

## Dodla Dairy Ltd

**Dodla Dairy Limited (DDL) was incorporated on May 15 1995 at Hyderabad. The company sell fresh milk, ghee, butter, curd, paneer, gulab jamun, doodh peda, basundhi and junnu, which are targeted at consumption at home. They sell UHT milk, flavoured milk, ice cream and beverages such as buttermilk under their brand, primarily for direct consumption.**

**Positives:** (a) Consumer focused dairy company with a diverse range of products under the “Dodla Dairy” and “Dodla” brands (b) Integrated business model with well-defined procurement, processing and distribution capabilities (c) Focused engagement and long term relationship with dairy farmers (d) Experienced Board and senior management team.

**Investment concerns:** (a) DDL reported negative consolidated profit CAGR (over FY2018-20), hence profit growth concerns remain; (b) Inability to procure sufficient good quality raw milk at commercially viable prices may adversely impact the operation as milk is a key raw material for all dairy products.

**Outlook & Valuation:** In terms of valuations, the post-issue 9MFY21 annualised PE works out to 16.4x (at the upper end of the issue price band), which is low compared to Parag Milk Foods (trading at 32.7x). Further, DDL has shown improvement in operating margin with efficient working capital cycle. Going forward, we believe that DDL would perform better on the back of increase in value added product mix. **Thus, we recommend a subscribe rating on the issue.**

### Key Financials

Y/E March (Rs cr)	FY2018	FY2019	FY2020	9MFY21
<b>Net Sales</b>	<b>1,590</b>	<b>1,692</b>	<b>2,139</b>	<b>1,414</b>
% chg	-	6.4	26.5	
<b>Net Profit</b>	<b>57</b>	<b>63</b>	<b>50</b>	<b>116</b>
% chg	-	10.5	(20.5)	
OPM (%)	7.1	7.9	6.6	14.6
<b>EPS (Rs)</b>	<b>10.2</b>	<b>11.3</b>	<b>9.0</b>	<b>20.9</b>
P/E (x)	41.9	38.0	47.8	-
P/BV (x)	7.0	5.9	5.5	-
RoE (%)	16.7	15.4	11.5	-
RoCE (%)	18.0	16.9	15.5	-
EV/Sales (x)	1.5	1.5	1.2	-
EV/EBITDA (x)	21.6	18.7	17.5	-

Angel Research; Note: Valuation ratios based on pre-issue outstanding shares and at upper end of the price band

## Subscribe

Issue Open: June 16, 2021

Issue Close: June 18, 2021

### Issue Details

Face Value: ₹ 10

Present Eq. Paid up Capital: ₹ 55.7cr

Offer for Sale: 1.1cr share

Fresh issue: ₹ 50cr

Post Eq. Paid up Capital: ₹ 59.5cr

Issue size (amount): ₹ 520

Price Band: ₹ 421-428

Lot Size: 35 shares

Post-issue mkt.cap: ₹ 2505\*-2546cr\*\*

Promoters holding Pre-Issue: 68.5%

Promoters holding Post-Issue: 64.2%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50%
Non-Institutional	15%
Retail	35%

### Post Issue Shareholding Pattern

Promoters	64.2%
Others	35.8%

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## Company background

Incorporated in 1995, Dodla Dairy Limited is an integrated dairy company in South India that is engaged in the procurement, processing, distribution, and marketing of milk and other dairy products. It processes and sells milk including standardized, toned, and double toned milk, and produces dairy products like curd, butter, ghee, ice cream, flavoured milk, etc.

Its Indian operations are mainly undertaken under the brand name of "Dodla", "Dodla Dairy", and "KC+" whereas it serves overseas market under the brand name of "Dodla Dairy", "Dairy Top", and "Dodla+". Telangana, Andhra Pradesh, Karnataka, Tamil Nadu, and Maharashtra are the key Indian market segments served by the company while in the overseas market, it mainly serves countries like Uganda and Kenya.

It has a total of 13 processing plants to process raw material into packaged milk and manufacture dairy-based value-added products. The firm has a strong distribution network of 40 sales offices, 3336 distribution agents, 863 milk distributors, and 449 product distributors across 11 states in India.

## Issue details

DDL is raising ₹520cr through fresh issue (₹50cr) and Promoter & investors are selling equity worth ₹470cr through offer for sale in the price band of ₹421-428.

### Exhibit 1: Pre and post IPO shareholding pattern

	No of shares (Pre-issue)	%	No of shares (Post-issue)	%
Promoters	39,961,356	68.5%	38,175,912	64.2%
Others	18,363,155	31.5%	21,316,823	35.8%
Total	58,324,511	100.0%	59,492,735	100.0%

Source: Source: RHP, Note: Calculated on upper price band

## Objectives of the Offer

- To finance business working capital requirements.
- To finance capital expenditure requirements.
- To meet general corporate purposes.

**Exhibit 2: Consolidated Income Statement**

Y/E March ( ` cr)	FY2018	FY2019	FY2020
<b>Net Sales</b>	<b>1,590</b>	<b>1,692</b>	<b>2,139</b>
% chg		6.4	26.5
<b>Total Expenditure</b>	<b>1,478</b>	<b>1,558</b>	<b>1,998</b>
Raw Material	1,232	1,257	1,641
Personnel	65	77	91
Others Expenses	181	224	267
<b>EBITDA</b>	<b>113</b>	<b>134</b>	<b>141</b>
% chg		19.0	5.0
(% of Net Sales)	7.1	7.9	6.6
Depreciation& Amortisation	28	37	49
<b>EBIT</b>	<b>85</b>	<b>97</b>	<b>92</b>
% chg		14.5	(5.5)
(% of Net Sales)	5.3	5.7	4.3
Interest & other Charges	11	12	16
Other Income	7	8	6
(% of PBT)	8.1	8.3	7.7
<b>Recurring PBT</b>	<b>80</b>	<b>93</b>	<b>82</b>
% chg		16.0	(12.2)
Tax	24	31	32
(% of PBT)	29.3	32.7	39.1
<b>PAT (reported)</b>	<b>57</b>	<b>63</b>	<b>50</b>
% chg		10.5	(20.5)
(% of Net Sales)	3.6	3.7	2.3
<b>Basic EPS ( ` )</b>	<b>10.2</b>	<b>11.3</b>	<b>9.0</b>
% chg		10.4	(20.5)

Source: Company, Angel Research

**Consolidated Balance Sheet**

Y/E March ( ` cr)	FY2018	FY2019	FY2020
<b>SOURCES OF FUNDS</b>			
Equity Share Capital	3	56	56
Reserves& Surplus	336	351	378
<b>Shareholders Funds</b>	<b>340</b>	<b>406</b>	<b>433</b>
Total Loans	132	167	160
Deferred Tax Liability	33	37	47
<b>Total Liabilities</b>	<b>505</b>	<b>610</b>	<b>641</b>
<b>APPLICATION OF FUNDS</b>			
<b>Gross Block</b>	<b>373</b>	<b>583</b>	<b>662</b>
Less: Acc. Depreciation	46	82	126
<b>Net Block</b>	<b>327</b>	<b>500</b>	<b>536</b>
Capital Work-in-Progress	16	11	11
Investments	67	26	12
Current Assets	197	214	241
Inventories	134	125	120
Sundry Debtors	4	7	7
Cash	14	22	69
Loans & Advances	15	34	15
Other Assets	31	26	30
Current liabilities	116	153	171
<b>Net Current Assets</b>	<b>81</b>	<b>61</b>	<b>70</b>
<b>Deferred Tax Asset</b>	<b>14</b>	<b>11</b>	<b>11</b>
Mis. Exp. not written off	-	-	-
<b>Total Assets</b>	<b>505</b>	<b>610</b>	<b>641</b>

Source: Company, Angel Research

**Consolidated Cash Flow Statement**

Y/E March (Rs cr)	FY2018	FY2019	FY2020
Profit before tax	80	93	82
Depreciation	28	37	49
Change in Working Capital	(10)	15	33
Interest / Dividend (Net)	11	11	15
Direct taxes paid	(17)	(19)	(12)
Others	(4)	(2)	(2)
<b>Cash Flow from Operations</b>	<b>87</b>	<b>136</b>	<b>166</b>
(Inc.)/ Dec. in Fixed Assets	(71)	(97)	(95)
(Inc.)/ Dec. in Investments	5	(51)	18
<b>Cash Flow from Investing</b>	<b>(66)</b>	<b>(148)</b>	<b>(76)</b>
Issue of Equity	0	0	0
Inc./(Dec.) in loans	(34)	71	7
Dividend Paid (Incl. Tax)	0	0	(18)
Interest / Dividend (Net)	(8)	(11)	(14)
<b>Cash Flow from Financing</b>	<b>(41)</b>	<b>60</b>	<b>(26)</b>
Inc./(Dec.) in Cash	(20)	48	64
<b>Opening Cash balances</b>	<b>(23)</b>	<b>(43)</b>	<b>5</b>
<b>Closing Cash balances</b>	<b>(43)</b>	<b>5</b>	<b>69</b>

Source: Company, Angel Research

### Key Ratios

Y/E March	FY2018	FY2019	FY2020
<b>Valuation Ratio (x)</b>			
P/E (on FDEPS)	41.9	38.0	47.8
P/CEPS	28.1	23.9	24.1
P/BV	7.0	5.9	5.5
EV/Sales	1.5	1.5	1.2
EV/EBITDA	21.6	18.7	17.5
EV / Total Assets	4.8	4.1	3.8
<b>Per Share Data (Rs)</b>			
EPS (Basic)	10.2	11.3	9.0
EPS (fully diluted)	10.2	11.3	9.0
Cash EPS	15.2	17.9	17.8
Book Value	61.0	73.0	77.9
<b>Returns (%)</b>			
ROCE	18.0	16.9	15.5
Angel ROIC (Pre-tax)	21.7	18.5	17.9
ROE	16.7	15.4	11.5
<b>Turnover ratios (x)</b>			
Asset Turnover (Gross Block)	4.3	2.9	3.2
Inventory / Sales (days)	31	27	21
Receivables (days)	1	2	1
Payables (days)	15	20	14
Working capital cycle (ex-cash) (days)	16	9	8

Source: Company, Angel Research

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