Dodla Dairy

Operator: Ladies and gentlemen, good day and welcome to Dodla Dairy Limited Q2 FY27 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dodla Sunil Reddy, Managing Director. Thank you, and over to you, sir.

Dodla Sunil Reddy – Managing Director: Thank you very much. Good morning to all the participants. On behalf of Dodla Dairy Limited, I extend a warm welcome to everyone joining us today on our call. I would also like to take this opportunity to wish everyone a very happy and prosperous Diwali. On this call, I am joined by our CEO, Mr. B.V.K. Reddy; CFO, Mr. Murli Mohan Raju; and SGA, our Investor Relations Advisors. I hope everyone had an opportunity to go through the financial results and the investor presentation, which have been uploaded on the stock exchange and the company website.

Coming to our performance during Q2 FY27, we reported revenue of 1,196 crores, registering healthy year-on-year growth of 17.4%. EBITDA and PAT for the quarter stood at 64 crores and 37 crores, respectively. The performance was a combination of volume growth as well as some improvement in realization, supported by a price increase of rupees 2.5 per liter implemented toward the end of the second quarter. The full impact of the price increase is expected to be visible in the next quarter. However, the milk procurement price increase also remained elevated, keeping profitability under pressure. Additionally, margins were compressed due to the inflationary environment in terms of logistics costs, packaging costs, and other overheads.

Despite a challenging and uncertain operating environment, Dodla achieved healthy revenue growth, demonstrating strong market presence, superior product quality, farmer relationships, and execution expertise. Raw material supply remained healthy during the quarter, as we strategically built adequate inventory to cater to demand in the upcoming quarters.

Coming to our value-added portfolio, revenue from this category grew 11.7% on a year-on-year basis. However, demand for higher-margin summer-related products such as curd, buttermilk, flavored milk, ice cream, and others [coughs] remained softer compared to the previous quarters due to seasonality. We are focused on strengthening our existing VAP portfolio and expanding into well-established categories like paneer and ghee, where demand is stable throughout the year and there is potential to build scale over time.

Moving on to our Africa business, it delivered a strong quarter with a record revenue of rupees 179 crores, representing year-on-year growth of 56%. We continue to focus on strengthening our presence across Uganda and Kenya. The planned greenfield expansion in Uganda is expected to support growing demand and provide additional capacity for future growth. In Kenya, our focus remains on increased market penetration and strengthening our own procurement network.

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I would also like to inform you that the Board has approved a proposal to establish a joint venture in India with Meadows India Holdings Limited, with Dodla Dairy and Meadows India Holdings Limited having equity stakes of 40% and 60%, respectively. The proposed joint venture will focus on marketing and selling high-quality dairy ingredients to the B2B market. The proposal is subject to execution of the joint venture agreement, completion of the requisite formalities, and receipt of applicable regulatory and statutory approvals, if any. We will keep you informed about any future material developments in this regard.

Going forward, the operating environment remains dynamic, with elevated raw milk prices and inflationary pressure arising from geopolitical uncertainties continuing to pose challenges. We remain focused on strengthening our procurement and distribution capabilities, driving operational efficiencies, expanding our value-added product portfolio, and executing our planned expansion initiatives, which are progressing as planned. With a disciplined approach toward product quality, cost management, and capital allocation, we remain committed to strengthening our market position and delivering long-term profitable growth.

With this brief, I will now hand it over to the CEO of our company, Mr. B.V.K. Reddy. Thank you very much.

B.V.K. Reddy – CEO: Thank you, Mr. Sunil Reddy, and Happy Diwali to everyone. I will now walk you through the quarterly performance highlights of our business.

Starting with our Indian operations, the overall milk supply situation began to improve during the quarter, supporting recovery in our milk procurement volumes for Q2 FY27. Milk procurement stood at 21.3 lakh liters per day, registering year-on-year growth of 9.3%. Average milk procurement cost increased to 43.2 per liter in Q2 FY27 compared with 41 rupees per liter in the previous quarter and 37.3 per liter in Q2 FY26.

In response to the rising procurement cost, we implemented a price increase of approximately 2.5 per liter. Consequently, our average milk sales realization improved to 61.9 per liter in Q2 FY27 compared with 59.4 per liter in the previous quarter and 57.3 per liter in the corresponding quarter of last year. However, the increase in selling price was not sufficient to fully offset the impact of the higher milk procurement cost, and profitability therefore remained under pressure during the quarter. To put this into perspective, the spread between milk sales realization and procurement cost narrowed to 18.7 per liter in Q2 FY27 compared with 20 rupees per liter in Q2 FY26.

In addition, operating costs remained elevated, primarily due to input cost inflation and a shift in product mix from bulk sales toward milk value-added products, or VAP. Costs related to transportation, fuel, packaging, minimum wages, and other overheads continued to remain higher than the normal level. Going forward, we intend to gradually pass on a portion of this cost increase to consumers over the coming months. Our pricing strategy remains aligned with the broader industry trends, where high single-digit price hikes have been taken by the regional cooperatives. We will continue to maintain a balanced approach between consumer affordability and profitability.

Coming to {? Orsom ?}, {? Orsom ?} Dairy, the business delivered healthy revenue growth during the quarter, supported by strong milk sales volume. Although profitability remained muted due to elevated raw material costs, it witnessed trends similar to those of our domestic dairy business.

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Speaking about our Orgafeed business, it continued to deliver strong growth, with revenue increasing 40% year-on-year in Q2 FY27. However, margins were impacted by higher raw material costs, which could not be fully passed on to the farmers. We are also exploring opportunities to expand our feed business in Maharashtra once our new integrated facility becomes operational.

Our Africa business delivered very strong revenue growth of 56% year-on-year, largely driven by a 68.5% increase in milk sales. As Mr. Sunil Reddy mentioned earlier, in Kenya, we continue to focus on gaining market share through strategic pricing while simultaneously strengthening our market presence and procurement network. These targeted efforts are supporting our growth momentum and positioning the business for future expansion.

Coming to the product sales mix, our milk sales volume stood at 14.2 lakh liters per day, registering year-on-year growth of 8.4%. During the quarter, our VAP sales increased to rupees 327 crores from 292.8 crores in Q2 FY26, while curd and curd-based products recorded high volume growth of 23% year-on-year, reaching 444.7 metric tons per day. Demand for our consumer-oriented products across the broader VAP portfolio moderated during the quarter due to seasonal factors, as Q2 coincides with the monsoon season.

Looking ahead, with milk availability improving and the festive season approaching, we expect demand for certain VAP categories, particularly sweets, ghee, and other festive-oriented products, to benefit. We remain focused on capitalizing on these opportunities while maintaining cost discipline and an optimal pricing strategy. Further, as our new facilities in Maharashtra and Uganda become operational, we expect them to accelerate our growth and contribute to stronger, more profitable performance in the years ahead.

Now I would request our CFO, Mr. Murli Mohan Raju, to share the financial highlights for the quarter. Thank you.

Murli Mohan Raju – CFO: Thank you, Mr. B.V.K. Reddy, and a very good morning to all the participants on the call. I wish everyone a happy and prosperous Diwali.

Talking about consolidated financial performance in Q2 FY27, revenue from operations stood at 1,196 crore, reflecting year-on-year growth of 17.4%. Gross profit for the quarter amounted to 275.7 crore, with a gross margin of 23.1%. Employee expenses increased to 55 crore in Q2 FY27 from 49.9 crore in the corresponding quarter last year, registering a year-on-year increase of 10.1%, mainly due to the addition of personnel for {? Orsom ?} as well as labor costs. Subsequently, employee costs remained in line.

Other expenses for the quarter stood at 156.6 crore as against 139.3 crore in the corresponding quarter last year. Although other expenses remained broadly stable as a percentage of revenue, the increase in absolute terms was mainly attributable to higher overhead costs per liter due to inflation and the geopolitical situation. In addition, pack material costs rose 41.6% year-on-year for the quarter, owing to macro factors and a change in product mix.

EBITDA for the quarter stood at 64.1 crore, translating into an EBITDA margin of 5.4%. Depreciation expense for Q2 FY27 increased to 23.6 crore compared with 20.6 crore in the corresponding quarter of the previous year. Other income for the quarter amounted to 10.9 crore. Net profit for the

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quarter stood at 36.6 crore, with a net profit margin of 3.1%.

Now moving on to our H1 FY27 performance, revenue from operations grew by 18.2% year-on-year to 2,394 crore compared with 2,025.7 crore in the corresponding period last year. Gross profit stood at 554 crore, with a gross profit margin of 23.1%. EBITDA stood at 129 crore, while profit after tax stood at 77.2 crore, translating into a PAT margin of 3.2%. In H1 FY27, we recorded a deferred tax charge of 5.77 crore, which includes 4.6 crore in CCDL, that is, a first-time deferred tax liability recognition, and 1.17 crore [cut off]

Murli Mohan Raju – CFO: In HR Foods, due to a tax rate change. During the period, we incurred capital expenditure of 66 crores, primarily toward our Maharashtra expansion project. As of September 2026, we maintained a healthy cash and bank balance of 659.4 crore, which is sufficient for our future capex requirement. In H1 FY27, we were able to build up inventory of 76 crores, which includes SMP and butter for our future requirements. As of September 2026, our inventory stood at 232 crores. With this, we conclude the presentation and open the floor for further discussion.

Operator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Abhishek Mathur from Systematix. Please go ahead.

Abhishek Mathur – Systematix: Hi, sir. Good morning, and thank you for the opportunity. Sir, I have noticed that our gross margin trend for the past three quarters has been quite firm. Gross margins have stayed in the range of 23% or so despite the high raw material inflation that we have seen. In that context, my question is: what is now our outlook on the milk procurement cost? What trend are we seeing in October and for the next 1-2 months? With our gross margin maintenance background in mind, what would be the pricing approach here? Can we assume that we will take price hikes equivalent to the sequential increase in milk procurement costs in the near term? I just wanted some clarity on that.

Management: Good morning, Abhishek. Thank you very much for joining the call. We assume procurement will remain at the same elevated levels, and we do not see procurement prices declining in the coming quarters or even in the next quarter. What happened is that we were waiting for other price increases to happen, such as the Karnataka state government announcement of a 2-rupee price increase, which did not happen on the ground. Therefore, we took our price increase decisions a little later in the second quarter, mostly in September, and the effect of the improvement will be visible in the coming quarters. Subject to that, if the cooperatives implement further price increases after the price increase that we have taken, we will also increase our prices commensurately. So, I think in the next quarter, at the current price increase levels that we have implemented, we should return to an EBITDA level of 7.5%-8%. If the cooperatives take a significantly larger price increase as announced but not yet implemented, we will be able to take a further price increase to improve our profitability further. With this, I think we have put the bad quarters behind us, and we presume that our quarters going forward will improve.

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Abhishek Mathur – Systematix: Got it, sir. Just a quick follow-up again on the milk procurement cost. We have seen approximately 5% sequential inflation in the procurement cost in Q2. If I can probe a bit here, what sequential inflation are you seeing building in October? I just wanted to check that.

Management: As of now, we are not building inflation into procurement because we assume that it has reached its peak. There might be a slight difference of 20–30 paise depending on the locations where we are procuring and the mix variation coming into play, but other than that, we do not see an immediate price increase happening in procurement in the coming quarters.

Abhishek Mathur – Systematix: I understand, sir. That is good to hear. Then is it fair to assume that if the procurement cost stays where it is sequentially going forward, for, let us say, the next few months, we will not need to take any incremental pricing? Is that understanding correct?

Management: If the status quo remains, yes, we will not take a price increase. The price increase that we took in September will have implications throughout the full quarter. But if the cooperatives implement further increases as announced by them, we will also react accordingly and increase our selling prices further.

Abhishek Mathur – Systematix: Very clear, sir. And the 7%–8% guidance that you gave is for what period, sir?

Management: It is the guidance for the next quarter, which is the October–November–December quarter. I hope that, unless there are some other major changes, it should continue for the future quarters also.

Abhishek Mathur – Systematix: Very clear, sir. Secondly, just some bookkeeping questions, if you can disclose the overall realizations for the quarter: consolidated overall realization, consolidated VAP realization, and standalone and Africa realizations.

Management: We will give you the realizations, including products. Murli will give you the consolidated figure and the breakup between Africa and India. Am I right in understanding that this is what you wanted?

Abhishek Mathur – Systematix: Yes, sir, the consolidated realizations, everything included.

Management: Yes.

Murli Mohan Raju – CFO: Okay. The consolidated realization for the quarter is 65.06; last year, it was 62.53. That is the consolidated figure. For India, it is 63.59, and for the same quarter last year, it was 63.07. Overseas for the current quarter is 73.14; for the same quarter of the previous year, it was 60.11.

Management: The difference in the India quarterly figure is because we had a bulk ghee sale, which was not present this quarter. That is the reason you will not find much of a difference in the overall India number.

Murli Mohan Raju – CFO: For HR Foods, which we track separately, it is 67.05 compared with 63.36.

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Abhishek Mathur – Systematix: Right, sir. And what was the realization for value-added products, sir? The consolidated realization for VAP?

Murli Mohan Raju – CFO: Consolidated realization for VAP was 66.46.

Abhishek Mathur – Systematix: Great, sir. Finally, the Osam sales have not been disclosed. VAP sales have been disclosed, but if you can help with the sales for the quarter for Osam?

Management: The sales for the quarter of Osam were around, I think, 140, 1.43 lakh liters. We have not seen any significant increase in volume there. The reason is that even in Bihar our procurement prices have gone up significantly. We have passed that on, but to maintain the margins, if I increase my sales substantially now, my margins will come under pressure. So we are holding back on that until we achieve improvement in our own procurement there, and then we will start pushing the market again. That is the reason we are maintaining the status quo right now. However, I think in this quarter, with the festivities coming in, when eastern India sees a surge in product demand during the festivities, that will help us improve our margins and volume. But we will take a more appropriate decision to start pushing the market further once our procurement prices stabilize.

Abhishek Mathur – Systematix: Sir, I meant rupee sales for Osam, if you can provide them.

Murli Mohan Raju – CFO: Osam is 1.33 lakh liters per day, and the total revenue for the quarter is 82.37 crore.

Abhishek Mathur – Systematix: Great, sir. Thank you, and all the best. That is it from me.

Operator: Thank you. The next question is from the line of Nikhil Upadhyay from Simple. Please go ahead.

Nikhil Upadhyay – Simple: Hello. Good morning. Am I audible?

Management: Yes, Nikhil, go ahead.

Operator: Yes, sir.

Nikhil Upadhyay – Simple: I have one question on procurement prices. You mentioned on the call, in response to the previous participant, that procurement prices may not increase from where we are, apart from that 20-30 paise. However, generally in Q4, when the season dries up and supplies become difficult, procurement prices see inflationary pressure again. Would that scenario be very different this year, or has much of it already been front-loaded and you do not see that scenario playing out?

Management: Murli can answer that question regarding procurement.

Murli Mohan Raju – CFO: This has already been front-loaded in the first and second quarters. This is unusual. In earlier years, normally prices used to come down in Q2 and Q3, and then go up in Q4. This year, prices have already gone up in Q1 and Q2, substantially in Q2 as well. As of now, we do not see any price hike in Q3 or Q4, or in the coming quarters.

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Nikhil Upadhyay – Simple: But, sir, there are two ways to look at it. One is that Q1 and Q2 prices have gone up because availability has been constrained. Considering the kind of rainfall and the environment we are seeing, would availability not become further constrained in Q4, which is generally the pattern every year?

Management: Yes, more or less, we have already built it in from a price point of view. Also, our inventory levels are building up. Everybody is now able to get some surplus, and inventories are also building up. When we have sufficient volume and inventory build-up takes place, that is a sign that volumes have come into place. As we said earlier, production is also changing, and we are not seeing the significant drops that we used to see earlier in Q4. In fact, milk volumes are maintaining a steady state. That is the reason we think prices have already been front-loaded. In my opinion, farming variability is coming down, and therefore we will not see further increases because there will not be a steep drop either.

Nikhil Upadhyay – Simple: Then, just one last point: the price increase that we have seen in Q1 and Q2, is it driven by factors beyond supply issues? What we understand theoretically is that prices increase when supplies dry up or are constrained. But as you are saying, there is supply and people are building inventory, yet pricing has gone up in Q1 and Q2. Are there other factors beyond pure demand and supply?

Management: Yes. Demand and supply play a role, but the actual cost of inputs also plays a role. There has been a significant increase in costs even at the farmer level in terms of feed and fodder. If that does not happen and we do not provide a remunerative price, it will not help the farmer in the long run. So it is not only us; the industry as a whole has also increased prices, taking into consideration the increase in other input costs on the farmer's side.

Nikhil Upadhyay – Simple: Fine. Lastly, on the VAP side, can you talk about how the business is performing in categories other than curd, such as paneer or categories that sell throughout the year? How is our performance improving in those categories apart from the seasonal categories?

Management: Our paneer category has improved significantly, for example, in terms of volume, and our other products, such as flavored milk, have also improved. Paneer has improved by 64% in terms of volume, although the volume is smaller. It has increased by roughly 2.5 tons per day for us. Products such as lassi have grown to almost double, approximately 163%, again with the volume difference being around 15,000 liters or so. Ice cream has also grown in volume for us. All the other volumes have also grown considerably, but this is not showing as a significant increase in overall VAP because, in the previous year, we had included our bulk ghee sale in VAP, and that was a large number. That is the reason it is not showing a significant increase in overall VAP, but each product apart from that has increased significantly.

Nikhil Upadhyay – Simple: Sure, I will come back in the queue. Thank you.

Operator: Thank you. The next question is from the line of Hitendra Pradhan from Maximal Capital. Please go ahead.

Hitendra Pradhan – Maximal Capital: Hi, sir. I hope I am audible. Thank you for the opportunity. Sir, could you give us some color on curd realizations? What kind of gross margin do we earn on curd

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products? Have you taken any price action in the last few quarters? Could you give us the year-on-year and quarter-on-quarter figures?

Management: Murli will give you the specifics. We have taken some price increases in curd also. Go ahead, Murli.

Murli Mohan Raju – CFO: Curd realization per liter is now 59.15 compared with 56.16 last year. That is the realization. Profits are currently in the range of 12%.

Hitendra Pradhan – Maximal Capital: Sir, are you saying EBITDA is 12%?

Murli Mohan Raju – CFO: Yes, EBITDA is 12%. Gross margin was 19% for the quarter in curd.

Hitendra Pradhan – Maximal Capital: And you said curd, within our VAP portfolio, adjusting for seasonality, would be 60%–70% of our VAP, right?

Murli Mohan Raju – CFO: Yes.

Hitendra Pradhan – Maximal Capital: Okay.

Murli Mohan Raju – CFO: Buttermilk and lassi have higher margins. Those are above 20%. We have margins of between 20% and 23% in buttermilk and lassi.

Hitendra Pradhan – Maximal Capital: Understood, sir. Thank you.

Operator: Thank you. The next question is from the line of Yash from Auriga Capital Advisors LLP. Please go ahead.

Yash – Auriga Capital Advisors LLP: Hi, sir. Thank you for taking my question. Can you talk about the joint venture that you have announced for selling high-quality B2B dairy ingredients? Will it be milk or more like cheese and VAP? How will it help your consumer-facing business?

Management: Yash, this joint venture is with Meadows, which is a UK-based entity of a similar size to us. We are exploring the possibility of entering the B2B ingredient space, not necessarily the B2C space. As we expand our milk volumes significantly in the years to come, we expect to have a balancing factor through B2B, where we will be able to sell ingredients at a higher realization. This is an exploratory joint venture that we are undertaking from both sides. This is a small venture in which we are investing 1 crore for our 40% stake, and they will invest the remaining amount in the venture. In the long term, we will look at supply agreements, with them serving as our front-end marketing partner, and we will see how to take it forward. They are also global ingredient suppliers to all the large entities. In the long run, we are looking at how these entities will be able to work together to help each other expand our horizons beyond just milk and B2C milk, and also into the value-added ingredient space.

Yash – Auriga Capital Advisors LLP: If I understood correctly, will it only be milk, or will it also include value-added products such as cheese and paneer to help you build scale?

Management: No, it is not going to be cheese and paneer. It will be other products such as mixes used as inclusions in ice cream and baking. It may also include products such as sweeteners, for

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example, the caramels that you consume and how we make those caramels that go into other products. It will not be a consumer-selling product. It will be ingredients used by consumer product companies.

Yash - Auriga Capital Advisors LLP: Okay. My next question is whether your Maharashtra plant is on track. I checked the images that you included in the presentation, and it does not seem like it will be commissioned by the end of FY27.

Management: No, it will proceed as planned. We will start the liquid milk operations from March to April, and by September, or September onward, we will start our powder operations.

Yash - Auriga Capital Advisors LLP: Okay, thank you. I will get back in the queue.

Operator: A reminder to all participants: you can press star and one to ask questions. The next question is from the line of Ojas Savant from Oaklane Capital. Please go ahead.

Ojas Savant - Oaklane Capital: Hi, sir. Thank you for the opportunity. Continuing with the previous participant's question on the joint venture that we recently signed, if I understood correctly, we are investing 1 crore for 40%, as you mentioned?

Management: Correct. We are undertaking this as an exploratory joint venture that both of us will evaluate to see what ingredients can be created and how to take it forward in the years to come.

Ojas Savant - Oaklane Capital: Understood, sir. When we talk about high-quality ingredients, what types of ingredients are these? Are we currently making them, or are they something like skimmed milk powder? Could you elaborate on the type of ingredients we are referring to?

Management: We will start with basic ingredients such as skimmed milk powder, but they will be specifically tailored, such as low-heat or high-heat products, for certain requirements or products that certain customers need. Later, the business will progress into other inclusions used in the food industry. That is the reason this is a very small start, to research which ingredients are possible and which are not possible, and then take it forward. Keeping that in view, we are announcing it because we will be entering into the joint venture to start exploring the process going forward.

Ojas Savant - Oaklane Capital: Clear, sir. A similar initiative that we have already taken is the 2% stake that we have acquired in Sid's Farm. How has the development been there? What have we learned, and do we see potential for an increase in our stake in the near term, marking our entry into high value-added products through Sid's Farm?

Management: I think it is very early for us. It has hardly been a month since we signed the agreement, although we had discussed it earlier and the paperwork has been completed. As we said, it is a very small investment for us. We will continue evaluating it because they are exactly what we are not. We will learn from them and see where it goes, and as things progress in the future, we will take a decision as and when required.

Ojas Savant - Oaklane Capital: Understood, sir. One last question: could you give us our margins for the Osam business for this quarter?

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Management: The Osam business for the second quarter was—one minute, I will get you the exact number.

Management: Sir, for the quarter, EBITDA margin was 1% this year, this quarter. Last quarter, we had 2.6%. It declined because milk prices increased. We are not being very aggressive and are focusing more on stabilizing the operation rather than focusing on EBITDA. Once we stabilize, we will be able to increase the margins.

Ojas Savant – Oaklane Capital: Understood, sir. If I understood correctly, are we expecting 7%–8% margins in the second half, as mentioned earlier?

Management: We are looking at those margins for the overall India operations, not Osam. We will also look at maintaining those levels on a consolidated basis.

Ojas Savant – Oaklane Capital: Clear, sir. That is it from my end. Thank you very much for your answers.

Management: Thank you, sir.

Operator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah – Investec: Hi, sir. Thank you for the opportunity. I have a few questions. First, on procurement volumes, would it be possible for you to break them down by state?

Management: One minute. State by state, in terms of India-side procurement volumes, correct? Non-Osam?

Ritesh Shah – Investec: Yes.

Management: Yes, I will give it to you. One minute.

Management: Procurement volumes are as follows: Andhra Pradesh, 4.76; Karnataka, 5.11 lakh; Maharashtra, 2.99; Tamil Nadu, 4.25; and Telangana, 45,000.

Ritesh Shah – Investec: Correct. As a related question, what would be the volume-weighted distance?

Management: Volume-weighted distance? Could you repeat the question? What?

Ritesh Shah – Investec: Volume-weighted distance. When we procure milk, what would be the weighted average distance, basically, if we calculate the sum-product of volume and distance?

Management: From where, sir? From the chilling center to the plant, or from the farmer to the chilling center?

Ritesh Shah – Investec: Both, basically. Both included.

Management: I do not have a specific number right now, sir. We will work it out and get back to you offline. Roughly, for procurement across our multiple operations, if it is a chilling center, we have a

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radius of around 40–45 kilometers. If it comes down to bulk coolers, the radius will come down, and village-level chilling will be at the village level itself. From the chilling center or cooled milk to the plant, it will be anywhere between a 300–400 kilometer radius for the plants to pick up that milk. We will work out the specific figure and get back to you, sir.

Ritesh Shah – Investec: Sure, sir. Second, I wanted to understand your comfort regarding procurement volumes, given drought in a few states and the El Niño impact. Does it affect the yield of cows in terms of how much milk they produce? How should we look at these two variables?

Management: The El Niño effect is greater in Maharashtra. Compared with Maharashtra, Karnataka has not seen much impact. Karnataka has shown very good growth in procurement, and Andhra Pradesh has also not been significantly impacted by El Niño. There is a slight impact in Tamil Nadu and Maharashtra.

Ritesh Shah – Investec: Okay. One last question: are we looking at further cost inflation in the feed that we sell? I think we call it concentrate, right, which we sell to the farmers?

Management: Yes. Prices will become somewhat more inflationary going forward because it is not only us; it is the industry as a whole, due to ethanol and compressed biogas coming into play. We will have to wait and watch how government policies come into action because maize, the basic raw material used by the poultry and dairy industries for concentrate feed, is also being used in ethanol. We will have to take a decision as and when all of this happens.

Ritesh Shah – Investec: Would it be possible for you to quantify the rupees per kilogram for Q1 and Q2?

Management: Yes. There was an increase of 3.35 paise, 3 rupees, in sales realization from last year's quarter to this quarter, whereas the blended procurement price increased by 4.84. When you compare it with the last quarter, the price increased by 1.99, whereas procurement cost increased by 2.98.

Management: There is a lag. Once procurement prices of raw materials increase, there is a lag before we pass it on to the farmer, but we continue passing it on to the farmer.

Ritesh Shah – Investec: So, as a follow-up, you indicated a lag between procurement and when we pass it on to the farmer. When we look at the farmer's economics, the farmer also sees certain cost escalation and would therefore demand a higher price. When we earlier indicated that we do not expect procurement prices to move up much, does that also take this particular variable into account?

Management: It is a minor variable because there are multiple factors, including fodder availability, feed availability, and the volume of milk that the farmer produces per animal. Concentrate may form, let us say, 30%–40% or 50% of the farmer's overall cost of feeding the cattle. If it increases by a rupee or one and a half rupees per liter, it does not result in a significant variation unless it increases by 5 or 7 rupees per kilogram. The farmer uses concentrate only to balance the protein requirement of the animal, whereas fiber and energy come from other sources, although part of the energy also comes from concentrate. Therefore, when we look at the farmer's overall requirements,

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concentrate feed does not play as significant a role as fodder and productivity based on climatic conditions.

Ritesh Shah – Investec: Perfect, sir. This is very useful. Thank you very much for the answers. All the very best.

Operator: Thank you. Ladies and gentlemen, to ensure that management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have follow-up questions, please rejoin the queue. The next question is from the line of Shirish Pardeshi from Motilal Oswal. Please go ahead.

Shirish Pardeshi – Motilal Oswal: Hi, Sunil and team. Thank you for the opportunity. Just a quick question on Osam. Can you share what we have solved and what is yet to be solved before Osam really takes off? Also, could you provide some color on the competition and how it is behaving specifically in the Osam geography?

Management: I will answer your question, Shirish. First of all, we acquired Osam 1 year ago, and we have now completed 1 year. Initially, we made many modifications to the plant. There were several issues, including the automatic CIP system, proper equipment, and proper layout. It took 6-8 months after we identified the shortcomings to purchase, replace, and correct all the equipment. A lot of corrections have been made in the plant and on the operations side.

Second, on the procurement side, we are slowly moving toward the Dodla model. At Osam, it is an agent model, where total collection is through agents, whereas at Dodla we have a direct farmer payment model. We have already shifted 25%-30% of that procurement to the Dodla model, and we expect to shift the balance by March. Therefore, at least 70%-80% of that procurement model will also be brought to the Dodla model.

Third, regarding the market, the major market share is held by Sudha in both Jharkhand and Bihar. In Jharkhand, when the state was separated from Bihar, Sudha continued to operate there, and another cooperative called Medha was created for Jharkhand. Apart from that, ITC has also been present for 5-6 years, Amul entered a couple of years ago, and one or two brands from Uttar Pradesh have also entered, including Gyan Dairy and Namaste India. The market is now becoming more competitive compared with the last 5 years. However, the overall market is present, and there is still good scope for VAP. It may take some time to capture that market.

Shirish Pardeshi – Motilal Oswal: That is helpful. I am trying to compare because ITC has also been present and Amul is now entering. It is a difficult and competitive market, in my understanding. Obviously, there are traditional players, and you have dealt with cooperatives across other states, including larger players such as Nandini. I believe you have some understanding of this competition. What can we see that would actually lead to scale-up in this business? I suspect Sudha and Medha are giving you competition, but they are in a different league and at a different price point. If you really need to develop a value-added portfolio, is the market ready, or will you seed it and expect good results over a period of time?

Management: First of all, Sudha and Medha—Medha is a very recent one—but Sudha, as usual, is a very inactive cooperative. It is not very active, which is why other people are now occupying the

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market and taking market share. Their payment cycles are not up to the mark. There are many issues as far as Sudha is concerned. All [cut off]

Management: Also, 70% of the market share is held by Sudha. However, Sudha is not very active. As usual, their payments are running late by 1-2 months, and there are many market complaints. Therefore, we will definitely have an advantage. The Bihar market, especially, is a very good market compared with Jharkhand. There is significant scope.

Management: It is also going to be GDP-driven. Bihar's GDP was always lower. As the state improves and GDP increases, we will see that shift happening. That is why we always say that we see significant offtake during festivals for products such as sweets, paneer, and other value-added products, because of affordability. As Bihar grows, improves, and becomes more affordable, we will see significant growth in the value-added profile because the consumption pattern there includes a substantial amount of value-added products as part of the daily diet. Affordability is the only factor holding it back.

Shirish Pardeshi – Motilal Oswal: Sunil, you are exactly right. I recently visited and saw that Bihar is really doing well, and Jharkhand follows it. I think it is a large market. The strategy is right, but does execution need to ramp up, or do the market dynamics or product profile need to change for us?

Management: Yes, we are evaluating and changing accordingly.

Shirish Pardeshi – Motilal Oswal: Okay. One last question on the Africa business, related more to capex. In the past, I think we had mentioned approximately 600 crores. Is there any change in the capex that will be incurred for India and Africa?

Management: There is not much change in Africa. As we said, we acquired 70 acres of land and have already started the greenfield work. Civil work commenced 1 month ago. We are targeting the start of operations by the beginning of FY27. Africa has shown very good growth, and Kenya has also performed very well. We have gained significant market share in Kenya. As far as {? RC ?} is concerned, even the EBITDA level is very good. Regarding other capex, in Maharashtra, there is not much increase over the capex that we projected earlier.

Management: The 600 crores of capex that you are referring to was earlier based on Africa at around 60-70 crores, Maharashtra at 280 crores, and the acquisition of Osam, net of the cash available in Osam, at approximately 600 crores. I think it may increase marginally by 5%-10% as inflation affects the overall project period, but there is no significant movement otherwise. Our major capex going forward will be the completion of the Maharashtra and Africa projects.

Management: Feed as well.

Management: We are also evaluating feed. As we mentioned, this is under DBL. In Maharashtra, once our cattle feed facility reaches higher production, we may consider another feed operation to cater to the Maharashtra area rather than moving feed all the way from Chittoor to Maharashtra. Our cattle feed production has gradually reached 6,000-7,000 tons against installed or usable capacity of approximately 8,000-9,000 tons. We are therefore approaching full capacity utilization of our existing feed plants. By the time these projects are completed, we will also establish another feed

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plant. However, that is not included at present. We may take a decision 3-6 months later.

Shirish Pardeshi – Motilal Oswal: Thank you, and all the best, Sunil.

Management: Thank you, sir.

Operator: Thank you. The next question is from the line of Vandit Dharamshi from Antara Growth Capital. Please go ahead.

Vandit Dharamshi – Antara Growth Capital: Hi, sir. Thank you for the opportunity. The dairy sector, for obvious reasons, has been impacted by weather-related challenges over the years. In the next 2, 3, or 5 years, do you think there is anything the industry can do differently to ensure that these weather-related challenges affect us less than they do today? Perhaps some kind of strain development or inventory build-up. Are we thinking in that direction, or is it possible?

Management: Going forward, I do not think this applies only to us; the entire industry will see the country move along the same trajectory as the rest of the world. Dairy farming, which was previously backyard farming and had a greater impact from weather or feed, is slowly becoming organized. Previously, backyard farming involved one or two animals, and if we look at our own history, the average production was around 2 liters per animal. It has now moved to 8-10 liters per animal over the average lactation period.

Some states are now taking the lead, such as Punjab, Gujarat, and Maharashtra, where farmers are moving away from backyard farming and shifting toward per-acre mainstream farming, which will result in greater productivity and efficiency. Once that takes place, farmers will have more control. For example, they may have fans to cool the animals when temperatures rise, and they may stock feed and fodder in the form of silage or use other practices. We will be able to move forward.

We are already seeing the impact of artificial insemination, where sexed semen helps result in more female animals than male animals and also improves breed productivity. All companies are also playing their respective roles in trying to determine how best to support and help farmers grow. Some companies are creating their own breeding programs. We, for example, conduct permanent health camps, educate farmers, and try to help more farmers move toward an organized structure.

With these developments, I think the signs are positive. As you can already see, earlier fluctuations in buffalo milk volumes used to be around 50%-60%. Now that has declined to 25%-30%, and cow milk has hardly a 10% variation in volume. If this continues, it indicates that the farming industry itself is becoming more organized rather than remaining unorganized backyard farming.

Vandit Dharamshi – Antara Growth Capital: Understood, sir. Thank you very much.

Operator: Thank you. The next question is from the line of Nishitha from Sapphire Capital. Please go ahead.

Nishitha – Sapphire Capital: Hello. Am I audible?

Management: Yes, Nishitha, go ahead.

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Nishitha – Sapphire Capital: I wanted to understand our EBITDA margins again. You mentioned that our Osam margins have fallen this quarter, and you also mentioned that, on a consolidated basis, we can still achieve around 7.5%–8% EBITDA margins for H2 FY27. I wanted to understand how we will achieve that margin because, since we are not going to focus on EBITDA margins in Osam, will the margin not remain under pressure because of Osam?

Management: Originally, we projected Osam at only a 4%–5% EBITDA margin. We were expecting the main margin from the main company, Dodla. We are already seeing a change in the third quarter. Osam did not perform at the expected level in the first and second quarters, but we now expect Osam to achieve around 4%–5% EBITDA in the third and fourth quarters. Overall EBITDA for Dodla will be around 7.5%–8% in the coming quarters.

Management: I will also add here, Nishitha, that the basic point is that Osam may generate revenue of 250 or 300 crores. The 4% on 300 crores is around 12 crores, and even if we achieve 2% or 3%, we can make up the difference. Therefore, the absolute difference from Osam pulling down overall EBITDA is very small, only around 3–4 crores, whereas our India operation is substantially larger. India may add another 1,000 crores; in the next half year, India will add more than 1,000 crores, or 1,300–1,400 crores, of revenue. That is why we are seeing an improvement, and the price increase will take us to 7.5%. Osam alone will not drag it down significantly. It is the overall improvement in India that will take us to a higher level.

Nishitha – Sapphire Capital: So, can we expect India revenue to be around 1,300–1,400 crores for H2 FY27?

Management: This year, we have reached around 900–1,000 crores. Depending on whether summer arrives earlier or later, we can perhaps be anywhere between 1,100 and 1,200 crores.

Management: You are referring to India operations, correct? Overall operations are at that level, so we will—

Management: [crosstalk] We are fortunate that you are asking for a doubling of that—

Management: Our total operations, including Africa, Osam, and feed, are roughly 500 crores on a half-yearly basis. This includes 333 crores from the operations business, 173 crores from the Africa business, and more than 100 crores from feed. That comes to 600 crores. Out of 2,400 crores, or 2,391 crores, close to 2,400 crores, less 600 crores, we have generated approximately 1,800 crores from Dodla India alone. We will generate a similar number in the coming quarter as well.

Nishitha – Sapphire Capital: Understood. That is it from me. Thank you very much.

Management: [off-mic discussion] {? ...they are going up... ?}

Operator: The next question is from the line of Siddharth from CWC. Please go ahead.

Siddharth – CWC: Hi, thank you for the opportunity. I have a few questions. Did the increase in buttermilk, lassi, and paneer volumes come with similar gross margins as earlier? Were you able to pass on the cost increase to consumers, or was there an impact there as well? That is the first question.

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Management: We are passing on the price increase to customers in the same manner. It is only a question of timing. Perhaps we pass it on 1 month after the procurement increase, but we have passed on the prices there as well.

Siddharth – CWC: So, the impact of not being able to fully pass on the increase is only in milk? For milk products, you are able to pass on the cost increase to customers. Is that a fair understanding?

Management: We also do not pass on a certain portion of the increase in curd immediately. We wait for some time before passing it on. It is essentially a question of the time lag. When prices increase, we pass them on 1–2 months later because we wait to see how [laughs] other prices will react and when they will stabilize before passing them on. That is where the delay occurs, and profitability is impacted.

For example, when procurement prices increased in April and May, the impact of that increase was passed on only in June. Similarly, when it happened in the second quarter, we anticipated that procurement prices would come down, but they did not. Our effective price increases therefore happened in September. We experienced the impact of the first and second quarters for 3–4 months, which is reflected in the lower overall profitability. Once we have passed on the increase, as we have said, profitability will return to normal in the coming quarters.

Siddharth – CWC: Understood. Outside of that lag, is it fair to say that structurally you are able to pass on the cost increase for milk products, but for milk and curd, you may not always be able to pass on the entire cost increase to the customer?

Management: We will not pass it on immediately, but over a period of time it will be passed on to customers. We will not pass it on instantly. We will wait and see because, if there is a correction in procurement prices, we do not want to reduce the price again. So, we wait for a while and then act, but on average it will be passed on.

Siddharth – CWC: Understood. What trend are you seeing in the procurement challenge between cow and buffalo milk supply, especially in Maharashtra and Andhra Pradesh, which are decent buffalo milk regions? Are you seeing buffalo milk being a bigger challenge than cow milk, or is it both?

Management: Overall, buffalo milk is declining year-on-year because there is significant demand for buffalo meat, and it is not viable for farmers to rear buffaloes. There is a substantial variation between the flush season and the summer season. Because of that variation, farmers are preferring cows. That is why cow milk production across India is increasing year-on-year. This is also the case in Andhra Pradesh, where the coastal area was previously predominantly a buffalo milk region. Some parts of Maharashtra also had buffalo milk, but buffalo milk is gradually declining year-on-year, while the proportion of cow milk is increasing.

Siddharth – CWC: This year, did you see buffalo milk fall more sharply than cow milk? I ask because we have seen fat shortages in the market at a different level, and that is why—

Operator: I am sorry to interrupt you, sir. If you have follow-up questions, please rejoin the queue.

Siddharth – CWC: It is just a clarification on this, but I am happy to rejoin the queue.

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Management: Siddharth, you can also reach out to me or anyone else directly. We will give you the answer. You can get the number from SGA and reach out.

Siddharth – CWC: I will do that. Thank you.

Operator: Thank you. The next question is from the line of Mohnish Ghodke from HDFC Mutual Fund. Please go ahead.

Mohnish Ghodke – HDFC Mutual Fund: Thank you for the opportunity. We had VAP sales of 327 crore. What is the split between the various categories?

Management: One minute, sir. [laughs] [pause] The revenue of 327 crore is basically the 580—

Management: Which quarter are you referring to, sir? Are you referring to the quarter or the—

Management: The 327 that you mentioned is only DDL.

Management: That is only India sales, sir?

Management: Only India sales, correct. I see. Basically, curd, yogurt, lassi, and buttermilk are all grouped as curd products. This is around 251 crores. Ice cream is 11 crores, and flavored milk is 13 crores.

Mohnish Ghodke – HDFC Mutual Fund: And, sir, will the share of VAP broadly remain the same at around 30% over the medium term?

Management: We normally say that we will grow by 1%–2%, but it also depends on which products are included. For example, revenue may grow by 2%–3% because, if I sell more paneer, 6 liters of milk are used to make 1 kilogram of paneer. Therefore, from a revenue percentage perspective, it will be somewhat higher, perhaps 2%–3%, but from a volume perspective it cannot be compared on an equivalent basis because some products are measured in liters and some in kilograms of solids. If we add ghee, the percentage will increase substantially and can reach up to 40%.

Management: We have grown VAP by 1%–1.5% this year compared with last year. However, last year included a portion of ghee. This year, that ghee portion is not included. That is why it appears that there is not much variation in VAP. In reality, VAP has grown. VAP, including buttermilk, curd, and everything else, has grown.

Mohnish Ghodke – HDFC Mutual Fund: One last question. Can we safely say that the milk procurement price of 62–63 rupees per liter has now peaked and that there should not be any further increase going forward? That is one part. The other part is, how do you see the impact of El Niño on milk availability?

Management: Since procurement prices were already increased sufficiently in the first and second quarters, milk availability has now also improved. In the last 1 month, we have seen some rain in the southern coastal region, and availability has also improved. We hope that there will not be much of a price increase on the procurement side in the third and fourth quarters. Prices may remain stable.

Mohnish Ghodke – HDFC Mutual Fund: Thank you, sir.

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Management: Thank you.

Operator: Thank you. That was the last question for today. I now hand the conference over to management for closing remarks.

Management: [pause] One minute, ma'am.

Management: I thank everybody for joining our conference, and I look forward to meeting you in the next quarter. Thank you very much, everyone, for joining our conference call.

Operator: Thank you. On behalf of Dodla Dairy Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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