746	823	923	1,022	1,066
EBIT	3,062	2,261	2,566	3,557	4,526
Interest expense	37	33	42	37	37
Other income	438	498	547	602	650
Profit before tax	3,463	2,725	3,071	4,122	5,139
Taxes	958	723	783	1,051	1,311
Tax rate (%)	27.7%	26.5%	25.5%	25.5%	25.5%
Adjusted PAT	**2,505**	**2,003**	**2,288**	**3,071**	**3,829**
Exceptional items	(95)	(667)	-	-	-
Reported PAT	2,599	2,670	2,288	3,071	3,829
Adjusted EPS	**41.7**	**33.2**	**37.9**	**50.9**	**63.5**

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Equity capital	603	603	603	603	603
Reserves	13,456	16,138	18,124	20,894	24,421
Debt	288	298	298	298	298
Deferred tax liab (net)	260	455	455	455	455
Other non current liabilities	259	440	440	440	440
Total Equity & Long term liab.	**14,866**	**17,933**	**19,920**	**22,689**	**26,216**
Fixed Asset	6,959	8,732	10,260	9,938	9,571
Investments	6,440	4,114	4,114	4,114	4,114
Other Non-current Assets	972	3,694	3,728	3,763	3,800
Inventories	**1,617**	**1,553**	**1,927**	**2,165**	**2,453**
Sundry debtors	123	135	128	144	164
Cash & equivalents	**1,016**	**2,379**	**2,514**	**5,590**	**9,463**
Loans and Advances	180	356	373	392	412
Sundry creditors	1,555	1,884	1,927	2,165	2,453
Other current liabilities	886	1,147	1,198	1,251	1,307
Total Assets - Current Liabilities (Cap. Emp.)	**14,866**	**17,933**	**19,920**	**22,689**	**26,216**

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBIT	3,558	2,807	3,071	4,122	5,139
Depreciation	746	823	923	1,022	1,066
Tax paid	(1,100)	(557)	(783)	(1,051)	(1,311)
Working capital Δ	2,410	400	(324)	(16)	(19)
Other operating items	(417)	(524)	(506)	(565)	(614)
Operating cashflow	**5,198**	**2,949**	**2,381**	**3,512**	**4,262**
Capital expenditure	(1,078)	(1,600)	(2,450)	(700)	(700)
Free cash flow	**4,120**	**1,348**	**(69)**	**2,812**	**3,562**
Equity raised	178	-	-	-	-
Investments					
Debt financing/disposal	(13)	(50)	-	-	-
Interest Paid	(22)	(33)	506	565	613
Dividends paid	(181)	(121)	(302)	(302)	(302)
Other items	(39)	(43)	-	-	-
Net Δ in cash	**(162)**	**(154)**	**135**	**3,075**	**3,874**

Source: Company, Systematix Research

Ratios

YE: Mar	FY25	FY26	FY27E	FY28E	FY29E
Revenue growth (%)	19.0	10.9	13.7	12.3	13.3
Op profit growth (%)	31.8	-19.0	13.1	31.3	22.1
Net profit growth (%)	50.7	-20.0	14.3	34.2	24.7
OPM (%)	10.2	7.5	7.4	8.7	9.4
Net profit margin (%)	6.7	4.9	4.9	5.8	6.4
RoCE (%)	20.7	12.7	13.0	15.8	17.3
RoNW (%)	17.8	12.0	12.2	14.3	15.3
EPS (Rs)	41.7	33.2	37.9	50.9	63.5
DPS (Rs)	5.0	5.0	5.0	5.0	5.0
BVPS (Rs)	234.0	277.5	310.4	356.3	414.8
Debtor days	1	1	1	1	1
Inventory days	16	14	15	15	15
Creditor days	15	17	15	15	15
P/E (x)	25.2	31.6	27.6	20.6	16.5
P/B (x)	4.5	3.8	3.4	2.9	2.5
EV/EBITDA (x)	16.3	19.8	17.5	12.6	9.7

Source: Company, Systematix Research

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