



DODLA DAIRY LIMITED

Issue highlights

- ❑ **Dodla Dairy Limited (Dodla Dairy)** was incorporated on May 15 1995 at Hyderabad. Dodla Dairy is an integrated dairy company based in south India primarily deriving all of their revenue for Fiscal 2020 and for the 9 months period ended December 31, 2020 from the sale of milk and dairy based Value Added Products (“VAPs”) in the branded consumer market.
- ❑ 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.
- ❑ **Dodla Dairy is the 3rd highest in terms of milk procurement per day** with an average procurement of 1.03 million litres of raw milk per day (“MLPD”) as of March 31, 2021 and **2nd highest in terms of market presence across all of India amongst private dairy players** with a significant presence in the southern region of India.
- ❑ Their operations in India are primarily across the 5 Indian states of Andhra Pradesh, Telangana, Karnataka, Tamil Nadu and Maharashtra. Their overseas operations are based in Uganda and Kenya.
- ❑ Company’s Indian operations are undertaken under their brands “Dodla Dairy”, “Dodla” and “KC+”. Their overseas operations are undertaken under their brands “Dodla Dairy”, “Dairy Top” and “Dodla+”.
- ❑ The company has an average procurement of 1.03 MLPD from approximately 109,670 farmers through 6,771 Village Level Collection Centres (“VLCCs”), 232 dairy farms (farmers rearing multiple cattle for supplying raw milk in bulk quantities) and third party suppliers as of March 31, 2021.
- ❑ Company’s processing operations consist of processing of the collected raw milk into packaged milk and manufacturing of other dairy based VAPs by 13 processing plants with an aggregate installed capacity of 1.70 MLPD.

Brief Financial Details*

(₹ In Cr)

	As at Dec’31,	As at Mar’ 31,		
	2020(09)	2020(12)	2019(12)	2018(12)
Equity Share Capital	55.67	55.67	55.67	3.28
Reserves#	494.02	377.82	350.70	336.26
Net worth	549.69	433.50	406.37	339.53
Revenue from Operations	1,413.51	2,139.37	1,691.67	1,590.48
Revenue Growth (%)	-	26.46%	6.36%	-
EBITDA	206.51	140.93	134.15	112.72
EBITDA (%)	14.61%	6.59%	7.93%	7.09%
Profit Before Tax	162.13	81.87	93.28	80.44
Net Profit for the period	116.39	49.87	62.76	56.85
Net Profit (%) as stated	8.23%	2.33%	3.71%	3.57%
EPS (₹)	20.91^	8.96	11.27	10.21
RoNW (%)	21.17^	11.50	15.44	16.74
NAV(₹)	98.74	77.87	72.99	60.99

Source: DRHP *Restated Statement, ^not annualized; #Reserve includes Capital Redemption Reserve, Securities Premium, Debenture Redemption Reserve, Foreign Currency Translation Reserve, Share Options Outstanding Account and retained Earnings.

Issue Details

Fresh Issue of Equity Shares aggregating upto ₹ 50 Crore and Offer for sale of upto 10,985,444 Equity Shares

Issue size: ₹ 512.49 – 520.18 Cr

No. of shares: 12,173,092 – 12,153,668

Face value: ₹ 10

Price band : ₹ 421 - 428

Bid Lot: 35 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 2,505 – 2,546 Cr

BRLMs: Axis Capital, ICICI Securities

Registrar: KFin Technologies Pvt. Ltd.

Issue opens on: Wednesday, 16th Jun’2021

Issue closes on: Friday, 18th Jun’2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	23-06-2021
Refunds/Unblocking ASBA Fund	24-06-2021
Credit of equity shares to DP A/c	25-06-2021
Trading commences	28-06-2021

Issue break-up

	No. of Shares (Approx)	₹ In Cr	% of Issue
QIB	6,086,544 – 6,076,833	258.80 -260.09	50%
NIB	1,825,964 – 1,823,051	76.87 - 78.03	15%
Retail	4,260,584 – 4,253,784	179.37 -182.06	35%
Total	12,173,092-12,153,668	515.04-520.18	100%

Listing : BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue^	Post issue#
58,324,511	59,512,159	59,492,735

^@Lower price Band #@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	68.52%	64.17%
Public	31.48%	35.83%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was incorporated as Dodla Dairy Limited on May 15, 1995 at Hyderabad. Dodla Sunil Reddy, Dodla Sesha Reddy and the Dodla Family Trust are the Promoters of the company. The Promoters hold 24,970,631 Equity Shares, aggregating to 42.81% of the pre-offer issued, subscribed and paid up Equity Share capital of the company. Dodla Sesha Reddy holds 556,716 Equity Shares, Dodla Sunil Reddy holds 8,269,038 Equity Shares and Dodla Family Trust holds 16,144,877 Equity Shares in the company.

Brief Biographies of Directors

Dodla Sesha Reddy is the Promoter, Chairman and non-executive Director on the Board of the company. He has been associated with the company for more than 22 years and has dairy industry experience of more than 22 years.

Dodla Sunil Reddy is the Promoter and Managing Director of the company. He has been associated with the Company since incorporation and has more than 25 years of experience in the dairy industry. He is responsible for setting up their business strategy with a focus on accountability, competitive performance and value creation.

Madhusudhana Reddy Ambavaram is the whole-time Director of the company. He joined the company in October, 2006 and has 14 years of experience in the dairy industry. He is in charge of the legal compliance in relation to industrial and labour laws and the human resource functions of the company.

Akshay Tanna is the Non-Executive Nominee Director on the Board of the company. He has been with TPG Capital India Pvt Ltd since 2011 and is a partner at TPG Growth & Rise Fund in Mumbai.

Raja Rathinam is the Independent Director on the Board of the company and has more than 40 years of experience in the dairy industry.

Ponnavolu Divya is the Independent Director on the Board of the company and has several years of experience.

Rampraveen Swaminathan is the Independent Director on the Board of the company and has over 10 years of experience in various industries.

Raman Tallam Puranam is the Independent Director on the Board of the company and has over 15 years of experience in various industries.

Key Managerial Personnel

Anjaneyulu Ganji is the Chief Financial Officer of the company. He has several years of experience in accounting roles in various industries. He has joined the company on January 25, 2021.

Venkat Krishna Reddy Busireddy is the Chief Executive Officer of the company. He has over 35 years of experience in the dairy sector. He has been with the company for more than 23 years.

Ruchita Malpani is the Company Secretary and Compliance Officer of the company. She has joined the company on February 10, 2016 and has over 7 years of experience in various industries.

OBJECTS OF THE ISSUE

Objects	Amount (₹ In Cr)
Repayment and/ or pre-payment, in full or part, of certain borrowings availed by the company from ICICI Bank, HSBC Bank and HDFC Bank	32.26
Funding incremental capital expenditure requirements of the company	7.15
General Corporate Purposes	[•]
Total	[•]

OFFER DETAILS

The Offer	
Fresh Issue (₹ 50 Cr)	Upto 1,168,224 [^] - 1,187,648 [~] Equity Shares ([^] at upper price band and [~] lower price band)
* Offer for sale by:	Upto 10,985,444 Equity Shares
Dodla Sunil Reddy – The Promoter Selling Shareholder	Upto 416,604 Equity Shares
Dodla Family Trust – The Promoter Selling Shareholder	Upto 1,041,509 Equity Shares
Dodla Deepa Ready. – The Promoter Group Selling Shareholder	Upto 327,331 Equity Shares
TPG Dodla Dairy Holdings Pte Ltd (TDDHPL)- The Investor Selling Shareholder	Upto 9,200,000 Equity Shares

Details of Shareholding Pattern:

Shareholder	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter & Promoter Group	39,961,356	68.52%	1,785,444	38,175,912	64.17%
- Dodla Sunil Reddy	8,269,038		416,604	7,852,434	
- Dodla Family Trust	16,144,877		1,041,509	15,103,368	
- Dodla Deepa Ready	7,433,958		327,331	7,106,627	
- Other Promoter & Promoter Group	8,113,483		-	8,113,483	
Total - Public	18,363,155	31.48%	9,200,000	21,316,823	35.83%
- TPG Dodla Dairy Holdings Pte Ltd (TDDHPL)	15,031,434		9,200,000	5,831,434	
- Public - Others	3,331,721			15,485,389	
Total Equity Share Capital	58,324,511	100.00%	10,985,444	59,492,735	100.00%

BUSINESS OVERVIEW

Dodla Dairy Limited (“**Dodla Dairy**”) is an integrated dairy company based in south India primarily deriving all of their revenue for Fiscal 2020 and for the 9 months period ended December 31, 2020 from the sale of milk and dairy based Value Added Products (“VAPs”) in the branded consumer market. Amongst private dairy players with a significant presence in the southern region of India, **Dodla Dairy is the 3rd highest in terms of milk procurement per day** with an average procurement of 1.03 million litres of raw milk per day (“MLPD”) as of March 31, 2021 and **2nd highest in terms of market presence across all of India amongst private dairy players** with a significant presence in the southern region of India. Their operations in India are primarily across the 5 Indian states of Andhra Pradesh, Telangana, Karnataka, Tamil Nadu and Maharashtra. Their overseas operations are based in Uganda and Kenya.

Company’s Indian operations are undertaken under their brands “Dodla Dairy”, “Dodla” and “KC+”. Their overseas operations are undertaken under their brands “Dodla Dairy”, “Dairy Top” and “Dodla+”. They process and sell retail milk (full cream, standardised, toned and double toned) and produce dairy based value added products (“VAPs”) such as curd, Ultra-High Temperature processed (“UHT”) milk, ghee, butter, flavoured milk and ice cream amongst others. They also manufactures and sell cattle feed to farmers through their procurement network. The revenue from sale of milk and dairy based VAPs constituted 72.81% and 27.18% respectively, of their revenue in Fiscal 2020 and 75.32% and 24.68% respectively, for the 9 months period ended December 31, 2020.

BUSINESS MODEL:

Company’s integrated business model in India consists of procurement, processing, distribution and marketing operations. Their procurement operations are spread across the states of Andhra Pradesh, Telangana, Tamil Nadu, Karnataka and Maharashtra. These consist of an average procurement of 1.03 MLPD from approximately 109,670 farmers through 6,771 Village Level Collection Centres (“VLCCs”), 232 dairy farms (farmers rearing multiple cattle for supplying raw milk in bulk quantities) and third party suppliers as of March 31, 2021. The raw milk collected is then transported to their chilling centres and thereafter to their processing plants. Further, their dependence on third party suppliers has reduced from 13.58% in Fiscal 2018 to 5.65% of their total average raw milk procurement as of March 31, 2021.

Company’s processing operations consist of processing of the collected raw milk into packaged milk and manufacturing of other dairy based VAPs by 13 processing plants with an aggregate installed capacity of 1.70

MLPD. These include the Vedasandur and Batlagundu processing plants which were acquired by Dodla Dairy pursuant to a business transfer agreement (“BTA”) dated February 8, 2019 with KC Dairy Products Pvt. Ltd. and its shareholders.

Company’s aggregate installed capacity increased from 1.29 MLPD in Fiscal 2018 to 1.70 MLPD in Fiscal 2021. Additionally, they have commissioned a UHT milk processing plant in Rajahmundry in April, 2019 to support their operations. Their distribution and marketing operations consist of distribution of their milk and dairy based VAPs through 40 sales offices, 3,285 distribution agents, 861 milk distributors and 544 milk product distributors across 11 states in India. Additionally, as of March 31, 2021, their milk and dairy based VAPs are also available through 393 “Dodla Retail Parlours” which commenced operations in 2016 and are spread across the states of Andhra Pradesh, Telangana, Tamil Nadu and Karnataka. Their processing plants are in close proximity to their milk procurement operations and their target market which enables them to optimise transportation and raw milk handling costs. In Fiscal 2019 they acquired the cattle feed and mixing plant with a capacity of 80 MTPD in Andhra Pradesh for the purpose of manufacturing and selling cattle feed to farmers through their procurement network. The company has successfully integrated their cattle feed operations with their existing procurement network through their subsidiary OPL.

OVERSEAS OPERATIONS:

Dodla Dairy commenced their overseas operations in Fiscal 2015 through acquisition of the operations of Hillside Dairy and Agriculture Ltd. through their Subsidiary Lakeside Dairy Ltd. in Africa. For their overseas operations, they procure raw milk from cooperative societies and follow a similar integrated business model as of their India operations. Packaged milk and dairy based VAPs for retail are produced from their processing plant in Uganda and are distributed in Uganda and Kenya. Their distribution operations in Uganda are conducted through their African Subsidiary Lakeside Dairy Ltd. and include distribution of their milk and dairy based VAPs as of March 31, 2021 through 23 distributors and 11 “**Dodla Retail Parlours**”. Their distribution operations in Kenya are conducted through their African Subsidiary Dodla Dairy Kenya Ltd. and include distribution of their milk and dairy based VAPs as of March 31, 2021 through 43 distribution agents and 56 distributors.

QUALITY CONTROL:

The company has placed significant emphasis on quality control across their integrated business model and obtained several quality control certifications and registrations for their operations. The raw milk procured by them is tested by electronic milk analysers which tests for the fat and solid not fat (SNF) content of the raw milk and undergo further tests during the procurement stage. Their milk and dairy based VAPs have received certifications from the FSSAI. Quality food safety forms a part of their policy and is one of the main drivers of their business. They have well defined documented quality system which is monitored at various stages of procurement and processing.

Their processing plants at Nellore, Palamaner, Penemuru, Badvel and Dharmapuri are ISO 22000:2018 certified for food management system. The Nellore and Palamner processing plants are ISO 50001:2011 certified for energy management system. The Nellore processing plant is export inspection certified and BIS certified for SMP. Their products have received certifications from FSSAI. Their processing plant at Hyderabad has received a FSSC V 4 certification and has received food safety system certification 22000. Additionally, their processing plants situated at Nellore and Hyderabad, for producing ghee, are AGMARK registered. Further, their Uganda Unit has obtained various quality certification including, *inter alia*, UNBS permits for producing plain yogurt, vanilla yogurt, chocolate yogurt and UHT milk. Additionally, their processing plant situated at Hyderabad is equipped with FT-1 Milko-scanner which allows them to conduct 26 adulterant related tests in milk automatically.

Dodla Dairy is promoted by Dodla Sessa Reddy and Dodla Sunil Reddy, who each have over 22 years of experience in dairy industry which have been instrumental in the growth of the company. Further their CEO, Venkat Krishna Reddy Busireddy, has over 35 years of experience in the dairy industry. They have also been awarded a number of industry awards including the HMTV Business Excellence Award, 2018, Best Practices in Cold Storage (Large Segment). **The RISE Fund, which is a social impact fund of TPG Growth, through TPG Dodla Dairy Holdings Pte. Ltd. invested in the company. APIDC-Venture Capital and BR CPF (Mauritius) Ltd. were their shareholders in the past. The International Finance Corporation is currently their lender and a shareholder.**

The Revenue from Operations increased at a CAGR of 15.98% over Fiscal 2018 to Fiscal 2020 and amounted to ₹2,139.37 crore in Fiscal 2020, EBITDA increased during the same period at a CAGR of 11.81% and amounted to ₹140.93 crore, The Profit After Tax amounted to ₹49.87 crore in Fiscal 2020.

The Revenue from Operations, EBITDA and Profit After Tax for the 9 months period ended December 31, 2020 were ₹1,413.51 crore, ₹206.51 crore and ₹116.39 crore respectively.

Additionally, their sales (sale of goods) increased from ₹1,589.16 crore in Fiscal 2018 to ₹2,136.16 crore in Fiscal 2020. Despite cumulative capital expenditure of ₹264.49 crore over the past 3 years, towards *inter alia*, commissioning a new processing plant at Rajahmundry, acquisition of the processing plants at Batlagundu and Vidasandur from KC Dairy Products Pvt. Ltd. acquisition of the cattle feed and mixing plant by Orgafeed Pvt. Ltd. at Kadapa and establishment of new VLCCs, their **Return on Equity and Return on Capital Employed for Fiscal 2020 were at 11.50% and 17.01% respectively.**

BUSINESS IMPACT – COVID 19

The COVID-19 pandemic has affected and may continue to affect company's business, results of operations and financial condition in a number of ways, including a decrease in their sales volume by 20% and in their revenues by 12% from the period December 31, 2019 to December 31, 2020, such as

- A decrease in sales of their products such as processed milk, ice cream, curd and butter milk in the metro cities of Bengaluru and Chennai. This was primarily because of the migration of their retail customers to their base home town;
- An adverse impact on their sales to commercial establishments;
- A reduction in the consumption of their products led to a decrease in the production at certain of their processing plants such as Nellore and Palamner;
- Reduction in the budget for sales and marketing for Fiscal 2021;
- Increased risks emanating from process changes being implemented, such as increased reliance on technology, increased work-from-home measures.

While COVID-19 has directly affected their business and operations, there is significant uncertainty regarding the duration and impact of the COVID-19 pandemic, as well as possible future responses, which makes it impossible for them to predict with certainty the impact that COVID-19 will have on them and their customers at this time. Any intensification of the COVID-19 pandemic or any future outbreak of another highly infectious or contagious disease may adversely affect their business, results of operations and financial condition.

PRODUCTION CAPACITIES (PER DAY)

The aggregate installed production capacities (per day) of the processing plants for the products specified:

Installed Production Capacity and Capacity Utilization									
Unit	Fiscal 2021			Fiscal 2020			Fiscal 2019		
	Installed Capacity in MLPD	Actual Production in MLPD	% Utilization	Installed Capacity in MLPD	Actual Production in MLPD	% Utilization	Installed Capacity in MLPD	Actual Production in MLPD	% Utilization
Andhra Pradesh									
Badvel	0.05	0.05	105%	0.05	0.05	100%	0.05	0.05	100%
Kurnool	0.05	0.05	101%	0.05	0.04	94%	0.05	0.04	82%
Palamaner	0.38	0.19	49%	0.38	0.27	73%	0.38	0.26	70%
Penumur	0.05	0.04	85%	0.05	0.06	138%	0.05	0.06	131%
Nellore	0.20	0.17	82%	0.20	0.25	122%	0.20	0.23	114%
Rajahmundry	0.15	0.04	24%	0.15	0.03	22%	0.15	0.02	15%
Sattenapalle	0.04	0.03	70%	0.04	0.02	63%	0.04	0.02	54%
Karnataka									
Indragi	0.20	0.14	68%	0.20	0.15	75%	0.20	0.13	69%
Tumkur	0.03	0.03	97%	0.03	0.03	112%	0.03	0.04	123%
Tamil Nadu									
Batlagundu	0.09	0.08	82%	0.09	0.05	54%	0.09	0.04	49%
Dharmapuri	0.10	0.09	93%	0.10	0.12	122%	0.10	0.12	127%
Vidasandur	0.05	0.005	9%	0.05	0.05	103%	0.05	0.05	101%
Telangana									
Hyderabad	0.29	0.13	47%	0.29	0.15	55%	0.29	0.15	54%
International									
Uganda	0.30	0.05	18%	0.10	0.08	80%	0.10	0.05	50%
Total	1.98	1.10		1.78	1.35		1.78	1.26	
Nellore (SMP)^	15,000	5,486	37%	15,000	11,192	75%	15,000	60,066	400%
Vidasandur(SMP)^	10,000	3,551	36%	10,000	3,155	32%	10,000	-	-

Note: Total for MLPD Units; ^Units in KG

In addition to the above, pursuant to the Orgafeed BTA, the company has acquired a cattle feed plant at Kadapa in Andhra Pradesh with installed capacity of 80 MTPD. The capacity utilisation of this cattle feed plant was 30.70 MTPD at 38% and 29.54 MTPD at 37% respectively for the Fiscals 2020 and 2021 respectively

COMPANY PRODUCT PORTFOLIO

Consumer Products (India): Pasteurized pouch milk, UHT milk, Sterilized flavored milk, Curd (Dahi), Butter, Clarified butter (ghee), Butter milk, Lassi, Ice creams, Paneer, Kulfi, Milk based sweets

Consumer Products (Africa): UHT milk, yogurt with different flavours, ghee, paneer, cheese and UHT milk.

COMPETITIVE STRENGTHS

- **Consumer focused with a diverse range of products under the “Dodla Dairy” and “Dodla” brands**

Dodla Dairy has developed one of the leading brands in the dairy products industry in south India with strong consumer recognition, particularly in the States of Andhra Pradesh, Karnataka, Tamil Nadu and Telangana. Their Indian operations are undertaken under the brands “Dodla Dairy” (for milk and perishable products such as curd, flavoured milk) and “Dodla” (for VAPs such as ghee, butter, paneer, butter milk and ice creams).

They offers a diverse portfolio of dairy based VAPs targeted at various consumer segments and this enables them to cater to the changing preferences of their retail customers. **They 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. The strength of their brands helps them in many aspects of their business, including expanding to new markets, entering into agreements with distributors and retailers and building relationships with their customers, investors and lenders.

- **Integrated business model with well-defined procurement, processing and distribution capabilities**

Company’s integrated business model enables them to provide end to end capabilities from procurement till distribution and marketing in a cost efficient manner. The key components of their integrated business model are as follows:

- **Procurement** - Raw milk is one of the key raw materials for the business. Their procurement operations are spread across the states of Andhra Pradesh, Telangana, Tamil Nadu, Karnataka and Maharashtra and consist of an average procurement of approximately 1.03 MLPD of raw milk from approximately 109,670 farmers across 7,003 villages through 6,771 VLCCs, more than 283 milk procurement routes, 232 dairy farms and 94 chilling centres as of March 31, 2021. They procure raw milk directly from the farmers and through third party suppliers. They have consistently improved their direct procurement from farmers from 2018 from 0.50 MLPD to 0.95 MLPD as of March 31, 2021 with such direct procurement comprising 92.75% of their total raw milk procurement as of March 31, 2021. The company also pay the farmers once every 10 to 15 days, with **the money being sent directly to the bank accounts of 77% of their farmers** as of March 31, 2021 and pay **the remaining 23% of their farmers by way of direct cash payments**, which motivates them to engage with the company more frequently. As of March 31, 2021, their procurement of raw milk from VLCCs and dairy farms is 94.35% and this amounted to 0.97 MLPD.

As on March 31, 2021, Dodla Dairy operates more than 283 milk procurement routes. These routes have a regular procurement plan with timely pick up of raw milk from VLCCs and dairy farms and transport to the nearest chilling centres. This enables them to preserve the freshness of the raw milk. The raw milk is thereafter transported to the nearest processing plant through tankers for onward processing into retail milk packages or manufacture of dairy based VAPs. The strategic location of their processing plants, chilling centres and VLCCs enables them to minimise the transportation and handling costs, without any loss in quality or nutritional value.

- **Processing** – Company’s processing operations are spread across 13 processing plants (12 of which are owned and 1 is leased) located in the states of Andhra Pradesh, Telangana, Karnataka and Tamil Nadu in India with an aggregate installed capacity of 1.70 MLPD, excluding 2 SMP plants in Nellore and Vedesandur which have an aggregate installed capacity of 15,000 and 10,000 kgs per day respectively. The company regularly incurs capital expenditure to upgrade technology across their processing plants and expand into new geographies by way of introduction of modern automated plants. They have introduced fully

automated processing lines, along with semi-automated processing lines, which led to efficiencies in their processing operations. Their processing infrastructure, with fully automated processing lines, is designed in a manner to ensure efficient operations and high product quality standards.

- **Distribution and marketing** – The Company sell their products under the “Dodla” and “Dodla Dairy” brand in India. As of March 31, 2021 they distributed their milk and dairy based VAPs through 40 sales offices, 3,285 distribution agents, 861 milk distributors and 544 milk product distributors. Their products are also available through 393 “Dodla Retail Parlours” which are operated on a franchise model and spread across the states of Andhra Pradesh, Telangana, Tamil Nadu and Karnataka. Their advertisement and carriage outwards expenses for Fiscals 2018, 2019 and 2020 and for the 9 months period ended December 31, 2020 were ₹ 64.42 crore, ₹ 85.84 crore and ₹ 111.62 crore and ₹ 68.79 crore respectively. In order to market their products, they engage in various marketing and promotional campaigns such as undertaking, door to door campaigning for their products, hoardings, signages, direction boards and kiosk promotions. Further, they have associated with multiple suppliers for purchase of consumables and packaging materials for a number of years.

- **Focused engagement and long term relationship with dairy farmers**

Company’s farmer friendly policies and continuous engagement with them with welfare programs have strengthened their relationships with farmers which in turn has strengthened their raw milk procurement process. They offer a variety of initiatives for the farmers from whom they procure raw milk. As part of their diversified procurement network, they rely on third party suppliers and farmers. In order to ensure transparency, they test the quality and quantity of the raw milk collected from the farmers with electronic milk analysers. Their VLCCs are equipped with GPRS enabled milk analyzers and weigh scales which provide a transparent acknowledgement for quantity and quality components for the milk supplied by the farmers. They also work with regional banks and facilitate sanctioning of loans to farmers which they utilise to invest in their cattle.

They have also diversified into an ingredient input providing company by supplying upfront cattle feed under the “Orga” brand, manufactured by their Subsidiary Orgafeed Pvt. Ltd., directly to their farmers through their procurement network which is adjusted against the value of the raw milk supplied to them by such farmers. They have tied up with various veterinarians to provide services to farmers for their milch animals. They also organise various training camps with veterinarians for farmers to educate them about the best ways to prevent common ailments for their milch animals.

Their continuous engagement with farmers and their knowledge in the dairy industry combined with their welfare programs for the farmers have enabled them to have a strong procurement network in the regions in which they operates and thus helped the company to contain the cost of raw milk and ensure supply of quality raw milk.

- **Stringent quality control procedures**

The company is committed towards quality and food safety of their products. Their determination towards quality and food safety is demonstrated by well-defined quality and food safety procedures at various stages from procurement to distribution of their products. They maintain a cold storage chain from the procurement stage till the time the milk and dairy based VAPs reach the consumer. All quality checks are documented in a quality manual to ensure that they only procure raw milk which meets their standards for further processing. Quality and food safety forms a part of their policy which is one of the main drivers of their business.

- **Financial Growth and operational efficiencies**

Dodla Dairy has delivered consistent growth over the last 3 financial years both in terms of financial and operational metrics. The debt to equity was 0.17, 0.35, 0.39 and 0.37 as on December 31, 2020, March 31, 2020, March 31, 2019 and March 31, 2018 respectively. Further, their receivable days were 1.23 days and 0.66 days as on March 31, 2020 and December 31, 2020 respectively with their trade receivables amounting to ₹ 7.20 crore and ₹ 3.39 crore as on March 31, 2020 and December 31, 2020 respectively.

- **Experienced Board and senior management team**

Dodla Dairy is led by an experienced Board of Directors, who has extensive knowledge and understanding of the dairy business and has the expertise and vision to organically and inorganically scale up their business. Their Board,

led by the Chairman Dodla Sesha Reddy, has led the company through sustained period of growth and has also taken initiatives to improve their processes and efficiencies, implementation of enterprise resource planning system in the year 2000 and replication of their India business model in Uganda and Kenya which led to their overseas operations turning profitable. Further, since 2012, the company has benefited from *marquee* investors being shareholders of the company and represented on the Board of the company by undertaking a number of initiatives such as, *inter alia*, formulating a future growth strategy, further strengthening the corporate governance standards, entry into new line of VAPs, internal processes and controls including migration to SAP and introducing KPI based formal appraisal systems for the management.

The Board is supplemented by their senior and middle-level management team members. The core managerial team has an average dairy industry experience of more than 20 years and most of them have been associated with the company since the formative years.

KEY BUSINESS STRATEGIES

- **Enhance the brand visibility and expand the reach of the products**

Company's brands are recognised by consumers given their presence across the south Indian markets for over 23 years and robust quality of their processed milk. Going forward, they intend to increase brand visibility of their VAPs by undertaking more advertisement campaigns.

As part of product outreach program, they intend to actively increase their distribution network and engage with hyper markets, super markets and retailers so that all of their products become more accessible to their consumers. They also intend to convert their multi-brand dealer network into exclusive suppliers who house only their products in a phased manner to have better control over their brand. They also intend to increase the number of Dodla Retail Parlours in the states of Andhra Pradesh, Telangana, Karnataka and Tamil Nadu based on the existing franchise model. In Africa, they recently introduced some of their products such as full cream milk under the brand "Dodla+".

- **Further strengthen the procurement and processing operations**

Company's current raw milk procurement operations are primarily dependent on dairy farmers as well as third party suppliers supplying them raw milk which is costly and also leads to farmers being paid lesser compared to direct procurement. They have eliminated third party suppliers from their procurement network in Tamil Nadu and Andhra Pradesh and plan to implement this throughout their procurement network. For their processing operations, the company is identifying various strategic initiatives to improve their operational efficiencies and reduce operating costs. They intends to continue to (i) adopt more efficient production process to decrease milk reprocessing and reduce their water use; (ii) decrease the electricity consumption due to refrigeration by refining the current plant and machinery; and (iii) switch from conventional to non-conventional sources of energy. Further, they continue to invest in modern technology and equipment to address changing customer preferences as well as to improve operational efficiencies.

- **Expand the operations domestically and internationally by way of organic and inorganic growth**

The company intends to continue to grow domestically and internationally by way of organic and inorganic growth in order to increase their presence and their revenue. For their India operations, they have in the past grown both organically by setting up their own processing plants and inorganically by either acquiring processing plants or business units from third parties. They have acquired plants, including, in Fiscal 2016, a processing plant in Dharmapuri, Tamil Nadu which provided them access to the markets in central and southern Tamil Nadu. In Fiscal 2013, they acquired a processing plant in Kurnool. They commenced operations at their new processing plant in Rajahmundry, Andhra Pradesh, in April, 2019, which provided them access to the markets of coastal Andhra Pradesh.

Dodla Dairy entered into a business transfer agreement with KC Dairy Products Pvt. Ltd. and Chellamuthu Sureshkumar on February 8, 2019 ("BTA"). Pursuant to the BTA, the company has acquired 2 new processing plants at Vedasandur and Batlagundu in Tamil Nadu and 1 SMP plant at Vedasandur. In Fiscal 2019 they, through their Subsidiary Orgafeed Pvt. Ltd., acquired the cattle feed and mixing plant in Andhra Pradesh for the purpose of manufacturing and selling cattle feed to farmers through their procurement network. For their overseas operations, the company entered into the markets of Uganda in Fiscal 2015 with the acquisition of operations of Hillside Dairy and Agriculture Ltd by their Subsidiary Lakeside Dairy Ltd. Their entry in the Ugandan market allowed them to

expand their reach to the East African markets. The company has been able to take over the supply and distribution chains of the aforesaid plants that they have acquired and have been able to integrate these acquisitions into their Company's supply and distribution channels through which they started obtaining synergies as their company got first mover advantages into new markets for them.

- **Increase the revenues from dairy based VAPs**

Company's revenue from sale of processed milk grew at a CAGR of 16.44% from ₹ 1,144.33 crore in Fiscal 2018 to ₹1,551.44 crore in Fiscal 2020, the revenues from VAPs grew at a CAGR of 73.45% from ₹450.20 crore in Fiscal 2018 to ₹579.25 crore in Fiscal 2020. Historically, sales of processed milk have been their primary revenue driver. In order to grow further and also increase margins, over the last few years they have focused on dairy based VAPs. They intend to supplement their revenue by increasing the sales of their VAPs and strike a balance between processed milk and VAPs to optimise their product portfolio. While their current product portfolio includes curd, they propose to introduce new variants of cheese and other products at price points as low as ₹10, to expand their product portfolio and reach a wider variety of consumers. They have in the past 3 fiscals introduced products such as ice creams, UHT milk and flavoured milk in pet bottles. Further, they currently sell buttermilk, lassi, doodhpeda, milk and curd at price points of ₹ 7, ₹ 10, and ₹ 15, which cater to a large number of consumers. Key drivers of their dairy based VAPs are curd, UHT milk, ghee, butter, flavoured milk, paneer, and ice creams for their Indian operations and liquid milk yogurt, ghee, paneer, cheese and UHT milk for their overseas operations.

- **Research and Development in dairy farming and allied activities**

Company's research and development activities are focused towards increased productivity of cattle leading to production of quality and safe milk and milk products, through their Associate Company GVC. Their research activities are divided into the following focus areas:

- **Genetic Research-** Investigation into genetic diversity and relationship between HF breed cows and varied India cattle breed to lead to improvement of dairy herd genetics that affect health, longevity and reproductive traits in cattle used for raw milk production.
- **Breeding Research-** The company undertakes research to reduce the breeding cycle of cows and on related activities including semen selection for more productive cows.

INDUSTRY OVERVIEW

Peer Benchmarking - Comparison on operational parameters (FY2020)

Particulars	Hatsun Agro Product Ltd	Heritage Foods Ltd	Tirumala Milk Products Pvt. Ltd*	Dodla Dairy Ltd	Creamline Dairy Products Ltd*
Milk procurement (Tonnes per day)	2,651	1375	NA	1,178	NA
Milk processing capacity (Tonnes per day)	NA	2,651	NA	2,023	1,178
Procurement reach/network	400,000+farmers across 12,500 villages	300,000+farmers across 8 states	NA	180,000+ farmers	NA
Chilling centres	10000 Bulk chillers	111 bulk coolers & 77 chilling plants	NA	72+ chilling centres	~102 chilling centres
No of plants	18	16	9	14 (incl cattle feed plant acquired from OPL)	9
Plant location (State)	<ul style="list-style-type: none"> • Andhra Pradesh • Karnataka • Tamil Nadu • Telangana • Maharashtra 	<ul style="list-style-type: none"> • Andhra Pradesh • Haryana • Karnataka • Maharashtra • Tamil Nadu • Telangana 	NA	<ul style="list-style-type: none"> • Andhra Pradesh • Karnataka • Tamil Nadu • Telangana 	<ul style="list-style-type: none"> • Karnataka • Maharashtra • Tamil Nadu • Telangana

Particulars	Hatsun Agro Product Ltd	Heritage Foods Ltd	Tirumala Milk Products Pvt. Ltd*	Dodla Dairy Ltd	Creamline Dairy Products Ltd*
Brands	<ul style="list-style-type: none"> • Arun Icecreams • Arokya Milk • Hatsun • Ibaco • Santosa • Oyalo • Aniva 	<ul style="list-style-type: none"> • Heritage • Dairy Life • Dairy Pure 	<ul style="list-style-type: none"> • Tirumala • Lactel Sshup 	<ul style="list-style-type: none"> • Dodla • Dairy Top 	<ul style="list-style-type: none"> • Jersey
Market presence (India)	<ul style="list-style-type: none"> • Andhra Pradesh • Karnataka • Maharashtra • Tamil Nadu • Telangana 	<ul style="list-style-type: none"> • Andhra Pradesh • Delhi NCR • Gujarat • Haryana • Karnataka • Kerala • Madhya Pradesh • Maharashtra • Odisha • Punjab • Rajasthan • Tamil Nadu • Telangana • Uttarakhand • Uttar Pradesh 	<ul style="list-style-type: none"> • Andhra Pradesh • Karnataka • Kerala • Madhya Pradesh • Tamil Nadu • Telangana • Uttar Pradesh • West Bengal 	<ul style="list-style-type: none"> • Andhra Pradesh • Gujarat • Himachal Pradesh • Karnataka • Maharashtra • Rajasthan • Tamil Nadu • Telangana • West Bengal • Madhya Pradesh 	<ul style="list-style-type: none"> • Andhra Pradesh • Karnataka • Maharashtra • Tamil Nadu • Telangana

* As of FY2019

Comparison of product portfolio (FY2020)

Particulars	Hatsun Agro Product Ltd	Heritage Foods Ltd	Tirumala Milk Products Pvt Ltd	Dodla Dairy Ltd	Creamline Dairy Products Ltd
Milk	✓	✓	✓	✓	✓
Curd	✓	✓	✓	✓	✓
Buttermilk	✓	✓	✓	✓	✓
Lassi	✓	✓	✓	✓	✓
Flavoured milk	✓	✓	✓	✓	✓
Ghee	✓	✓	✓	✓	✓
Butter	✓	✓	✓	✓	✓
Paneer	✓	✓	✓	✓	✓
Ice Cream	✓	✓	✓	✓	✓
Dairy Whitener	✓	✓	x	x	x
Milk Powder	✓	x	x	x	x
Cream	✓	x	x	x	x
SMP	✓	x	x	✓	✓
Other Product	Santosa cattle feed	NA	Condensed milk snacks	Milk cake, basundi, doodh peda	Milk cake, mishti dahi, doodh peda

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2020)

Name of the Company	Consolidated/ Standalone	Face Value	Net worth (₹ Cr)	Net Profit (₹ Cr)	Closing Share Price as on Apr'20, 2021 (₹)	EPS (Basic)	NAV [^]	P/E [~]	RoNW (%)
Dodla Dairy Ltd	Restated	10	433.50	49.87	NA	8.96	77.87	[•]	11.50%
Peer Group									
Hatsun Agro Products	Consolidated	1	904.48	112.27	875.05	6.94	55.94	123.5	12.41%
Heritage Foods	Consolidated	5	440.22	(169.40)	400.60	(34.55)	94.88	NA	(38.48)%
Parag Milk Foods	Consolidated	10	911.16	93.69	139.25	11.14	108.32	12.5	10.28%

Source: RHP

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Dodla Dairy Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed the RHP with the RoC and thereafter with SEBI and the Stock Exchanges. The RHP is available on the website of Securities and Exchange Board of India at www.sebi.gov.in, on the websites of the Stock Exchanges at www.bseindia.com and www.nseindia.com as well as on the websites of the BRLMs, Axis Capital Limited at www.axiscapital.co.in. Investors should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" of the RHP. Potential investors should not rely on the DRHP filed with SEBI for making any investment decision.

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