

DODLA DAIRY LIMITED

MILK & MILK PRODUCTS

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Date: 20 July 2021

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 Earnings Conference Call with Analyst / Investors.

Dear Sir / Madam,

In Continuation to our letter dated 13 July 2021 the Company had organized a conference call with the Investors/ Analysts on Thursday, 15 July 2021 at 11.00 AM (IST). A copy of Transcript of conference call held with the Investors/ Analysts is enclosed herewith and the same has also been uploaded on the Company's Website at www.dodladairy.com.

Kindly take the same on record and display the same on the website of your exchange.

Thanking you,

Yours Faithfully,
For Dodla Dairy Limited

Ruchita Malpani
Company Secretary & Compliance Officer
M. No.: FCS-10677



Encl: a/a

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



“Dodla Dairy Limited
Q4 FY2021 Earnings Conference Call”

July 15, 2021



ANALYST: **MR. RUSHAD KAPADIA- VICE PRESIDENT CORPORATE
ACCESS - ICICI SECURITIES LIMITED
MR. ANIRUDDHA - ICICI SECURITIES LIMITED**

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



Dodla Dairy Limited
July 15, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2021 Earnings Conference Call of Dodla Dairy, hosted by ICICI Securities Limited. 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. Rushad Kapadia, Vice President, Corporate Access from ICICI Securities Limited. Thank you and over to you Sir!

Rushad Kapadia: Thank you. Good morning ladies and gentlemen and welcome to the Dodla Dairy Q4 FY2021 results conference call. We have with us from the management Mr. Sunil Reddy – Managing Director, Mr. B.V.K. Reddy – CEO and Mr. Anjaneyulu Ganji – Chief Financial Officer. So, without further delay I would now like to hand over the floor to the management for their opening comments. Thank you and over to you Sirs!

Sunil Reddy: Thank you Rushad. This is Sunil here. A very good morning to everyone and I welcome all of you and our shareholders to our very first earnings call of Dodla Dairy post our successful IPO.

The year 2021 was a historic while challenging year for us and the world also. This is because the pandemic was triggering worldwide lockdowns and affecting business. We were partially insulated from the lockdown given that we are in the business of essential commodities, the operations continued unabated with some logistical nightmares, but the key focus of the management was to ensure that the safety of the employees stayed a center stage under this circumstances.

The whole Dodla family including our employees, suppliers, vendors, rose to occasion to ensure that we weather the storm, which has impacted all of us. Given this is our first call, I will just take a few minutes to take you through the journey of Dodla Dairy.

It has taken us a little over two decades to be where we are today. Dodla was founded in 1995 and began operations in 1997. Our first plant was setup in Nellore and from those small beginnings, we have now established a reputation as an integrated dairy business over the years, with specialization in procurement, processing, distributing, and marketing of milk and other dairy products. We have a strong presence in the southern markets of India and a presence in international markets in Uganda and Kenya.

We strengthened our presence in Andhra Pradesh, which was our first decade of operations by building our facilities around Nellore, Penumuru, Palamaner, Sattenapally, and Badvel. Once we established a strong foothold, we moved our next leg of growth and began targeting the adjacent regions in Southern India. Over the next decade, we had expanded our operations in Tamil Nadu by acquiring assets in Batlagundu and Vedaasandur, from a dairy called KC Dairy and putting our plant in Palacode. We also built processing facilities in Indragi in Karnataka and also in



Dodla Dairy Limited
July 15, 2021

Hyderabad in Telangana; all these times while we continue to enhance our presence by expanding our operations in Kurnool and Rajahmundry, located in Andhra Pradesh .

In the FY15 we began our international expansion by acquiring Hillside Dairy and Agriculture Limited in Uganda, with our Singapore based wholly owned subsidiary and we changed it to Lakeside Dairy, but there also we purchased raw material from the cooperative societies and operated with a similar integrated business strategy like we do in India. There we did UHT Milk. We also make dairy-based value-added products like the yogurt and small quantity of cheese that we process in the Uganda facility and supply across Uganda and Kenya. Our African subsidiaries are doing well and the margins on African business have been substantially higher than our Indian operations.

In the year FY20, we also entered the cattle feed business through our subsidiary located in Cuddapah, Andhra Pradesh called OrgaFeeds Limited. In OrgaFeeds, we manufacture and package it for the farmers through our procurement network. We also have a lot of research and development activities, which is basically to focus on increasing the productivity of cattle, leading to good quality, safe milk & milk production through our associate companies, where we also focus on a bit of breeding and nutrition. We are hoping that this will help in the role of assisting our farmers, who supply our raw material and increase in raw milk productivity.

All along, we have placed significant emphasis on quality control across their integrated business model as we all know that it is a basic food, which you consume right from infants to the elderly, and we have obtained several quality controls for getting registrations for our operations. We have a state-of-the-art technology deployed in our plants for testing and assuring the right quality of milk and products are being produced and distributed to our consumers. We are led by a very experienced board of directors who have an extensive knowledge, understand the dairy business and also help us in a vision to scale up the dairy both organically and inorganically. This is a very short brief. I would like to now to hand over the session to Mr. B.V.K., our CEO, who will talk to you about our scale of operations and the operational details.

B.V.K. Reddy:

Thank you Sunil Sir. A warm welcome to all of you who have logged on to this call. It gives me immense pleasure to introduce more about our company to you. So, I myself was instrumental in setting up our first plant in Nellore. It is quite satisfying to see the transformations that Dodla has undergone since its inception and I am very proud to be part of this journey, from its inception to now being listed on the products.

Speaking about where we stand today, we are the third largest company in terms of raw milk procurement with an average procurement of 10.3 lakh liters per day and the second largest private dairy player in terms of market presence, with a significant presence in the southern region. We procure milk from 1,09,600 farmers operating across 7,003 villages through 6,700 village level collection centers, with approximately 740 primary vehicles, 232 dairy farms and stored in 94 chilling centers.



Dodla Dairy Limited
July 15, 2021

We have been consistently improving our direct procurement model. Our processing operations are spread across 13 processing plants located in the state of Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, with aggregated installed capacity of 17 lakh liters per day. Our major products comprise of retail milk that is full cream milk, Standardized Milk, Toned Milk, and Double Toned Milk, and value-added products say that is curd, ghee, flavored milk, ice creams and Indian sweets, Paneer etc.

The milk and dairy based products are distributed through a wide distribution network consisting of 40 sales offices, 3,285 distribution agents, 861 milk distributors, 544 milk product distributors and 393 Dodla retail parlors. As Sunil mentioned, the last 18 months have been challenging in terms of managing the operations and ensuring that supply to our customers have not curtailed even for a day. I am quite proud to state that the whole Dodla ecosystem rallied behind the tasks, and we have supplied milk to all our customers right from the day one, starting from the first lockdown where we managed to overcome the challenges of the pandemic and tried to minimize the impact on our employees. We did have a few fatalities in the second wave and the company has taken efforts to ensure that the next of the kin of the deceased are supported in the losses that their families have undergone.

Going forward we will continue to build up our vast network and further strengthen our procurement and processing operations, while also enhance the brand visibility to expand the reach of our products and increase our revenues from dairy based value-added products. So, these are broadly the key point that I wanted to highlight and now let me hand over it over to Mr. Anjan, our CFO to run you through the financials. Thank you.

Anjaneyulu Ganji:

Thank you BVK Sir. Good morning everyone. I would like to briefly touch upon the key performance highlights for the quarter and the year ended March 2021 and then we will open the floor for the question-and-answer session. Before I proceed, I would ask all of you to go through the detailed presentation that has been submitted to the exchanges as well as uploaded on our website.

I will take you through the financial highlights for the year ended March 31, 2021.

For this year, the operating revenue for Dodla Dairy stood at 19,440 million as compared to 21,394 million in FY20, with a degrowth of around 9.1% year-on-year basis.

Coming to the EBITDA for FY21, the EBITDA stood for Dodla Dairy at a consolidated group level stood at 2,425 million compared to 1,409 million in FY20, with a growth of 72% year-over-year.

Profit after tax stood at 1,260 million for FY21 compared to 499 million a year ago, with a growth of around 153% year-over-year.



Dodla Dairy Limited
July 15, 2021

Diluted EPS for the year stood at Rs.22.33 per share compared to Rs.8.96 for FY20.

Now I will take you through the financial highlights for the quarter ended March 31, 2021.

The operating revenues for this Q4FY21 stood at 5,305 million compared to 5,274 million in the same period last year, which is a flat growth year-over-year.

The EBITDA for Q4 2021 stood at 360 million as compared to 141 million in the same period last year, with a growth of around 154% year-over-year basis, and

The profit after tax for this Q4 2021 is 96 million compared to a loss of 19 million in the same period last year, with an exceptional item this year we have one exceptional item of deferred tax on goodwill which amounts to around 9 Crores because of the financials. So, the depreciation on goodwill has been disallowed, since this year onwards the deferred tax impact came around 9 Crores.

The EPS which has improved in Q4 2021 and earnings per share for the year was Rs.1.67 as compared to negative of 0.35 for Q4FY20.

Now moving to the balance sheet as of March 31, 2021, cash & cash equivalents and investments for the company stood at around 2849 million as on March 31, 2021.

That concludes the update on financials. Now we will now open for the discussions on question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity Sir. My first question is with regards to the sharp decline in the gross margin that we have seen in the Q4FY21 that both the Gross margin and EBITDA margin have seen a sharp decline, so what could be the reason for that and also if you can share the procurement price for Q4FY21 and the main selling price for Q4FY21 it will be really great?

Sunil Reddy: I will just give you the reason for the decline and Anjan will give you the second part of the question where you asked for the numbers. So basically dairy is a cyclical industry and it normally follows this pattern. The number in the fourth quarter takes a dip because our October, November, December are our season month from starting the summer, we are getting to the offseason and it has been historically the same and we were in the same trajectory in past and that is the reason why we have seen this dip and that continues and it improves again in the next quarter and we are following the same trajectory as well as normal, I think Anjan will now tell you on the second part, where you ask for the procurement price and the numbers.



Dodla Dairy Limited
July 15, 2021

- Anjaneyulu Ganji:** The main reason is the procurement price in the previous quarter stood at around Rs.30.90 around and this year this quarter was a few more, procurement price was around Rs.34 put together at a consolidated group level. So, that is around a Rs. 3 increase and because of the cyclical nature of the business, which Mr. Sunil had mentioned. Selling price remained the same, so last quarter if you see the selling price the average realization per liter, we have around Rs.48.30, whereas for the Q4 we have around Rs.48.20 per liter of sales.
- Gaurav Jogani:** Sir, also we have seen Amul and Mother Dairy, they are taking around Rs. 2 price increases in Q1 FY22, so have you also taken some price increases in the south or are we seeing some competition increasing prices?
- Sunil Reddy:** The market has taken price increase, I think we will stay because we are still maintaining healthy margin trajectory, we want to give it another quarter before we make our call depending on packing material prices and fuel price increases, we will make the call to take the increase or not to take the increase and go forward.
- Gaurav Jogani:** Sir, just one last question from my end. How has been the recovery shaping up in the Q1FY21, because we have heard that the pandemic while we did not have an impact on the earlier part of the Q1, but I think the off late we are seeing a much deeper impact in the southern part of India, so any color on the recovery pattern there; how the market is shaping up would be really helpful? Thank you.
- Sunil Reddy:** We are now maintaining the 12% growth compared to last quarter of the COVID period, I think it will continue to be there and it will be a healthy growth. The products did take a bit of a beating because they lost the season of April, May which are of Summer, small product like ice cream, but these products forms smaller portion of our overall gambit,, we have had a healthy growth and we continue to maintain and I think guidance wise we should be able to reach a pre-COVID levels in terms of revenue going forward.
- Gaurav Jogani:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Congratulations on a successful listing and good results post IPO and good set of numbers overall in FY21. Two questions if you can share the milk procurement and sales number for fiscal FY21, also the presentation has quarter four number, so if you can say similar numbers on milk procurement sales and curd numbers for FY21?
- Sunil Reddy:** Yes, Varun I think Anjan will give you the whole year number of sale and procurement.



Dodla Dairy Limited
July 15, 2021

- Anjaneyulu Ganji:** For FY20 the sales per day stood at around 13 lakh liters per day whereas in FY21 the sales for the company at a consolidated growth level stood at 10,92,000 liters per day. Coming to the procurement if you see for FY20 the procurement from the company stood at 12,09,000 liters and for the FY21 the procurement for the company stood at 10,78,000 liters per day at a consolidated growth level, and coming to the prices certainly the sales realization for previous year stood at Rs.44.80 compared to current year FY21 Rs.48.26 per liter and the procurement rates for the previous year per liter stood at Rs.30.87 per liter whereas for FY21 for consolidated group level the procurement rate stood at Rs.30.40. This does not include SMP procurement prices these are only milk procurement prices.
- Bhavin Chheda:** Curd sales in FY21 and FY20.
- Sunil Reddy:** Curd sales for FY21 normally our volumes in terms of curd sales in FY21 was around 249 metric tonnes per day.
- Bhavin Chheda:** That was the Q4 number, so it is similar for FY21 also.
- Sunil Reddy:** See FY20 was 250 Crores metric tonnes per day and Q4 if you compared Q4 and Q4 it was 249 metric tonnes for FY21. FY20 was almost same.
- Bhavin Chheda:** What could be the rough procurement mix of four states AP, Karnataka, Tamil Nadu, and Telangana?
- Sunil Reddy:** For procurement I think BVK will give you the breakup of procurement of the four states where we collect from.
- Bhavin Chheda:** Sir if you can give for the full year FY21 that is fine?
- Sunil Reddy:** FY21 full year procurement in terms of percentage state wise BVK will give you.
- B.V.K. Reddy:** See Tamil Nadu around 3.5 lakh liters, and Andhra is around 4 lakhs and Karnataka is close to 2 lakhs and we have around 35,000 from Telangana and recently we started couple of months back in Maharashtra also we are collecting around 35,000 liters.
- Bhavin Chheda:** Maharashtra is 35,000 liters.
- B.V.K. Reddy:** Yes, that is started only from January.
- Bhavin Chheda:** So, this will total to 10.78 lakh liters per day in FY2021.
- B.V.K. Reddy:** Yes.
- Bhavin Chheda:** What would be the value wise curd sales in quarter four FY2021 and for full year FY2021?



Dodla Dairy Limited
July 15, 2021

- B.V.K. Reddy:** Sorry Sir could you repeat the question? I could not hear you clearly.
- Bhavin Chheda:** Yes, what is the sales value of the curd in quarter four FY2021 and for the full year FY2021?
- Anjaneyulu Ganji:** For Q4, the curd sales the net revenue from curd that is around 1,021 million for the Q4FY21 and for the full year the curd's net revenue that we booked against curd is around 3,587 million.
- Bhavin Chheda:** Sir the last question was you are guiding for similar numbers in FY20, I believe the Q1FY22 would be lower because of the COVID related shutdown so obviously you are expecting growth in the remaining quarters so couple of questions, what is your milk procurement target for FY22 that is the first one and what is your outlook for milk procurement prices for FY22.
- Sunil Reddy:** Sir I will just take the two questions about the 2022 the COVID for us when we look at it Q1FY22 when you compare it with pre-COVID levels, we have reached to pre-COVID levels in terms of revenue Sir and regarding procurement BVK will now answer in terms of the quantity of procurement that we are targeting for FY22 and what we have achieved .
- B.V.K. Reddy:** Yes, already in Q1 we have touched 12.5 lakhs procurement and we are targeting close to 14 lakhs this year that is liters per day.
- Bhavin Chheda:** So that would be the average for the full year or exit.
- B.V.K. Reddy:** That is average for the full year.
- Bhavin Chheda:** So, that is a big growth from almost you are saying from 10.78 to 14 that is over 20%, 25% growth, so which are the states you are expecting will contribute to such big growth.
- Sunil Reddy:** Tamil Nadu and Maharashtra we are entering it in Maharashtra as we said in January so we will be entering more into Maharashtra, and we are improving at Tamil Nadu also.
- Bhavin Chheda:** What is your outlook on procurement prices?
- Sunil Reddy:** We are expecting the procurement prices for the year like we get to maintain that 30-point odd maybe Rs. 32 or Rs. 31, Rs.32 what we think will reach.
- Bhavin Chheda:** Thanks a lot for answering all the best.
- Moderator:** Thank you. The next question is from the line of Urmil Negandhi from Narottam Sekhsaria Family Office. Please go ahead.
- Urmil Negandhi:** Thank you for the opportunity. I just had two questions Sir. Is there any specified dividend policy for the company and second question is can you just throw a light on to any capex plan for the future for our expansion or areas where we need money? Thanks.



Dodla Dairy Limited
July 15, 2021

Sunil Reddy: Regarding the capex plan, we did not have a major capex plan and the regular capex for this year, we have only our chilling center expansion and our regular capex which I think will be around 20 to 30 Crores is what we plan to spend for the current year, and so regarding our dividend policy as of this year we will not be declaring the dividend because of COVID and we were actually actively looking forward for acquisitions and we needed some time right now it is a little fluid once we decide on that and then post going forward yes we will have a dividend policy which will be in place to declare dividend as we go forward.

Urmil Negandhi: Sir just one more question if you may allow sir what is the acquisition we are looking for is it in same geography or any other geography or any other something value added product company how what is the criteria we are setting in for?

Sunil Reddy: We are looking for something similar line within the adjacent geographies or if possible within the gaps that we have like we have gaps in costal Karnataka, we want to enter into the borders of Maharashtra if there is a possibility in Tamil Nadu, we are looking at the gaps of Tamil Nadu more towards the Coimbatore side we are not there, so these are the areas that we are looking for adjacent growth or filling in area where we are not and mostly the similar businesses.

Urmil Negandhi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Dipen Sheth from Crystal Investment Advisors. Please go ahead.

Dipen Sheth: Thank you for the opportunity. Sir my question has been partly on responses to some other questions but actually need to join the dots, so one you have guided for a rise in procurement processing from your current levels of about 11 lakh liters of capacity to about 14 this year; am I correct on a per day basis of course?

Sunil Reddy: Yes.

Dipen Sheth: So, your installed capacity as we speak?

Sunil Reddy: We have around 17 lakhs of processing capacity installed and the chilling centers we have around 14-15 lakh liters, which we will keep adding.

Dipen Sheth: In the near-term, this year that gives us a little bit of a sense of growth and operating leverage that kicked in and that is heartening; however, the promise in your industry is not a one year promise it is a ten-year promise as we are all were aware and all of us who have been following your company during the IPO and subsequent periods till today. So, from a more medium-term perspective what is the growth runway that you are addressing and how are you addressing it beyond these 17 lakh liters per day capacity. You did mention that you are looking it in fact that you want to fill up the gaps and your job to see the normal impact so let us say maybe two or



Dodla Dairy Limited
July 15, 2021

three years out from now and I am not asking you for a guidance but if the aspiration to be somewhere around let us say in three years from now the 17-lakh capacity Greenfield or Brownfield or acquisitions are we shooting for 25% increase?

Sunil Reddy:

Aspirationally, I think from a Greenfield point of view we have built adequate capacity in the last few years, near Hyderabad, the new plant, we are building a new plant in Rajahmundry. We have a smaller aspiration of building one more Greenfield plant somewhere in Karnataka because we have some plants which are running at full capacity. Other than that we will be looking for a Brownfield or an acquisition as we go forward and we hope that we will at least grow from where we are during the next three to four years time that at least another 40% - 45%, by volume is what we are targeting to grow so this way to end up a little bit of Greenfield and little bit of Brownfield and growth so we have been doing at around organic growth of around 8% to 10% historically by volume which we are very confident any acquisition will accelerate that much more.

Dipen Sheth:

The 17-odd lakh capacity today you are aspiring for of course it is not a guidance but 24, 25 lakh is what you want to do in the next three, four years that is very heartening and sir if you comment to the second question? It is very interesting to see that you have cattle feed business which synchronizes nicely with your milk procurement because it feeds the farmer ecosystem but right now it seems to be a very small part of your operations. How big is the revenue by about 20 Crores, 30 Crores I guess?

Sunil Reddy:

Yes, so right now it is 25 Crores, and we have 80 tons a day plant we just started in 20 to look at the growth. I think this year itself we hope that we will reach 75% or revenue will be higher but also 70% - 80% of our capacity utilizations and we think that this will also as we go forwarded like we said in near three, four years we will contribute a sizable portion to our revenue and the bottomline sir because it is mostly support that we give the farmer and we get our because there is no overhead cost for us in terms of sales marketing and distribution.

Dipen Sheth:

While you make your 3%, 4%, 5% margin per year, I do not know how much you do I should have check but for me the bigger deal here is the kind of ecosystem and the tie-up and the franchise it gives you with the farmers and the strength of the network that you can build up so are you thinking of drastically scaling up this business or what is the vibe that you are getting there?

Sunil Reddy:

Yes, so we will be scaling up this business as we go forward as much as we can in terms of because of it is also a logistical business where we have to look at the commodity prices of the ingredients at the location of availability we will be going and scaling that up and as we go forward.

Dipen Sheth:

That sounds like a plan. Thank you, Sir, thanks for the opportunity. I will come back if I have more questions.



Dodla Dairy Limited
July 15, 2021

- Moderator:** Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.
- Prateek Poddar:** Sir I just wanted to ask you one question when I look at your value-added sale the proportion of that does not seem to, or at least from the absolute level when I look at FY21 our value-added sales of 486 Crores in FY17 it was at 467 so over the last four, five years we had not seen an increase in the number of value-added products how should I think about this segment?
- Sunil Reddy:** Value added products as we said in the earlier also we will be growing at 2% - 3% although historically we have been growing at 6% and we dropped in the year of COVID because of ice cream and current year also we lost our first April, May, June which is basically the peak season for products to move so we think we were going forward business as usual at least we will be doing the 2% to 3% growth in terms of value added products the revenues.
- Prateek Poddar:** You mean share will increase by 2%, 3% right not growth?
- Sunil Reddy:** Yes, share will increase by 2%, 3% there we will be growing by 2%, 3%.
- Prateek Poddar:** So that means that your sale of value-added products growth rates will be higher than your overall company level sale?
- Sunil Reddy:** No. Company will be growing at around 15%, we will be growing in that maybe 2%, 3% in terms of value-added products so the percentage of revenue that we are right now 27% we will move to the 29%, 30%, 33% as we go forward.
- Prateek Poddar:** That is the differential in gross margin between value added products and your base products I mean the milk.
- Sunil Reddy:** There is a difference of almost 5% Sir at EBITDA level.
- Prateek Poddar:** At the EBITDA level it is 5%, and at the gross margin level Sir?
- Sunil Reddy:** At the gross margin level it should be around double of it that means close 7% so because we have the packaging cost and all that 7%.
- Prateek Poddar:** Thank you so much. All the best.
- Moderator:** Thank you. The next question is from the line of Alok from Ambit Capital. Please go ahead.
- Alok:** Thank you for giving me an opportunity. Congratulations on successful listing to the overall Dodla team. I will start off with some clarification's basis your reply to the previous participant. Sir firstly you mentioned that you have not taken price hike because you are still seeing sort of



Dodla Dairy Limited
July 15, 2021

healthy margins continuing. So broadly 1Q and 2Q you are still expecting about 30% gross margin levels to sustain is that understanding, correct?

Sunil Reddy: yes, we can take it at 30% gross margins to sustain.

Alok: Secondly, you mentioned that the share of value-added products will continue to increase by about 2% to 3% or the share will continue to increase per annum by 2% to 3% but on the other side from a capex perspective, it is largely the maintenance capex so the bulk of the capex even for value added is pretty much in place and now it is about sweating those assets is that understanding, correct?

Sunil Reddy: Yes, your understanding is correct we have already got our major plant for the value-added products in place and there anything it will be only a small issue the additional packing machine not major, you are right.

Alok: I have two strategic questions if I may go ahead. Wanted to check as you enter new territories because you will be a new player and you know there will be either a cooperative or a private already there so in terms of your sourcing, do you end up paying some premium initially while of course on the overall book level, it would be very small because the contribution from that new geography will be sub 2%, 5% etc., but do you end up paying a premium initially.

B.V.K. Reddy: Whenever we go in new geographic area maybe initially one or two months we will pay little higher price and then between three four months, one quarter will pay higher price and the second quarter will bring it to normalcy.

Sunil Reddy: Basically, it will show the consumers, to get them to us but once they see our process, system, transparency, and clarity then they are hooked to us.

Alok: Secondly wanted to understand your strategy on the Dodla Retail Parlor I understand that you are at close to about 400 odd and there is aspiration to take it to much higher level so what percent of the revenue would that be and are those parlors say like a company owned company operative or a franchise run etc., if you can just delve bit more on the operating dynamics over there? Thank you.

Sunil Reddy: The DRPs today are contributing to almost 6% of our revenue. They are basically company owned and franchise operated, and we are trying to see that this is one of our things wherever we are not able to get placement we are trying to use it and go forward and as our bouquet of products are also increasing it is becoming more lucrative for the franchise also and we are trying to improve it as we go forward.

Alok: The margins may not be attractive, but would it be loss making at this point in time considering the time or not?



Dodla Dairy Limited
July 15, 2021

- Sunil Reddy:** Not loss making. They are basically equivalent to our other distribution channels that is how we try to maintain it and because our real estate we do not go for high street therefore our cost of real estate is not that high that is the reason we are able to maintain the margins.
- Alok:** Thank you very much for this clarification and wish you a good quarters and years ahead. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Arun Kumar from Aries Investments. Please go ahead.
- Arun Kumar:** I would firstly like to congratulate the management for a very good set of numbers and my question is regarding the debt. Is the debt likely to come down and the thing right now it is pretty low I know, but still is there any update or what is your expectation going forward with that?
- Sunil Reddy:** Regarding the debt. We will be repaying our debt by full, and I think by the end of the next quarter results when we come in, we will be a debt free company.
- Arun Kumar:** Thank you that would be all.
- Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Barclays Securities India Private Limited. Please go ahead.
- Rikesh Parikh:** Thank you for the opportunity. Congratulations for a good set of numbers. Sir I would just like to understand about the value-added products so what is the value-added product contribution right now and for the future capacity what you are planning so way forward where do you think we would be in next two to three years?
- Anjaneyulu Ganji:** Our value-added contribution like you said is around 27%. It is 486 Crores for FY21 and then FY20 was around 529 Crores. The contribution is predominantly will be largely led by curd followed by ghee then flavored milk, ice cream paneer and then other products. That is the basic constitutes of our product portfolio.
- Rikesh Parikh:** Next further expansions are you planning to increase value added product going forward or how it will be like?
- Sunil Reddy:** Yes, we will be on the same product line we will be pushing for all of these to be increasing right from curd and ice cream, ice cream was pretty recent for us it is only three years old and out of which we have lost few seasons because of COVID so we will be looking at that. We have also launched our UHD lines then we are taking multiple products and we will be growing at that in that sense the capex is already in place now we are only pushing the product portfolio as we go forward.



Dodla Dairy Limited
July 15, 2021

Rikesh Parikh: In terms of the cattle feed business what are our plans, means do we see growth in a larger scale or how are you looking at it and what are the kind of margin there?

Sunil Reddy: The cattle feed I will just give you the broad strategy and BVK will give you what was last years and what we are aiming at current year, and we will go. So cattle feed as I said earlier it is a very, very good business for us because there is visibility of farmer and the habitat of the farmer making it right in India because he does not have to spend money we gets the cattle feed and it is deducted from the produce and he will try to grow better quality and operationally it is beneficial for both of us because we do not have this entire marketing thing, it just goes through our own procurement chain to delivering up to the farmer and almost 50% of the farmer cost arises from the cattle feeds today for raw material 30% to 40% of that will be cattle feed cost and therefore it is a good business for us to be in. BVK will give you the specific numbers of when we started last year what our volume was what our current volumes that we are targeting our current volume and what we think of the future.

B.V.K. Reddy: This we acquired in 2019-20 and last year we have done almost in 10,000 tons for the entire financial year. This year we are targeting almost double the quantity, 1800 tonnes per month average so almost the plant capacity will be doing around 70% - 75% normally feed plants it will take 80 tonnes per day it comes at monthly 2400 tonnes so 70% means this year by end of this year itself we will become fulfilled in this plant capacity maybe next year we will have to plan for one more feed plant that is what we are looking for the growing trend.

Rikesh Parikh: And how are the margins in this year.

Sunil Reddy: We target around between 8% and 10% of EBITDA margin.

Rikesh Parikh: Thank you. That is, it from my side.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Sir my first question is with regards to like you said that your procurement that you are looking to increase to around 14.5 million liters for this particular year so why are we conservative on the growth outlook since we will be procuring a higher amount of milk then we will be utilizing it also for selling at the same time?

Sunil Reddy: It is a fine balance that we have to do between our procurement sales and our seasonal variation so that is how we plan based on what our sales will be during summer to what our surpluses will be in winter to the other way around the winter sales in the balancing to keep our margin and how we go forward so because what we are get in milk we have to also sell and we have never been a seller of commodity. We have always been in the B2C player to most of our products so we want to maintain that as we go forward and then we have a little bit of a disruption or maybe



Dodla Dairy Limited
July 15, 2021

a small portion becoming surplus we will become a small commodity seller. So that is how we plan to go forward. We will never be a commodity seller and we are balancing that for our better margin for procurement and sales.

Gaurav Jogani: So, in that sense will it be fair to say that you are being conservative in terms of a guidance that you could actually do better in terms of sales if one has to put it?

Sunil Reddy: Yes, if you wanted to touch commodity you are getting the topline for that is very easy but we do not want to do that we want to do most of the B2C business that we want to look at this around our margins instead, of getting for a commodity where the margins are lower but the volumes are larger.

Gaurav Jogani: Sir the second question is with regards to the impact of the rising global SMP prices and what kind of impact we envisage on the domestic milk prices on the same.

Sunil Reddy: For us impact it will be very little because we are majorly doing our procurement and our own sales and in the season when the procurement prices are lower we convert our own milk into SMP and whatever requirement is we use it so we are not very much dependent on the outside ecosystem it is only our own ecosystem that we manage.

Gaurav Jogani: Sir but do you see then the fulfillment prices outside also increasing in the future because then people would be using this milk to convert into SMP and export it. Do you see that?

Sunil Reddy: Yes, normally that happens as a seasonality but this coming year I do not think so because there is a global glut also that is going to be dependent on where the global prices are and we are invariably a year, year and a half behind the global prices there because there are sometimes is intervention from the government sometime there is not. so, the people are not concentrated in the global markets per se unless it is a scenario where there is a too much of milk powder in the system we do not concentrate much on global market.

Gaurav Jogani: Sir like the last year we have seen a sharp margin expansion for our business that overall EBITDA margins will be around 12.5% of the consolidated business and we do understand it last year was the abnormal year because of the fact that the ultra premium with the procurement prices and you taking price increase but going ahead what kind of stable margin as a business you expect to sustain?

Sunil Reddy: Sir we will move into that purely double-digit number we will maintain it there so maybe a percentage or two less than overall, but we were confident of maintaining the double-digit number going forward.

Gaurav Jogani: Thank you. That is all from me.



Dodla Dairy Limited
July 15, 2021

Moderator: Thank you. The next question is from the line of Dipen Sheth from Crystal Investment Advisors. Please go ahead.

Dipen Sheth: The question again is related to exactly what earlier speaker asked Q4 some forward-looking view on margins or guide us on margins. Can you clarify what the driving factors are for your margins. So the way I see it is that it is a function of what is your average sales mix realization is and that is a consumer market we have and we have gotten think with the price we can procure milk and that changes from month-to-month or quarter to quarter the seasonality but there is also a lot of market dynamics where in terms of is there a government cooperative nearby or is there a political pressure for you to buy milk from farmers at higher prices we see that this lever moves very strongly for agri based industry we have seen it for sugar industry actually but that is a different story so can you tell us a little bit more about that part of the business from the factors that drive your procurement price?

Sunil Reddy: I think now milk because of the perishability in nature although it is agriculture driven government interference is very little. It is only the cooperatives and cooperatives we consider them to do more to be competitor rather than a government agency and this is very much driven by market and supply demand scenario where it has happened is from a consumer point of view consumers have moved up at least in the areas where we operate they are not dependent as much as on the price sensitivity, rather than more on qualitative sensitivity. So, we look at milk it is a buck or two differences for the consumer with significant retail consumer per day or it is a Rs.60 per month they are not very much bothered. It's more of convenience, the availability and also the food habits that are changing into more package form is where the market dynamics are. So, lot of the places we will be higher than the cooperative in selling, we are also higher than cooperatives purchasing, in certain areas certain areas we will be less than the cooperatives in purchasing but we still get milk because we are paying on time, our services are better for the farmer as far as it is concerned, similarly in the market. So, it is a very, very much market dynamic for supply demand and how we manage it. Like the earlier question that was asked about why procurement is so much and why our sales is so much, it is that skill set that we have is what the ability is to manage the dynamics of procurement and sale price increase and efficiency that keep us going forward.

Dipen Sheth: Like I said, let us keep the consumer and the selling price bit out of this you are telling me that even on the procurement side, it is largely market driven and there is no dispatch from local governments or politician and so on. For example, I go back to the sugar industry that you have a dictated price for buying cane. I know it does not work the same way here but isn't there local pressure which is existed on your procurement centers to declare higher procurement prices let us say an election is round the corner?

Sunil Reddy: None of that, because I think every village there is almost four, five of us collecting milk and I think in the areas probably Southern India if you look at it private sector is also equivalent as or larger than the cooperative so the simpler scenario of price might lose farmers if I do not pay the



Dodla Dairy Limited
July 15, 2021

proper price and somebody else is paying and then its might be difficult to get them back, so there is no government minimum price and I do not think it will come because very difficult for anybody to buy and store this product.

Dipen Sheth: I am hearing you. I would love what you are saying, and it sounds very, very believable, you have my best wishes Sir.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Sir I missed out on your FY20 milk procurement per day and sales per day?

Sunil Reddy: You have missed out on that. FY20 quantity of procurement, sales quantity and price that is what you wanted?

Bhavin Chheda: No milk procurement liters per day and sales liters per day?

Anjaneyulu Ganji: For FY20 we have sold around 13 lakh liters per day, and we have procured around 12,09,000 liters per day for FY20.

Bhavin Chheda: I think what you guided for FY22 was 14 lakh liters per day right the target.

Anjaneyulu Ganji: Yes.

Bhavin Chheda: So that would be roughly around 15%, 17% growth but you are guiding for similar revenue so what would be the reason because I assume the realizations are also similar so what is the mismatch there?

Sunil Reddy: Basically, what is happening if you look at our revenues of the sale to procurement we had a lower procurement in the year 2020, if you noticed and that is why we also had that little bit of an impact on our margin because our sales pickup more actively now we are getting that sales matching to happen is the reason why is that so because the sales numbers that we are projecting was coming back to the same 30 lakh liter same number instead of having a shortage of 1 lakh now we are going to go into the surplus of 50,000 - 60,000 which will convert and use it for our own consumption of the next following year.

Bhavin Chheda: Why I was asking for procurement because I think at the times of ice cream, I had some number of 11.3 lakh as a procurement number so have some numbers with rebased?

Anjaneyulu Ganji: That is for standalone at India level so whatever the number that I gave it for this group level consolidated level 11.28 for standalone India.



Dodla Dairy Limited
July 15, 2021

- Bhavin Chheda:** Okay 11.28 was the standalone number. So, this year also you gave 10.78 lakh that is the consolidated number, right?
- Anjaneyulu Ganji:** Yes.
- Bhavin Chheda:** What was this standalone as compared to this or is it that what is your run rate overseas, so we get minus that number to get the standalone number?
- Sunil Reddy:** So, we want the run rate of standalone and overseas also, Anjan will give you right.
- Anjaneyulu Ganji:** Yes, 10.26 is the standalone against the growth level of 10,78,000 this year procurement which it was only milk does not include SMP.
- Bhavin Chheda:** Thanks.
- Moderator:** Thank you. Ladies and gentlemen this will be the last question, which is from the line of Rushad Kapadia. Please go ahead.
- Rushad Kapadia:** Sir just wanted to understand do you see normalcy in the out of home consumption now and you did mention that this time around you lost the summer but how do you see the ice cream business going forward from here on now?
- Sunil Reddy:** Actually, ice cream business is improving so although we lost summer, if I take a comparison on last COVID first quarter to this COVID first quarter we are doing better, and the volumes has come back. There is still a little bit of pressure on the outside consumption that I put it in our way of what tea shops or whatever the crowds were not yet back so that will be still muted and that is the reason why we are saying that we will just come back to pre-COVID levels and not have that growth over pre-COVID level. I think the following year the growth will again start so effectively we have the COVID has this in the lost one year in volume the other year we will come back to COVID levels and then the growth starts again the following year.
- Rushad Kapadia:** Sir so also if you could shed some light on the business outlook in Kenya and how do you see this business changing in the next three years?
- Sunil Reddy:** There we are going to be more muted because in Africa it is now already make very good realizations. It is not good to get too much as a limelight because of whatever local issues that can crop up, so we will continue to maintain status quo. We want to do a small co-packing operating in Kenya also to overcome intra country dispute between Uganda and Kenya so we will be growing at a slower pace there but will protect our margins and continue to grow so it is not no more investment major investment and protect our margins and increase them in a more muted manner.



Dodla Dairy Limited
July 15, 2021

- Rushad Kapadia:** Just one final question do you see food inflation and any increase in fodder prices have any significant impact on margins from here?
- Sunil Reddy:** No, because we either pass it on to the consumer or the farmer and we are being processor, we will try to maintain our margins as we go forward. So if we are look at milk inflation it has been almost, I think my personal view it might be wrong but more than 11%, 12% has been over my 20 years of being in the business and that is either passed on to the consumer or the farmer so we try to maintain our margins.
- Rushad Kapadia:** Thank you very much Sir.
- Moderator:** Thank you. As this was the last question, I would now like to hand the conference over to Mr. Rushad Kapadia for his closing comments.
- Rushad Kapadia:** Thank you, ladies and gentlemen, I would also like to thank the management of Dodla Dairy for patiently answering all the queries of the investors through the call. Sir I would like to hand over the floor to you once again for any last comments before we end the call.
- Sunil Reddy:** Thank you very much for all of you to be here on our investor conference for the first time. If there were any lapses we will try to cover up and make a better going ahead. Thank you very much and we are now looking forward for a great year going forward. We had a good listing to our shareholder, and we will hope we will live up to our shareholders expectations as we go forward, and we will definitely deliver our promises. Thank you very much for joining in.
- Moderator:** Thank you. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.