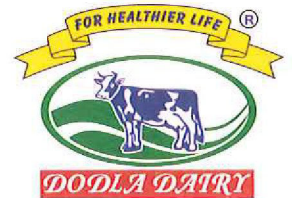


DODLA DAIRY LIMITED

MILK & MILK PRODUCTS

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Date: 14 August 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 6 August 2021 the Company had organized a conference call with the Investors/ Analysts on Monday, 9 August 2021 at 12:30 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.

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
ECSIN: EF010677B000093738



Encl: a/a

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



**“Dodla Dairy Limited
Q1 FY2022 Earnings Conference Call”**

August 09, 2021

ANALYST: MR. RUSHAD KAPADIA- ICICI SECURITIES LIMITED

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



*Dodla Dairy Limited
August 09, 2021*

Moderator: Ladies and gentlemen, good day and welcome to the Dodla Dairy Limited Q1 FY22 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rushad Kapadia from ICICI Securities. Thank you and over to you Sir!

Rushad Kapadia: Welcome to the Q1 FY2022 Dodla Dairy earnings conference call. We have with us from the management, Mr. Sunil Reddy, Managing Director, Mr. B.V.K. Reddy, Chief Executive Officer and Mr. Anjaneyulu Ganji, Chief Financial Officer. Now, I would like to hand over the floor to the management for their opening comments. Thank you and over to you Sir!

Sunil Reddy: Thank you very much Rushad. Hello everybody. This is Sunil Reddy. A very warm welcome to everyone to the Q1 FY2022 Earnings conference call of Dodla Dairy. We are actually meeting in a short time since we concluded our Q4 FY2021 call post our listing. I hope that everyone is keeping safe and well during the pandemic scenario. We, at Dodla, are advising our employees to be extra careful and not drop their guards as there may be a third wave. In my introductory call, I have given a brief outline of who we were and what we do, I am not again going to go through that thing because I think it will bore all of you. I will just go through the numbers straightaway.

Q1 FY2022 was a period when our economy faced the onset of the second wave and triggered lockdowns that impacted many businesses. We also, the dairy business had to face an operational and supply chain challenges, but we have learned from our first lockdown experience, and we were much better prepared this time around. Despite the headwinds, I am pleased to say that our top-line grew by 12.5% on a year-on-year basis, and our average milk procurement was 12.3 lakh liters per day compared to 10 lakh litres per day in the corresponding quarter.

Anjana, CFO will cover the detailed financials and it is suffice to say we performed credibly across all key parameters compared to Q1 for the year FY2021. As mentioned in the last call, Dodla prides itself, on its well-integrated supply chain, managerial expertise, large operational presence and a strong branded portfolio, the performance in this quarter touched the benchmark, progressive skill and we believe that our Dodla strategy and execution excellence will hold us in good steady in the coming quarters.



Dodla Dairy Limited
August 09, 2021

We have laid continuous emphasis on quality of all our products, with a view to make Dodla a trusted family name across the length and breadth of the country. To aid this, the company has maintained sustained relation with the dairy farmers, and we continue to deepen our presence in the newly entered state of Maharashtra as well as the unserved areas of opportunity existing in the southern Indian territories. Technology, both in terms of plant infrastructure and supply chain management continues to be focus area for Dodla and we believe the single-minded focus on newer technology will be a competitive advantage for us in the long run.

At Dodla, commitment to responsible growth has always been central to all we do. A long health conviction of being a sustainable business would outclass the competitors and provide long term successes. ESG practice, therefore is cornerstone of our growth strategy and one that is standard and compassion with partnership and inclusiveness as part of our ESG objective, we are taking small but definitive steps to transition most of our facilities, operations to a renewable energy sources and I am proud to say that many of our plants currently already have solar-powered capacities installed. All the latest plants that we have built in the past 2-3 years have also been zero-discharge plants and we are proactively taking up the step towards ESG and other areas also. With this brief, I will now handover to Mr. B. V. K. Reddy, our company CEO.

B. V. K. Reddy:

Thank you, Sunil Sir. A very good morning to all. As mentioned earlier, by Sunil this quarter was faced with volatility and supply chain challenges, but we kept our utmost priority on ensuring smooth operations in terms of procurement, and timely deliveries for our customer base. Our focus has also been to take precautionary measures both for the health of our employees and to follow local government guidelines while working on sites.

We continue to build our strong procurement model and will continue to peak and develop in this quarter. As the quarter ends, we procured milk from 1.2 lakh farmers on a daily basis and provide regular, direct payment to the bank accounts – approximately 84% of them. This, along with helping them with financial loans and assisting them with high quality cattle feed through our subsidiary Orgafeed. This has helped us to create a strong engagement model with them. We carry out collection operations through 7300 villages and we are consistently improving our direct procurement model which stands at approximately 90% as of date. This direct procurement not only enables cost saving, but also helps to build direct relationship with our dairy farmers.

In terms of our processing capacity, we have been adding to our existing plants, over the years and we are always on the lookout for new areas. With our ability to access market trends, we have already set up 14 plants with an aggregate capacity of 20 lakh litres, approximately as of date. We have 42 sales offices and moved to 12 states as of Q1 FY22. With our strong network, 1510+ milk and milk distributors, 3100 distributor agents, 455 Dodla retail parlors, we were able



*Dodla Dairy Limited
August 09, 2021*

to reach customers more efficiently this quarter than the previous. This is reflected in our topline. Our Dodla retail parlor strategy to expand our footprints in our chosen area to helping create a brand visibility before the eyes of the country's common man.

As we all know previously, reiterated Q1 FY2022 has been a good quarter due to the summer season for the overall dairy industry. This was also reflected in our numbers. However, the second wave of pandemic did impact our out-of-home consumption revenue, but we built on our experience from the past COVID-19 wave and fared better this time in terms of supply chain distribution, which is clearly reflected in our numbers.

Going forward, we will continue to use our expertise for further expansion of our extensive network and thereby we build our procurement cost and units. Strengthening our brand position, as well as expansion of revenue share in the space of value-added products will continue to remain our top priority. Now, I will hand over to Mr. Anjan, our Company CFO for the financial view of this quarter.

Anjaneyulu Ganji:

Thank you sir. Good morning everyone. I would like to briefly touch upon the key performance parameters for the quarter for the financial year of 2022 and then we can open the floor for question and answer.

We have also submitted a detailed presentation of our quarterly performance on the exchanges and also uploaded on our website. Before I proceed, I would request all of you to go through the same and get some insight from it.

Operation Highlights for Quarter Ended June 30th, 2021:

- Average milk procurement during Q1FY22 was at 12.3 LLPD compared to 10.0 LLPD in Q1FY21.
- Average milk sales during Q1FY22 were at 8.3 LLPD compared to 7.7 LLPD in Q1FY21.
- Curd sales including buttermilk and lassi during Q1FY22 was at 294.3 MTPD compared to 243.2 MTPD in Q1FY21.
- Revenue from Value added products (VAP) excluding fat & fat-based products was at ₹ 1,399 Mn contributed 27.8% to the overall dairy revenue during Q1FY22.

Financial Highlights for Quarter Ended June 30th, 2021:

- Operating Revenues was at ₹ 5,121 Mn in Q1FY22 as compared to ₹ 4,554 Mn in Q1FY21; a growth of 12.5% Y-o-Y.
- EBITDA was at ₹ 509 Mn in Q1FY22 as compared to ₹ 608 Mn in Q1FY21; a de-growth of 16.2% Y-o-Y.



Dodla Dairy Limited
August 09, 2021

- Profit After Tax stood at ₹ 361 Mn in Q1FY22 as compared to ₹ 322 Mn in Q1FY21; a growth of 12% Y-o-Y.
- EPS for Q1FY22 was 6.1 as compared to 5.8 in Q1FY21.

That concludes our update on financials, which we believe have been positive and has shown a steady growth. We will now open the discussion for question and answers. Thank you all.

Moderator: Thank you. Ladies and Gentlemen, 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 and congratulations on a good set of numbers. My first question is with regards to the recovery post the pandemic or the second wave. What is the sense of the recovery? How are things shaping up and any sense you can give on that?

Sunil Reddy: This is Sunil here, Gaurav. Thank you very much for coming on to the call. When you look at the COVID pandemic, yes we did have a steeper uptake during April. We lost out a bit in May because of this, the fear of the third wave again and June was also a little unsteady and going forward and we think it is now coming back to pre-COVID levels very quickly and that is how I think it will go forward. I do not think the third wave will impact unless something substantially comes across, which all of us are not too sure of where it is going to lead to. If the current status continues, status quo continues, we should be improving and continue with this improved sales revenues.

Gaurav Jogani: Sure Sir. Did you also witness any gains from the unorganized players, any big local vendors or small time players who might have gone out of business during this pandemic and any geography that you might have entered into in this particular quarter if you can help with us on that?

Sunil Reddy: Coming to sales, we do not get into the mode of new territories. It is only the existing volumes we are getting back, which is growing up. Small thing, we just entered Pondicherry. Just to add to list of states, we can add it because it is a very small thing we went into, but it is only an extension of Tamil Nadu for us and we are looking forward to it, but more than that it is growth as usual. It is a simple thing of B2B in terms of the tea shops opening up a bit, little bit of the offices opening, which is the traction that we are getting for our improved sales to come up and I think if it goes forward and the weather improves also it will be very strong numbers going forward.



Dodla Dairy Limited
August 09, 2021

- Gaurav Jogani:** Sure Sir and one last question from my end is that Sir we have been witnessing some impact of inflation across the industries in terms of the procurement prices for various raw materials. How has been the trend for us and also if you can highlight the procurement price for Q1 FY2022 versus Q1 FY2021 and your outlook for the way forward?
- Sunil Reddy:** Anjaneyulu will give you the specifics details in a minute. Gaurav my view on what is this yes there was as an inflationary trend not only on the procurement prices but also because of the fuel prices which we have been able to sort of contain because of the volume increase that happened therefore you will see the slighter because corrections were happening so the substantial fuel increase and the little bit agri packaging material increase we have been able to contain it because of the volume growth. Coming to the procurement numbers specifics of the quarter Anjaneyulu will give it you now.
- Anjaneyulu Ganji:** For the quarter average the FY2022 we have procurement rate of around Rs.31.10 compared for the same quarter previous year we were around Rs.30 so this is around Rs.1 increase in terms of procurement cost. This is the procurement cost and not the consumption cost.
- Gaurav Jogani:** Sure Sir and Sir if you can also share the consumption cost so that will be really great?
- Anjaneyulu Ganji:** Consumption cost also in the same line from Rs.33 compared to Rs.34 so there is a Rs.1 impact that we have in terms of consumption.
- Gaurav Jogani:** Sir just one last bit ,as an extension to this so owing to this inflation as you mentioned in the fuel prices also and a slight bit of procurement prices as well so are you envisaging any price increases in the milk prices going ahead anything that you are witnessing with the local area?
- Sunil Reddy:** Gaurav, I do not think right now it is not going to be that much of an impact in terms that we need to increase the milk selling prices because I think we can still maintain our margin profile as we are going along because I keep repeatedly saying that our volumes are going up. The absolute number in terms of profitability will continue to hold forth and that is what we go by normally because what we target as an absolute number of profitability is what we are targeting at and I think we will maintain those absolute numbers but without a price increase. We will try to increase the volumes.
- Gaurav Jogani:** Got it Sir, sure. That is all from me.
- Moderator:** Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.
- Bhavin Chheda:** Sir can you give a state wise breakup of milk procurement in Q1 FY2022?



Dodla Dairy Limited
August 09, 2021

- Sunil Reddy:** I will ask Anjan to give the quarter wise breakup of the quantities by state wise.
- B. V. K. Reddy:** Yes Sir Andhra Pradesh we have roughly about 38% that is 4,55,934 and Karnataka it is almost 2,13,000 and Tamil Nadu we have 3,99,000 close to 4 lakh and Telangana it is 87,000 liters and Maharashtra it is 29,000 liters. The total in India alone 11,85,000 liters.
- Bhavin Chheda:** Sure and I missed out on the milk procurement price I think the line was not very clear? If you can give again and what was the Q1 FY2022 milk procurement prices versus Q4?
- Sunil Reddy:** Q4 and Q1 that you are asking Sir. We gave last time I think Q1 versus Q1. Now we will give you Q4 versus Q1 Sir.
- Anjaneyulu Ganji:** So the procurement rate for the Q4 versus Q1 was around Rs.33.40 paisa in Q4 and Q1 we are at around Rs.31.10 paisa and same Q1 last year we were at around Rs.30.10 paisa so there is a Re.1 from the previous year and there is a reduction from the previous quarter because of this lockdowns.
- Bhavin Chheda:** What is the current procurement price this one quarter Sir?
- Sunil Reddy:** It is around the same. It might go up marginally here and there depending on the state.
- Bhavin Chheda:** Last call Sir you had mentioned we were looking at procurement of close to 14 lakh liters in FY2022 so how are on that target Sir?
- Sunil Reddy:** I think we have not reached around 12.3 lakh liters to 12.9 lakh liters were we are procuring and as we are going into the monsoon and the flush period it will come up so we will be opening more chilling centers so we will be able to increase our volume and we will reach that Sir. I think next quarter we will a lot of more chilling centers in operation.
- Bhavin Chheda:** What were the curd sales in value in the quarter? I think you gave 294 tonnes per day? What it is translating to the quarterly revenue?
- Sunil Reddy:** Anjan will answer that question Sir.
- Anjaneyulu Ganji:** For the quarter the VAP sales were around 1399 million in that so around 1,240 is from the curd.
- Bhavin Chheda:** Liquid milk prices realized in the quarter was?



Dodla Dairy Limited
August 09, 2021

- Sunil Reddy:** Realization of liquid milk prices for the quarter, Anjan will give the realization of milk for the quarter 1?
- Anjaneyulu Ganji:** Liquid milk realization I do not have it readily available but on an average our realization was around Rs.48.50 paise versus Rs.47.90 earlier and I got for liquid milk it is Rs.46.40 paise was the realization.
- Bhavin Chheda:** Rs.48.50 you said Sir?
- Anjaneyulu Ganji:** Rs.48 is overall including tax, Rs.48 and for liquid milk is Rs.46.40 around.
- Bhavin Chheda:** Thank you Sir.
- Moderator:** Thank you. Our next question is from the line of Satish from A Fin Share Services. Please go ahead.
- Satish:** Congratulations Sir on the very good performance like that gives a lot of confidence to investors as well. Sir you were mentioning about the dairy farmer procurement, which is around 90% and are we maintaining the same percentage now Sir or any plans on that which you would like to share?
- Sunil Reddy:** Satish thank you very much for the question. We are planning to reach our 100%. What we mean is 90% of farmer procurement is that we are handling directly from the farmer. The remaining 10% is the older system or the agent system that we have which we think by the end of this year we are trying to do it and I think BVK can throw some more light on it.
- B. V. K. Reddy:** We have some tie up units in our Buffalo area since long time. So very small quantity that is continuing but going forward since once we reach to 14 to 14.5 lakhs, this percentage will keep on dilute and then percentage will go up.
- Sunil Reddy:** We should be improving it further.
- B. V. K. Reddy:** We should be improving further. May be next year it will become 95%.
- Satish:** Sir any cost advantage we see in direct farmer procurement versus agent or tie up what you are mentioning just now?



Dodla Dairy Limited
August 09, 2021

- Sunil Reddy:** Yes Sir there will be a cost advantage because you are basically eliminating the middlemen and there is a better clarity and visibility. More than the cost advantage also because of the quality and the clarity that is available in maintaining farmer relationship it also adds lot more benefit in growth.
- Satish:** If I have to attribute any value into the benefit any benefit any ballpark number you can give us Sir? How much benefit it does really happen?
- Sunil Reddy:** I think of a nature of saying yes it does help a bit Sir. Specific numbers I think I can give it to you offline Sir. We have it with us but yes it does help in terms of let me say 3% to 4% at least and 2% to 3% in terms of paisa of the 0.40 paise number range.
- Satish:** Yes that is fine. The ballpark number because that is the game changer in at least in South India for Dodla that is how we are little bit interesting?
- Sunil Reddy:** Yes Sir. That is there. That is what we are concentrating and trying to improve and make it better.
- Satish:** Thanks a lot Sir. If I have any question I will come in line.
- Moderator:** Thank you. Our next question is from the line of Sharaj Singh an Investor. Please go ahead.
- Sharaj Singh:** Good afternoon Sir. Sir you mentioned you giving financial assistance to the farmers you procure milk from so what kind of assistance are these?
- Sunil Reddy:** Sir Anjan will answer the financial assistance. The farmers are actually a very small thing where loans we do not give. It is only basically the banks want to give. We act as a collection agent for the banks and we facilitate the services the third party collection agent. We deduct from our milk bill and pay the farmers.
- Sharaj Singh:** There is no guarantee from the company as such?
- Sunil Reddy:** There are no guarantees from the company as such. There are no guarantees.
- Anjaneyulu Ganji:** Only for the feed what they buy is so we deduct it from the milk bill that we generate so who are all the farmers that sell the milk to us we apply we supply the feed also to them the animal feed and in terms of that whenever we pay the milk them to them we deduct it and pay it to them. In terms of financial assistance in the feed terms as said and the remaining thing as Mr Sunil already mentioned.



Dodla Dairy Limited
August 09, 2021

- Sharaj Singh:** Sir regarding the company's distribution network how does the company look to expand this, the distribution?
- Sunil Reddy:** In sales BVK can take you more through the details. We broadly go by three parameters of what we call as our own retail parlors that we are trying to establish and improve our volume through that and then we have the distributor model that is there which basically we give it to them and we have our own direct retail agents so these are the three broad models that we have other than the placement in the A grade stores. That is there. We will be continuously be pushing in all three fronts with a little more focus on the parlors, our own retail outlets.
- Sharaj Singh:** Sir could you give some light on the margin differential between the three avenues?
- B. V. K. Reddy:** Not much margin difference between the retail agents and between the distributors because in the rural area mostly in the districts we have a distributor model so once you come to Chennai and Bengaluru like cities we have an agent model because people are selling 200 liters to 300 liter kind of agents and mostly in the districts we have a distributor model so Northern Karnataka even two tier and three tier cities and another one is the DRPs, Dodla Retail Parlor.
- Sunil Reddy:** So the cost difference and the retail parlours will slightly be higher because on an average when we are introducing more new ones we wait for them to stabilize and it might be marginally higher but then it evens out, store on store basis they are the same. New stores might be higher.
- Sharaj Singh:** Sir which would be the best choice for the company to focus on the avenue?
- Sunil Reddy:** I think we will take a blend of all. We go more by saying wherever there is a difficulty in penetration we take the parlors. Where there is an easier availability and there is availability of an agent willing to take we will go with the agent model.
- B. V. K. Reddy:** So we are trying go towards the exclusivity.
- Sunil Reddy :** Through agent or even distributors.
- B. V. K. Reddy:** Through agent or even the distributor, majority of the distributors mostly all exclusive and DRP any of this exclusive model so we are driving towards that.
- Sharaj Singh:** Thank you so much. That is all. Thank you. All the best.
- Moderator:** Thank you. Our next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.



Dodla Dairy Limited
August 09, 2021

Shirish Pardeshi: Good afternoon and thanks for the opportunity. I have three questions. The first question is that would you talk something about how the procurement industry is moving? There are a lot of competition which is entering and most of the players has got limited resources; however, we are targeting the same people who are supplying the milk how this competition behaving in your markets in terms of procurement and any impact in the short term or in the medium term? How do you see this competition behaving normally or abnormally?

Sunil Reddy: Thanks Shirish. I will give a brief outlook and may be if details are required BVK will also pitch in. The competition has been there from whenever we have existed and now from 1995 onwards when we started our operation and in 1998 it has been there so the constant improvement is what the challenge is and improvement is not only on the tech enablement like we said we have moved away from the old age where we only sort the responsibility to this level, collection agent and now we have moved up to the farmer and then from the farmer and then from the farmer now we are able to go directly into the pay into the farmer methodology. So I think all of us who have been spending time and energy in the technology upgradation, the process of getting it implemented, it is not only the technology of putting a machine in the village but the follow-up that we follow. See what happens when there is a drop in the agent. Where to get that milk back and doing that at 365 days of a year is primary. Then second thing that we follow up is to make sure that payment is made on time, that the farmer does not have any issues on that is happening and third is the faculties that we give maybe it is cattle feed or some veterinary help or whatever they need. It is a combination of all the three who does efficiently people look forward for it more and we think that we are doing a good job with that in terms of the efficiency that we are maintaining in relationship with our famers in going forward. Yes price does play the role in it too, so we are very aware of the price and we keep close track of it based on our requirements of what our price is and our ability to convince our farmer community of why we are offering the same. At some places it might be marginally lower where we try to convince them some places it will be on par where we are okay with and that is how we take it forward and I think we have been doing it reasonably well and we have been able to hold on to the farmer community as a whole and wherever we are entering in newer areas also we are able to attract more farmers because the system is transparent and our ability to deliver it on the ground.

Shirish Pardeshi: Thank you Sunil. What I meant is that you have a close competition from Heritage and even Hatsun in the same market and they have similar benefits, which is given to the farmer? What I am trying to understand is this competition going to behave little differently in terms of procurement price is that the constant factor which is going to go faster will it have some impact on our margins and that is my follow up question how one should look at the margins in the medium to short term?



Dodla Dairy Limited
August 09, 2021

Sunil Reddy: Because if I look at it as basically, we all operate in the similar procurement and sales margins. There is not much of a difference that one can offer over the others, so we basically maintain the trend of all of us, are almost in similar book. Depending on some areas where they are different. It may be marginally different but no major differentiation coming in pricing Sir. I think BVK will take it.

B. V. K. Reddy: There is no problem with Hatsun or Heritage any problem. It is again area specific. If you go to Karnataka may be Karnataka is dominated by only Nandini that just came in. Nandini because they are getting subsidy, they are slightly paying higher but that we are compensating because of our service and prompt payment. Subsidy amount they are paying very late once in three months and once in six months so our payment is regularly once in ten days and once in 15 days we are making so even there is Re.0.50 paisa to Rs.1 variation also we are able to attract. So that is there. Other than that we do not have any issue with the Hatsun or Heritage. Wherever this subsidies are there only such places and not all the areas. Maharashtra there is no issue. Even in Andhra also there is not much of an issue and even Tamil Nadu also. There are certain pockets only where this cooperative wherever they are getting subsidiary so slightly we are facing there problem or otherwise there is no problem.

Shirish Pardeshi: Thank you GVK Sir but my follow up is still unanswered? How should we look at the margin in medium to short term?

Sunil Reddy: I think we will maintain steady state Sir. We do not see any abnormal blips coming along the way.

Shirish Pardeshi: My last question is on curd? I do understand we have a very strong product and we are increasing and the growth is very, very good? Right now we are in the range of about 27% to 28% aspirationally? Where would you like to have value add portion to settle may be a year or two from now and do you really intend to spruce up your offering in the HoReCa channel?

Sunil Reddy: I think the HoReCa channel sprucing up is not going to be. We do it Sir. We are also increasing our presence in A grade store with a whole bouquet of our other products including our flavored milks to UHT milk and all that. Curd is the major driver which we are also keeping pushing up. In fact we could have done better, but we lost out a bit on curd because curd has also got a bit of seasonality to it coming April, May, and June when in the summer month's consumptions are higher which we have lost out on the Q1 of lockdown not being there. I think the growth that I see personally going forward we had a reasonably good CAGR if you look at our past, historically I think the 5% to 6% CAGR is what we have, but on a conservative side or rather being conservative and saying that we will do 2% to 2.5% at least annual growth is terms of the value added product.



Dodla Dairy Limited
August 09, 2021

- Shirish Pardeshi:** The reason why I am asking obviously what we understand from the channel, the PAT curd sales have a higher gross margin and of course the retail dominance is also going to be present? What I intent to ask is that if the HoReCa channel is going to be a key area of growth for the value-added products will it dilute the margin or you will be able to maintain the similar run rate?
- Sunil Reddy:** Our HoReCa is a very, very small portion of our entire sales. Our sale is almost I am just guessing the number which might be variable a little more but 90% to 95% for us it is B2C. Our HoReCa segment in curd is very small because if you take our packaging sizes which BVK can explain they have multiple packaging sizes and the bigger packaging sizes quantity is like the seasonality of weddings or whatever other than that is entirely a B2C so I think BVK will give you the breakup for packaging prices.
- B. V. K. Reddy:** The packaging size even this HoReCa and modern trade and all it will not go into impact even if you spread across this modern trade and HoReCa also because our majority of the market is coming from the rural areas and other consumers. So that is year-on-year it is going and based on our network even this 1% to 2% it will not impact overall.
- Shirish Pardeshi:** Thank you Sir and all the best to you and the team.
- Moderator:** Thank you. Our 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 the Africa region how has been the performance they are tracking now due to COVID and what is the outlook there overall basis?
- Sunil Reddy:** Gaurav I think BVK will explain to you more in detail. I think in general it has been good and maintaining the same as it for us earlier. BVK will give you specifics in terms of the Africa number and now we are doing and I think the outlook going forward is stable.
- B. V. K. Reddy:** Actually prior to COVID now we were doing a very quantity that is almost more than 80,000 liters so last year we have done around 56,000 liters and this year we are trailing around 50,000 just close. May be because of COVID may be slightly raise is also going improve from this month onwards localized.
- Gaurav Jogani:** Do we have the confidence like we will be able to reach to the 80,000 liters or we are purposely keeping to a lower level as of now?
- B. V. K. Reddy:** May be slightly it will go around 60,000 liters to 65,000 liters we are forecasting this year.
- Gaurav Jogani:** So better than the last year?



Dodla Dairy Limited
August 09, 2021

- B. V. K. Reddy:** Yes.
- Gaurav Jogani:** Sir the next is also a followup to the previous question that the participant did ask in terms of the margins I would say like we had seen a sharp increase in margins in FY2021 and that was largely led due to the sharp gross margin expansion that we witnessed and now as the stability in the overall revenue comes as a demand starts picking up there will be a increase of the procurement prices as well which have an impact on the gross margins so what kind of steady stage margin one should look in a dairy business overall with a slight increase in the value added product mix?
- Sunil Reddy:** Gaurav like we said earlier right and we have been saying that all along. I think we saw a sharp margin increase in the previous year of COVID and now what we are seeing will be the steady state margin as we go forward as I said in the double digits is what we will target and keep going ahead so definitely the improvement over the pre-COVID year of the 2019-2020 is now a thing of the past. Going forward it will not be the same as the 2021, but it will definitely be improved in the double-digit range of the margins as we go forward.
- Gaurav Jogani:** So that will be consol basis double digit that you will be targeting?
- Sunil Reddy:** Consol basis double digits will be there. Minor here and there can be there but we will be in double digit.
- Gaurav Jogani:** Sure. That is all from me. Thanks.
- Moderator:** Thank you. The next question is from the line of Bharat Kothari an Investor. Please go ahead.
- Bharat Kothari:** Thanks for the opportunity. Sir I have a couple of questions. First question this question is a little high level? How do you vision your company after let us say five years additional state wise, additional milk capacity how do you vision this company after let say five years? This is the first question and the second question I have is how this industry goes through the capex cycle? What is your yearly capex plan for this year, next few years and that is the third and if I can just squeeze another question? How is your online milk sale like BB Dairy, Big Basket Daily, Milk Bazaar and all this because this is a new area? I am giving my personal experience? I bought milk from BB Dairy so how do you cater to that line of business? These are the three question, if you can answer those. Thank you.



Dodla Dairy Limited
August 09, 2021

Sunil Reddy:

We look at it. I will take it from the online to start with. When we look at it from the online presence we are also now trying to go on to the platforms where we are able on the platforms, now if we take suppr and we aspire in the areas where we are whether we will create our own platform right now when we look at the economics of creating our own platform it is not yet viable. So therefore, we are on other common platforms which are available but I think in the coming future it will be another distribution channel, which all of us will pick on but we are very cautious about not to have a burn rate that goes forward. We partner with other channel distributors who are there and then try to go onto that. It is an ongoing affair that we have to keep looking at it and we cannot ignore the fact we will be there and we will continue to grow with Hatsun. Regarding our capex cycle Sir we have what we call as regular capex cycle one the plant side which we keep because we have multiple plants to older ones and the newer ones. Some of them we will be upgrading and all, which will be a smaller cost may be Rs.5 Crores to Rs.10 Crores per annum is what will be the cost of keeping these plants up and going. We have a second major chunk of whenever we grow because we have to manage our sales and procurement in tandem. We have to increase our chilling center capacity in tandem with our sales growth. That is where we will deploy another Rs.20 Crores to Rs.30 Crores at the most per annum. Right now we have built enough capacity for the immediate future of two to three years of marketing and expenses therefore we do not see any other major capital outflow coming from the Greenfield. We are always on the outlook for good value and if we get opportunity at the M&A side but we will not go into for the sake of going into it. Only if the value is right for us we can get additional value creation to us is when we will go for but we are actively looking out even there. Looking at the fiveyear Sir, I think from my dream personally, if you look at it and the team that we are putting here we want to build a company which has a sustained growth. We are not looking at it as a short-term business but we will look at it as a company which grows sustains growth continuously over a period of time, which is to build a better process system, people, and manpower. I personally believe that the business has lot more room and headroom for us to grow and it is how we can grow sustainably is where we look at Sir. In the five years if you look at our growth trajectory of the past although the base was smaller we will continue to maintain similar or little better growth trajectory as we go forward although the base has become larger. We will still maintain at a larger base the same trajectory and we will continue to grow.

Bharat Kothari:

Thank you so much for all the answers. Thank you.

Moderator:

Thank you. The next question is from the line of Rushad Kapadia. Please go ahead.

Rushad Kapadia:

Thank you. Sir I would just like to understand how do you see the expansion in the non South states?



Dodla Dairy Limited
August 09, 2021

Sunil Reddy: Rushad, we think that we still have a lot more to accomplish in the southern states itself because what happens is it is unlike Africa where we went there because of the huge margin profile. If we find the opportunity of a huge margin profile in the other states we will go there otherwise we will do this capacity growth and cover areas where we are operating which makes us more cost effective. Now to have a disjointed for us will not make us very cost effective therefore we look at it only if you get us a good opportunity or a sizeable opportunity which can at a standalone basis give us good return. Otherwise, we will not move. We will go through continuous improvement and then keep adding states. We still have enough to fill in the southern states and Maharashtra as a state. We still have enough of volume to fill there itself. We rather fill those and then go to the other states.

Rushad Kapadia: Understood Sir and then Sir since we are more focused on the South Indian states then what do you think is the situation in Tamil Nadu with the price reduction by the cooperatives how do you see that panning out?

Sunil Reddy: I will explain it to you in my way and GVK will give you more details. We have been facing this for the past 10 years. I think the peak difference we have seen earlier days was almost Rs.10 difference between the cooperative and the private sector and that one point of time the cooperative put a leap of Rs.10 and we still continue to go there. So that is how we look at it Sir. We are still able to get a little bit of market growth continue to grow in Tamil Nadu with quality and this and price is not playing a major role. BVK will also add to that Sir.

B. V. K. Reddy: After elections the new CM he made it Rs.3 to Rs.4 reduction. It has not much of an impact because the consumers are already habituated that all the private brands the pricing is highest comparatively. The other side they are almost six months due to the farmers on the procurement end.

Sunil Reddy: This will be very difficult for them to maintain this, the status.

B. V. K. Reddy: After some time again, they do some kind of juggling.

Rushad Kapadia: Understood and Sir one more question if I may ask is what is the update of the cattle feed business, Orgafeed and the revenue and profitability, etc., if you can share an outlook for the next three to five years for this business Sir?



Dodla Dairy Limited
August 09, 2021

- Anjaneyulu Ganji:** Yes, Sir actually Orgafeed we acquired only in 2019 end so actual operations we have done only in 2020-2021. 2020-2021 we have done roughly about 23% to 24% topline and around 12% EBITDA. Now this year since April our numbers are very good so almost 70% to 80% capacity we are utilizing, and we are expecting around Rs.35 Crores top line this year, that is the target that we have taken.
- Sunil Reddy:** This is Sunil here and I think after this year we will be reaching our full capacity. We will have to be expanding also. We will be expanding as we go forward Sir. There is another location we are looking at it to grow around it.
- Rushad Kapadia:** Great Sir. Thank you very much. Wish you all the best for the future endeavors.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Rushad Kapadia for his closing comments. Please go ahead Sir.
- Rushad Kapadia:** Thank you Lizann. Thank you ladies and gentleman for being a part of this very interactive session. I would also like to thank the management for patiently answering all the queries. Thank you very much and have a nice day.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of ICICI Securities that concludes this conference call. We thank you for joining us and you may now disconnect your lines.