



# Prime Stock

Short Term Fundamental Pick

**Dodla Dairy Ltd**



## TODAY'S PRIME STOCK (SHORT-TERM INVESTMENT)

### Company Name: **Dodla Dairy Ltd**

BSE CODE: 543306

NSE CODE: DODLA

Sector: FMCG

Industry: Food Processing

Mrkt Cap (Cr)	7402
P/E (x) TTM	37.6
P/B (x) TTM	6.42
EV/EBITDA (x)	20.4
ROE%	15.5
ROCE%	22.1

**CMP (Rs): 1230 | Buy Range: 1210-1230 | Target Price: 1380 | Potential Upside: 12%**
**Duration of Recommendation: 3 Months**

**Dodla Dairy** is a leading integrated dairy company in South India, engaged in the procurement, processing, and distribution of milk and various dairy products such as curd, ghee, and ice cream. It also manufactures cattle feed and operates an extensive distribution network across India and in African markets like Uganda and Kenya. The company sources milk directly from farmers, ensuring quality and efficiency throughout its operations.

### INVESTMENT RATIONALE

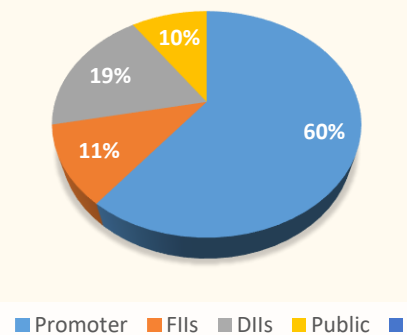
- Strong Financial Performance:** Dodla Dairy has shown significant growth in revenue, EBITDA, and PAT with a CAGR of 13.1%, 16.6%, and 21.6% respectively between FY19-24. The company posted its highest-ever quarterly performance in Q1FY25, with an 85.9% YoY increase in PAT. This indicates a strong and consistent financial performance.
- Market Leadership and Growth Potential:** Dodla Dairy is one of the fastest-growing dairy companies among its peers. It holds a significant market share in South India and has a strong brand presence. Additionally, the company's operations in Africa, particularly in Uganda and Kenya, provide higher margins and growth opportunities due to less competition and a growing demand for dairy products in these regions.
- Expansion in Value-Added Products (VAP):** The company is increasingly focusing on expanding its portfolio of value-added products like curd, ice cream, flavored milk, and yogurt, which have higher margins compared to regular milk sales. The share of VAP in overall revenue has increased, leading to better profitability. In Q1FY25, VAP sales increased by 21.4% YoY.
- Robust Procurement Network:** Dodla Dairy has developed a strong procurement network, directly sourcing 97.6% of its milk from approximately 1.4 lakh farmers. This direct sourcing helps in controlling raw material costs and ensuring consistent supply, which is critical for sustaining margins in a volatile market.
- Favorable Industry Outlook:** The long-term outlook for the Indian dairy sector is positive, driven by favorable demographics, increasing expenditure on packaged food, urbanization, and government support. Dodla Dairy is well-positioned to capitalize on these trends with its established brand and extensive distribution network.
- Market Expansion:** The company acquired a plant in Kenya which started production in January, FY25. Expecting stable growth and numbers in the African market with a revenue growth rate of 10% to 15%. Sustainable revenue growth rate in Africa is expected to be around 10% to 15%. PAT and EBITDA growth in Africa is projected to be around 20% for FY25.

**Reasonable Valuations:** Stock is currently trading at P/E multiple of 30x/25x its FY25/FY26E EPS, which is reasonable as the company is on the right trajectory for future growth supported by expansion in value added products & expansion to new markets.

**1-Year Price Performance**



**Shareholding Pattern**



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