

Date: 07 November 2025

The General Manager Department of Corporate Services BSE Limited Phiroze Jeejeebhoy Towers Dalai Street, Fort Mumbai-400 001	The Manager Listing Department National Stock Exchanges of India Limited "Exchange Plaza", 5th Floor, Plot No.C/1, G Block Bandra-Kurla Complex Bandra (East), Mumbai 400051.
Scrip Code : 543306	Scrip Code : DODLA

Dear Sir/Madam,

Sub: Transcript of Q2 FY26 Results Earnings Conference Call held on Tuesday, 04 November 2025

In Continuation to our letter dated 27 October 2025 the Company had organized a Q2 FY26 Results Earnings Conference call with the Investors/ Analysts on **Tuesday, 04 November 2025** at 11:00 a.m (IST). A copy of Transcript of Earnings call held with the Investors/ Analysts is enclosed herewith and the same has also been uploaded on the Company's Website at www.dodladairy.com.

This is for your information and records.

Thanking You,
Yours Faithfully,
For Dodla Dairy Limited

Surya Prakash M
Company Secretary & Compliance Officer



“Dodla Dairy Limited
Q2 FY '26 Earnings Conference Call”
November 4, 2025

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on November 04, 2025, will prevail.”



**MANAGEMENT: MR. DODLA SUNIL REDDY – MANAGING DIRECTOR –
DODLA DAIRY LIMITED
MR. B.V.K. REDDY – CHIEF EXECUTIVE OFFICER –
DODLA DAIRY LIMITED
MR. MURALI MOHAN RAJU – CHIEF FINANCIAL
OFFICER – DODLA DAIRY LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the Dodla Dairy Limited Q2 FY '26 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 on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Dodla Sunil Reddy, Managing Director of Dodla Dairy Limited. Thank you, and over to you, sir.

Dodla Sunil Reddy:

Thank you very much. Good morning and season's greetings to all the participants on behalf of Dodla Dairy Limited. I extend a warm welcome to everyone joining us on our call today. On this call, I'm joined by my CEO, Mr. BVK Reddy; CFO, Mr. Murali Mohan Raju; and SGA, our Investor Relations Advisors.

I hope everyone had an opportunity to go through the financial results and investor presentation. This has been uploaded on the stock exchanges and our company website. We are happy to share that the acquisition of OSAM was successfully completed by the end of July. The performance for this quarter reflects 2 months of contribution from newly acquired business.

In the Q2 financial year '26, Dodla Dairy delivered a good consolidated performance with revenues reaching INR1,019 crores, or INR1,019 crores and an EBITDA margin of 9.1% and a PAT margin of 6.4%. This is the second consecutive quarter where we have crossed the INR1,000 crores revenue mark despite a notable shift in the product mix as compared to Q2 FY '25.

In the previous year, bulk sales of SMP and butter amounted to INR165 crores (Wrongly said, Please read it as INR 167 crores) for the quarter, where in Q2 FY '26, this stood only at INR28 crores. These bulk sales are strategic in nature in order to maintain a balance between demand and supply of liquid milk throughout the year and manage the seasonal fluctuations.

On a like-to-like basis, our core business, excluding OSAM Dairy as well as the bulk sales delivered a revenue growth of 13% year-on-year basis in the quarter. During the quarter, we witnessed a robust volume growth in liquid milk sales, higher contribution of VAP products, excluding bulk sales and INR52.6 crores sales contribution from the newly acquired OSAM for 2 months, that is August and September.

Collectively, all of these helped offset the impact of reduction in bulk sales. As a result, we have achieved a healthy gross profit margin of 27.7% as against 25.5% in Q2 FY '25. This margin improvement is despite the fact that OSAM business typically generates a relatively low margins. Furthermore, EBITDA margins were impacted as we saw some uptakes in employee expenses, advertising and promotion, transport and stores and spares, which Murali will talk about in a bit.

I would like to emphasize that the brand is at the core of our business, and we continue to spend towards the same. Some of our recent brand building initiatives, including sponsorship in Cooku with Jathiratnalu in the JioHotstar, targeted OTT creative strategy, innovative weather reports in TV channels and Ganesh festival sites. These are targeted initiatives to increase brand salience in our local markets.

On the procurement front, due to the lean season and erratic rainfalls, overall supply of milk remained under pressure, resulting in an increase in procurement prices. During the quarter, we also took some price hikes in line with the increased procurement costs. In Africa, our revenue recorded a healthy year-on-year growth of 21.7% with an EBITDA margin of 7.4%, higher than the Q2 of last year.

As mentioned in the earlier calls, we are currently -- on earlier calls, we are currently focused on capturing the markets in Kenya and then strategically keeping our milk product price on the lower side. Over long term, we expect to see gradual improvement in the profitability in the Africa business.

Coming to the Orga business, the business has delivered consistent high double-digit growth. The revenue for the quarter grew by 28.3% with an EBITDA margin of 13.7%. During the quarter, the raw material cost has increased as compared to Q1 FY '26, resulting in a relatively lower margin, but on a year-on-year basis, it is in line with the Q2 FY '25.

Going ahead with the GST benefits and festive demand, Dodla is well-positioned to deliver consistent growth with further improvement in VAP contribution. We continue to work towards brand building, increasing procurement, expanding our product portfolio and reaching newer markets.

Before I hand over to BVK, I would like to take a moment to congratulate Murali and our Finance team on winning the Best Digital Finance Team of the Year at the Nextgen CFO Awards of 2025. And also the overall Dodla team and the OSAM team of HR Foods for being able to integrate our process and systems in a short time of 60 days, which I think is a great job done by the team.

At Dodla, we are focused on creating best-in-class systems and processes under our C-suite leadership to take the business to the new heights. With this brief, I will now hand it over to the CEO of our company, Mr. BVK. Thank you very much. Over to you, BVK.

B.V.K. Reddy:

Thank you, sir. During the quarter, our milk procurements stood at 19.5 lakh liters per day, which is an increase of 13.4% on a year-on-year basis due to efficiency improvement by Dodla as well as addition of OSAM volumes. The average consolidated procurement cost in Q2 FY '26 was INR37.29 per liter, which was around INR34.64 per liter in the same period of last year.

Our liquid milk sales delivered a volume growth of 12.6 year-on-year stood at 13.1 lakh liters per day. Average consolidated milk sales price in Q2 FY '26 was INR57.07 per liter and Q2 FY '25, it was INR54.82 per liter. The curd sales for the quarter stood 360 metric tons per day with a year-on-year volume growth of 11.2%.

Now to give a clear picture of our performance, excluding OSAM numbers. I would like to share the volume details of excluding of OSAM. Milk procurement volume stood at 18.8 lakh liters per day. On a year-on-year basis, growth is 9.4%. Milk sales volume stood at 12.4 lakh liters per day. On a year-on-year basis, 6.3%.

Curd sales volume stood at 346 metric tons per day. On a year-on-year basis, growth is 6.7%. These details are available on Slide number 7 under Investor Presentation. Speaking of value-added products, there is degrowth in terms of total VAP sales mainly due to lack of bulk sales during the quarter as explained by Mr. Sunil Reddy in his opening remarks.

However, there is an exceptional growth of 22% on year-on-year in VAP sales excluding the bulk sales, which is a positive sign to look at. Bulk sales of SMP and butter stood at INR28 crores in the current quarter as against INR167 crores of last year FY '25. Hence our VAP sales contribution excluding the bulk sales stood at 27% in Q2 FY '26 as against 22% of Q2 FY '25.

VAP sales in OSAM stood INR14.8 crores such as accelerated increase in the VAP sales as a result of our continuous efforts towards hitting the high margin VAP orders along with the regular brand-building activities. Additionally, we are focusing well with our Maharashtra expansion project. Once the facility starts getting operational, we plan to gradually increase our milk procurement from the state.

In the initial few quarters, this will be primarily be used for bulk sales until we strengthen our sales presence in the nearby regions and expand our geographic footprint for selling liquid milk and value-added products. Currently in H1 FY '26, we procured 2.4 lakh liters per day of milk from Maharashtra.

OSAM currently operates in approximately 2%, 3% EBITDA margin. Our focus is on enhancing the operational efficiency and scaling the volumes from the current 1.2 lakh liters per day to 2 lakh liters per day by FY '27. We expect to bring OSAM margins to Dodla consolidated level within 2, 3 years through our procurement, optimization, increased VAP contribution and operational improvement.

We expect OSAM to play a strategic role boosting both revenue and profitability while supporting our expansion to the North Eastern region of India. Additionally, we implemented SAP at OSAM effective from November 1.

In addition to these developments, Dodla with its direct farmer net seller strategies growing presence in Africa, steadily expanding Orgafeed business, remains confident of delivering accelerated growth while maintaining healthy profitability across all business segments in the long-term.

So now I request our CFO, Mr. Murali Mohan Raju to share the financial highlights for the quarter. Thank you.

Murali Mohan Raju:

Thank you, sir, and a very good afternoon to all the participants on the call. Talking about quarterly performance in Q2 FY '26. Revenue from operations stood at INR1,019 crores, a 2.1% year-on-year growth compared to INR998 crores in Q2 FY '25. We delivered a gross profit of

INR282 crores with gross profit margins reaching at 27.7% as against 25.5% in the same period last year.

Employee expenses for the quarter increased by 25.7% to INR50 crores primarily due to INR3.8 crores addition from OSAM Dairy, regular annual increments and the addition of new manpower with higher skills and qualification along with the Infra addition.

Other expenses rose by 18% to INR139 crores compared to INR118 crores in Q2 FY '25, mainly on account of advertisement and promotional expenses as well as increase in freight and overhead costs due to higher proportion of milk and VAP product sales instead of milk sales of butter and SMP -- for bulk sale of butter and SMP. Advertisement and promotional spend is important for us in order to increase the brand salience for all Dodla products.

Our EBITDA stood at INR93 crores with an EBITDA margin of 9.1%. Depreciation expense came in at INR21 crores as compared to INR19 crores in Q2 FY '25. Other income for the quarter increased by 18.9% to INR11 crores compared to previous year. Net profit for the quarter stood at INR66 crores with a margin of 6.4%.

Now coming to H1 FY '26 performance. Revenue from operations grew by 6.1% year-on-year to INR2,026 crores compared to INR1,909 crores. Gross profit improved to INR542 crores, a 4.2% increase on a year-on-year basis. EBITDA for half year stood at INR175 crores and the company reported a profit after tax of INR129 crores with a PAT margin of 6.3%.

In this period, we incurred capex of INR77 crores largely towards Maharashtra expansion. On the balance sheet front, we maintained a healthy cash and bank balances of INR596 crores as of September 2025.

Thank you. I'll hand over to Chorus.

Dodla Sunil Reddy:

So we are open for questions now.

Moderator:

Thank you very much. The first question is from the line of Lakshminarayanan from Tunga Investments.

Lakshminarayanan:

Just wanted to understand your milk procurement across the four states. What is the mix of milk procurement which you get from these four states? That's my first question. The second question is that there has been a volume growth in milk. I mean, if you exclude OSAM, I just want to understand what has been the volume growth?

And whether the volume growth in milk is coming by expansion in distribution or how it has actually made possible because you have reported a very good growth in the liquid milk consumption. And the third question, I just want to understand what is the mix of pouch curd versus the non-pouch curd mix, if you can give that? These are my three questions.

Dodla Sunil Reddy:

So, I'll just answer the question on the milk growth and why is happening, sir, and Murali will give the specifics on procurement of the state-wise and pouch curd versus this and the milk growth volume.

Predominantly, what we have been spending on our advertisement and also improving our distribution stance, we are seeing an uptake a little bit coming from our existing markets where our market share is also improving in terms of other customers or penetrating deeper. Also, we are expanding areas consistently.

We still have a lot of areas to expand in the areas of Tamil Nadu. Karnataka, we have blanketed most of the areas for sale. Telangana, we still have some more penetration to do. So on the front of both of these, deepening our existing operations is where I think our sales percentage would be on 50-50 basis of the milk volume growth.

Existing locations volume penetration is coming down to 50%, new areas is giving us 50% of our volume growth. And brand is helping the recall and customer presence. Murali now will give you the procurement and pouch curd in more detail.

Lakshminarayanan: Sir, this milk growth, do you think this can be sustained over what period of time? And also, how much of these milk sales come from the shops, the modern trade versus the regular daily supplies?

Dodla Sunil Reddy: So modern trade is still very minimal, sir. It's only hardly contributes, especially liquid milk and all will be much lower. It's only products that we push more towards modern sales. So all this comes only through the sales of the local, let's say, the Kirana stores/ milk vendor who's coming and delivering it to you is the major area of growth still. So that volume growth comes only from there.

Murali Mohan Raju: Yes. So coming to the state-wise procurement overall, the growth for the quarter is 8.21%. So in India last year, this Q2, we have done 15.48 lakh as against current quarter, we have done 16.75 lakh liters. So basically, growth has come from AP 7.49%, Karnataka, 12.8%, Tamil Nadu, we are more or less mute, Telangana, 19.86%, Maharashtra 26%. That is a quarter growth.

When you talk about 6 months growth also 7.9% for AP, Karnataka 8.2%; Tamil Nadu more or less mute, Telangana 3.7% and Maharashtra 21%. This is with regard to the procurement. And with regard to the...

Lakshminarayanan: What is the procurement mix, sir? What is the procurement mix? Did you give that number, sir?

Murali Mohan Raju: What do you mean. Buffalo and cow?

Lakshminarayanan: Yes, both.

Murali Mohan Raju: Okay. State-wise mix I will give you. State-wise mix, 32% comes from AP, Karnataka comes from 26%, Tamil Nadu 26%, Telangana 2% and Maharashtra 14%.

Lakshminarayanan: Got it. And cows and buffalo, sir.

Murali Mohan Raju: When come to the sales of Dodla Dairy, excluding OSAM, Africa, overall, we have grown in the volume 1.7% but if you exclude the bulk in the Dodla Dairy, we have grown by 5.6% for the quarter. When you talk about for the year, overall, we have grown by 3.1% because in Q1,

excluding bulk, there was a growth of only 1%, so which has averaged out. And curd pouch, these are things that pouch only. Almost 80% is the pouch curd for us.

Dodla Sunil Reddy: For pouch milk, 20% is curd and 80% is milk.

Moderator: Thank you. The next question is from the line of Abhishek Mathur from Systematix.

Abhishek Mathur: Just wanted to check what is the milk procurement cost trend that we are seeing in October? And what is it that we are expecting in the near-term going forward? If you can give the number also that we saw for the previous quarter? And what is it we are seeing for October and going forward expectation for November, December? And what is the price hike that we took also?

B.V.K. Reddy: See, actually, in third quarter, slightly the procurement cost is going up. Because of continuous rains, the procurement, you know, see, it is not coming at expected level. So because a lot of farmers have diverted towards agriculture. So the procurement, what we expected in the month of October and November, 19.5 lakhs only, Dodla standalone itself. So it is slightly behind the target level. So slightly, there is a pressure in the procurement. So prices have slightly gone up. So already INR1- INR1.50 price has already gone up.

Dodla Sunil Reddy: But I think we're trying to compensate that with better product mix and improvement in overall consolidated numbers. So it won't impact our numbers as much as -- as much.

Abhishek Mathur: And sir, in the VAP segment ex of bulk sales, we seem to have recorded quite strong 20% plus growth as you indicated in your commentary. Which are the products in VAP which are driving this growth, which are the ones which are growing faster for us?

Dodla Sunil Reddy: It's led by paneer and then by curd.

Murali Mohan Raju: Abhishek, the paneer, curd.

Abhishek Mathur: Got it, sir. And finally, sir, if we can give our outlook for the near-term, what is our segment-wise growth outlook that we're expecting for the second half of the year -- of this year? And do we think that we can do a margin of somewhere close to 10% in the second half given that we are out of this seasonally difficult period? That's it for me.

Dodla Sunil Reddy: So, Abhishek, I think when you look at it from a growth point of view, we will improve compared to the last quarters, we will maintain stand-alone India will continue to grow in the 6%- 7% or 8% ranges of revenue growth that will come in. Africa is doing well for us. Africa will also improve on profitability because the seasonal changes have already come in, procurement prices there are coming down.

Orgafeed will also continue to do well, and we are looking at OSAM's improvement happening much faster than what we anticipated, and we are confident that it will also do well for us. Outlook is that we will maintain that between the 8% to 10% kind of margin outlook also, it won't drop significantly. It will be between the 8% to 10%.

It's very difficult to take a call right now because we're still not too sure about the weather scenario because the weather reports do state that El Nina is coming in, it is going to be a very

bitter winter. So we are not sure about it. I think that is the reason. But otherwise, we will maintain between that 8% to 10%. We will always -- we'll be able to maintain margins there.

Abhishek Mathur: Sure, sir. And just one last quick follow-up to my first question. If you can give the third -- the second quarter procurement cost, the consol procurement cost number. And I think you've indicated that it is going up by INR1 in the third quarter. But if you can give the second quarter number, please? That's it.

Dodla Sunil Reddy: So consol number, Murali will give you the specifics, but what will happen is in the third quarter, we will have an increase maybe marginally coming in from India, but it will also be compensated by reduction of prices in Africa. So that will be the consol impact will not be that much because Africa will improve for us. But Murali will give you the specifics on.

Murali Mohan Raju: Yes. consolidated number for this quarter is INR37.29, Abhishek.

Moderator: Thank you. The next question is from the line of Aditya from Securities Investment Management.

Aditya: Sir, first of all what was the quantum of price hikes which we had taken? And sir, wanted to know the rationale of doing the same because I believe we would be one of the only few players who would have taken price hikes. So just wanted some understanding on that?

Dodla Sunil Reddy: Price hikes on the sales side or on the procurement side, sir?

Aditya: Sales side.

Dodla Sunil Reddy: Sales side, is not much of price hikes that we have taken, sir. Overall, because of the revenue mix that is there, the prices are looking at a higher in terms of the net realization that we've got more than a price hike. There's been not much of price hikes. It is a the product mix that is the reason that has changed, which has shown an improvement of 4.

Murali Mohan Raju: 4%.

Dodla Sunil Reddy: 4%, sorry.

Murali Mohan Raju: 4% because of the change in the product mix also is there. 4% of increase in the sales.

Aditya: Understood. And sir, when was the last price hike taken by us in India? And are we looking to take any price hike in the near future?

B.V.K. Reddy: Right now, there's no price hike sir. Only internal slight correction, no MRP price hikes as of now.

Dodla Sunil Reddy: The last price hikes taken were more 6 months ago, I think, is when the last price hikes were taken sir.

Murali Mohan Raju: Sir, recently for GST whatever is necessary that we have done it.

- Aditya:** Got it. Sir, next was what was the revenue, gross profit and EBITDA for OSAM in this quarter?
- Dodla Sunil Reddy:** OSAM, it's only what we have taken as 2 months, I think, but we will be able to give you numbers specific to...
- Murali Mohan Raju:** Yes. So revenue was INR52.6 crores. EBITDA is INR1.38 crores. That is 2.6% margin. And we have done a volume of 1.35 lakh liters per day. But when you consolidate as average, it has come as 89,000 because 2 months operated, we are at 1.35 lakhs.
- Aditya:** Got it. Understood. Now sir, you have been operating OSAM now for almost 2 to 3 months. So any low-hanging fruits you think are present in the business, which you could work on immediately to improve margins in the short term? And secondly, on a long-term basis, what kind of margins are you targeting over there over what time frame? And what would be the levers for doing the same?
- Dodla Sunil Reddy:** So broadly speaking, it is a good market that we're looking at. We are taking it from the population point of view, the penetration that has been available and there. The low-hanging fruits are, I think we are trying to get the efficiencies of the operating systems like we are doing -- what we are doing as our practices here to be implemented there like we are doing in costing and other areas.
- Improvement in the facilities of the plant for qualitative improvement. It's very early now to give you specific numbers of growth, but we are very confident that the improvement will show in the coming few quarters itself on the bottom line on the profitability front.
- Volume growth is already growing at 20% year-on-year as per what the projections of what there last year was to what the current year is. Like I told you, system integration successfully, we've been able to do the SAP integration, which is basically showing the ability of both the teams, the team at OSAM, who has been able to adapt as well as our team being able to integrate them with us very comfortably.
- Distribution and strengthening the network infrastructure is an ongoing process, which will continue. System chain optimization is leveraging our existing networks by supplying condensed milk from Maharashtra when they have a shortage is one of the things that we are doing to increase it and our own butter and SMP that we have here has asked us to be sent there. So all these things added together will start showing an improvement, and we are hoping that it will do well for us in the coming few quarters.
- Aditya:** But sir, structurally, can OSAM operate at India stand-alone margins of 8% to 9% considering the scale is lower over there?
- Dodla Sunil Reddy:** We are actually targeting for that, sir, but it might take us some time to get there because I think the immediate -- the very low margins of this 1% to 2% that will improve dramatically.
- But to make it a little higher after a point of time, we have to consider local conditions there because with this number growth that we take, we'll be number two to the local cooperative with Sudha, which will be existing or Amul or whatever. I think based on the brand resilience and

other things, we will be able to get it there, but it might take us 3 to 4 quarters or more to get there.

Aditya: Understood. Sir, just last question. What was the curd sales amount in rupee terms this quarter?

Dodla Sunil Reddy: For India, including OSAM or just stand-alone India, sir?

Aditya: Total, sir.

Dodla Sunil Reddy: Total curd. Okay.

Murali Mohan Raju: Curd sales for India this quarter is INR156 crores.

Dodla Sunil Reddy: Total curd.

Murali Mohan Raju: INR194 crores in total consol.

Aditya: INR194 cores?

Murali Mohan Raju: Yes.

Dodla Sunil Reddy: For the quarter.

Moderator: Thank you. The next question is from the line of Shivam Mittal from Care PMS.

Shivam Mittal: So sir, in terms of value-added products, if I exclude bulk sales, so non-bulk sales has degrown sequentially. So any -- sequentially, Q1.

Dodla Sunil Reddy: Bulk sales, the non -- the VAP sales have grown. Murali will give you the specifics of stand-alone India, the VAP sales growth, sir.

Murali Mohan Raju: Overall, excluding bulk, the growth was around 5.6%.

Dodla Sunil Reddy: VAP sales.

Murali Mohan Raju: Only VAP, sir. VAP sales was grown, basically VAP growth, 7.7% in the curd and other products is almost 10%.

Dodla Sunil Reddy: One minute, sir. We'll just give you the exact VAP sales numbers that we are looking at.

Murali Mohan Raju: Including VAP, 24.2%, we have grown. 3.3%, excluding bulk.

Shivam Mittal: Okay, sir. Sir, VAP sales, excluding bulk sales, so Q1 versus Q2?

Murali Mohan Raju: Yes. No, Q2 of FY '25 versus Q2 of FY '26.

Shivam Mittal: Sir, you mentioned OSAM.

Murali Mohan Raju: Okay. I'll tell you.

- Dodla Sunil Reddy:** We'll again answer it.
- Murali Mohan Raju:** I'll again answer it. So for example, Q2, we have done a turnover of INR230 crores in the Q2 of VAP. Last year, we have done -- that is Q2 of last year, we have done INR189 crores. That was resulting to 21.4% of the growth.
- Dodla Sunil Reddy:** Q2 to Q2, sir, last year, Q2 to current year.
- Murali Mohan Raju:** Yes. Because Q1, when you compare it, last Q1, excluding bulk, we have done INR269 crores. But because that is a summer season, we have more VAP sales of curd butter milk and lassi. So when you compare with that, there is a degrowth of 29%. And in the fat and fat products because that we'll see separately.
- In the fat, current quarter, we have INR31 crores. Last year, similar quarter, INR22 crores, there is a growth of 44%, last Q2 to this year Q2. And last -- this year Q1, when you compare because this year Q1, we done INR24 crores. So there was a degrowth of 10%.
- Dodla Sunil Reddy:** So, overall, Q2 has improved, sir. Q1 damage of not having the weather on our side was the one the VAP came down. But Q2, it has improved and grown.
- Shivam Mittal:** Okay, sir. Understood. Sir, you mentioned OSAM is a low-margin business. So any particular reason for that?
- Dodla Sunil Reddy:** OSAM is -- BVK, will answer the question.
- B.V.K. Reddy:** Basically, see there are two reasons. One is operational efficiency. A lot of operational inefficiency is there that we are correcting. And see systems and processes are not in place. So that's why within 60 days now we implemented SAP. So in a couple of months, there will be some change in margins.
- Dodla Sunil Reddy:** Basically also like what we mean by operational efficiency, sir, dairy is such a business that on every end, we'll have to make sure that everything is up to the peak in terms of quality of product, logistics, efficiencies in terms of logistics, temperature controls and all that. I think these basics which are more, what do you say, touch and feel of the business that you need has been what we are getting to OSAM, and we hope to see that, that will immediately give you results in the short-term growth will be there.
- Shivam Mittal:** All right, sir. Sir, for the quarter advertisement number, if you can specify?
- Dodla Sunil Reddy:** One minute, sir.
- Murali Mohan Raju:** Quarter advertisement, we have spent in the quarter, this come up of INR10 crores, sir.
- Shivam Mittal:** And what was the last year, same quarter?
- Murali Mohan Raju:** Last year, similar quarter, we done only INR7.2 crores.
- Dodla Sunil Reddy:** INR7.2 crores.

- Shivam Mittal:** Okay, sir. And how sir, this GST benefit...
- Moderator:** Mr. Mittal, I request you to rejoin the queue for follow-up as there are many participants left in the queue. Thank you. The next question is from the line of Manan Goyal from ICICI Securities.
- Manan Goyal:** Sir, I can see in the PPT that the bulk sales for SMP and butter is INR283 million in Q2 FY '26, but it is 1,666 in Q2 FY '25. Could you specify the reason for the same? Why there is too much declining?
- Dodla Sunil Reddy:** So, basically, sir, this bulk what we are trying to do is basically a balancing between our procurement and sale. I think strategically, as we go forward, we want to -- as the size of the company is growing, we cannot be precise about our procurement and sale volume. And therefore, we will have to build out more in terms of keeping this variation in how the seasonality will play.
- So keeping that in view, last year when the procurement prices were a little lower and there was an abundance of milk, we started to continue with procurement and we didn't want to consider procurement. And therefore, we had a buildup of inventory, which we did sell. So that has already shown us strategically benefiting us now.
- When the procurement volumes have come down overall, we are still able to maintain our surplus mode in terms of that additional 1 lakh liters, which we need for our own balancing and we are continuing to do it is what will happen.
- So when there is a seasonality that comes in, we are not saying no to the farmers. We are continuing to increase our offtake and continuing to -- if there is a surplus, we convert that into the inventory of powder and butter.
- So as we go, that is the reason why when Maharashtra plant also comes into operation, we will start going and doing more of aggressive procurement and also keeping costs into consideration of which plant conversion and where it moves and maintaining inventory levels to see that it will benefit us if required or we will have lower inventory, like how it is showing between last year to the current year. So this is only a seasonal balancing that we are doing, and it will be there with us, sir.
- Moderator:** Thank you. The next question is from the line of Praveen Kumar from **Equitas Capital** Advisors.
- Praveen Kumar:** I had a couple of questions. The first one was on this year has been beset by, you know, volatility on the supply side in terms of high procurement prices and the season could have come down due to weather-related volatility. Sir, I wanted to ask a couple of questions around that. One is that how do you deal with this on an ongoing basis in terms of both the supply side and demand side volatility due to seasonal variations?
- And do we foresee -- I mean, the last time we had a procurement and sales price kind of a mismatch, we had to -- we ended up building some inventory and taking a hit on the cash flows in FY '24. So do we see a repeat -- I mean, are we likely to see a repeat of that? That's question number one.

Question number two was I wanted to understand the breakup of the employee expenses and other expenses. You have attributed to a few factors, but I wanted to get a more detailed breakup of the expenses to understand where the increase has happened. Thank you.

Dodla Sunil Reddy:

Yes. So I think -- thank you, sir. I think Murali will give the specifics on the employee details. I will just take the thing on the bulk trade that you are looking at and saying, will it repeat. Current year, it will not repeat because of lack of low procurement and not having enough of milk coming in the system. But going ahead for next year, again, we are -- to maintain a variation between 20 days and 30 days of inventory to 5 or 10 days will be a variation that we will have to be prepared for.

In terms of cash flow, it is not a significant increase. We have ample cash reserves and we are debt-free company. So that is not at all an issue. It is only done from our side for more balancing of our procurement and sales. So for the current year, no. For the next year, we are still not sure. We have to wait and see how this happens.

So this is the normal industry trend in the dairy sector. Last year was excessive procurement, over price and procurement, which did show that inventory and what we sold. This year is less and it's not showing. Now Murali will be able to give you the breakup of the salary details, sir.

Murali Mohan Raju:

Overall, sir, for this quarter, actually, we have total INR10 crores of increase was there. In the salaries cost itself around INR10 crores. Majorly is one of the OSAM addition is there. And apart from that, 12% of increment is there.

Apart from that regular headcount increase because of we have geared up for the volume today around INR19 lakhs of procurement volume and sales volume because of the erratic rainfall, all those things couldn't be able to do.

So the buildup whatever we have done for the headcount, that was one of the reasons. Second is in the transport cost, almost INR7 crores was increased because of the B2B sales was converted more into B2C. Apart from that -- yes.

Dodla Sunil Reddy:

So basically, I think increments were around 10%, 12%, sir. And the additional 6%, 7% has come because of OSAM and our increase in procurement and manpower from Maharashtra project that we put together.

Praveen Kumar:

So to understand that in more detail, you're saying that the headcount increase part of it is more towards the procurement and not necessarily towards pushing your value-added products, etcetera, right? Just to understand.

Dodla Sunil Reddy:

Basically, procurement and sales also a little bit is there, but we are trying to put this whole growth plan together for an increment from our stand-alone in India to reach 20 lakh liters, and that cannot be done instantly. So we're building the team out for that in the future.

Murali Mohan Raju:

And also advertisement was extra.

Moderator:

Thank you. The next question is from the line of Hitaindra Pradhan from Maximal Capital.

- Hitaindra Pradhan:** My first question is regarding the supply side, the procurement trends. So, sir, you highlighted that there has been supply pressure this year. So if you can just elaborate on how the procurement price growth was in, say, 2025, 2024 and how that situation has changed this year? And what are the factors contributing to it?
- And also H1 versus H2 seasonality in terms of the supply, in terms of the flux that you are mentioning on one of your slides. What to expect? October hasn't been good, but from next month onwards, what are your expectations? And when do you see the supply situation improving?
- B.V.K. Reddy:** The procurement, see as expected, it has not come because of excessive rains, especially in Southern India, not only Southern India, entire India. Even in Northern India also so far normally after Diwali, the procurement goes up, prices will come down. But as of now, see, we are not seeing any impact.
- Now, see, the information what we are getting, the procurement level is not comparatively expected level as compared to last year. So because of that, slightly prices are slightly firming up. That is the main reason.
- Dodla Sunil Reddy:** And the trends also will be the same, sir.
- B.V.K. Reddy:** Also coming months look like it will be the same.
- Dodla Sunil Reddy:** Murali will give you the specific numbers of the previous years, too.
- Murali Mohan Raju:** Yes. Last year, basically, it is INR34.86 was the price. Now we are at INR37.47.
- B.V.K. Reddy:** As a per liter price.
- Murali Mohan Raju:** Per liter price for India, Yes.
- Hitaindra Pradhan:** Sir, but...
- Murali Mohan Raju:** As a consolidated, if you see, 34.4 to 37.29.
- Hitaindra Pradhan:** Sorry, sir. So what are the factors that have contributed to this? Like this year, what has changed only because of...
- Dodla Sunil Reddy:** The effect is more because when you have unseasonal rains, sir. So summer anyhow, we don't get much of milk and when the weather improves, the animals will be able to yield better. But when you say that there's excessive rain, there is more disease, malnutrition and all that comes on the animal side.
- On the farmer side, when there is rainfall, which is more, the attention towards growing of his crop becomes more and less care towards the animal husbandry side because he likes to look at his revenue from saying that the animal husbandry side is doing better -- sorry, there's no revenue from my crop and the concentration there is more.

When there is a little less of rainfall, also it's the same thing that they'll have to take care of the animals more than the agriculture because there's no agriculture and then the milk improves. So when there is abundant also, it is a problem which is there, which has come this year. So that is the basic reason.

If it was optimal, then it would have been great. The animals would have been producing more as usual. So it is an abundant of rain having a healthy impact on the animals and concentration more on the farming.

Hitaindra Pradhan: Got it. Got it. Sir, the second question is related to the EBITDA contribution from your milk sales versus the VAP sales. So you do like somewhere around INR90 crores to INR100 crores per quarter. So how much EBITDA you generate from your milk sales and how much EBITDA you...

Dodla Sunil Reddy: Milk would normally be lower, sir, and VAP will be a little higher. I think Murali will give you the number.

Murali Mohan Raju: Milk average EBITDA contribution is around 9.23% and VAP is around 11.91%.

Dodla Sunil Reddy: Consolidated.

Murali Mohan Raju: Consolidated. It is more of stand-alone.

Hitaindra Pradhan: It is a little understated. So, what is your mix, sir? Like paneer and curd are your highest selling products? So...

Dodla Sunil Reddy: Curd will normally be our most high selling product in the VAP followed by others. So, curd will be -- Murali will give you the specifics of how much is curd and how much is others?

Murali Mohan Raju: Curd has contributed around sale of INR155 crores in this quarter and paneer is around INR10 crores. So we have curd margins around 15%. Paneer is around 6% to 7% of, now it is picking up.

Hitaindra Pradhan: Can you come again? Paneer was?

Dodla Sunil Reddy: Paneer is actually lower margin of 6% to 7% because we're pushing it into modern trade and online. So we are doing a lot of promotions which we attribute to that. But otherwise, that will also improve to the 10%, 12% margins in the days to come.

Hitaindra Pradhan: Got it, sir. And the mix changes from H1 to H2, depending on the season or does...

Dodla Sunil Reddy: Normally, H1 is always better performing, but this year, unfortunately, it was not there because in terms of rains and coming in lassi, butter milk, which are other high-volume products don't sell. Murali will give you the difference between H1 and H2.

Murali Mohan Raju: H1 and H2 generally, H1 will be higher. H2, we don't have. H2, we are expecting that it will be similar.

- Dodla Sunil Reddy:** Similar lines of last year.
- Hitaindra Pradhan:** But both products get impacted due to this between H1 and H2, curd and paneer or curd and paneer is more steadier and...
- Dodla Sunil Reddy:** Okay. Paneer will be on the growth trajectory because that is not that much weather related. It's more a market push that we give. Curd is more weather related in terms of the South of India, it becomes too much of a winter, people might cut on the consumption or increase. H1 as summers are higher, we have more of curd and butter milk consumption.
- H2 in winter, it maintains the status quo. It won't increase rapidly. But it also, as I said, it depends on weather for us. Surprisingly, right now, October, the past 4, 5 days have been warm compared to what we were expecting. So I think -- but it will maintain the same numbers of volumes, marginal growth will be there because of more penetration instead of having a substantial increase.
- Moderator:** Thank you. The next question is from the line of Kairav Sundar from Spark Capital.
- Kairav Sundar:** Just want to check on the Orgafeed business. I see there's a moderation in margins from 17%-odd to 13%-odd. What contributed to that?
- Dodla Sunil Reddy:** Basically, Orgafeed will be predominantly driven by the commodity of maize and prices of maize. I think that would have contributed the most. Murali will give you the...
- Murali Mohan Raju:** Basically, the quantity was increased. Earlier, we are doing 4,110, now we are doing around 5,600. So that's...
- Dodla Sunil Reddy:** Tons per month.
- Murali Mohan Raju:** Per month which was actually 37% of growth in the volume and revenue also increased by 28% because the margins increased because of 6% was the price decrease...
- Dodla Sunil Reddy:** Decrease in per maize.
- Murali Mohan Raju:** Yes. Correct. That is the reason. Mainly because of the volume and the other reason is the changes in the price.
- Moderator:** Thank you. The next question is from the line of Mohit Dodeja from Emkay Global.
- Mohit Dodeja:** Sorry, I joined a little late. Just wanted to ask one question that how the recent GST changes are likely to help our value-added portfolio?
- Dodla Sunil Reddy:** GST changes, basically, we have reduced the price and looking at it. Will the consumption offtake be significantly larger? I don't think so. It will be moderate improvement. The example I give is nobody is going to be consuming extra in terms of the major product of ghee, because whatever is standard consumption at the household level will continue to be the same.

But I think it improves because of other products like flavored milk and which have more of a one-off kind of a consumption products. Yes, there will be a little uptake because it will be more competitive with the other refreshments or beverages that are there. But unfortunately, for us, I think we'll have to wait and see this impact coming more in the next summer than current winter season.

Mohit Dodeja: Okay. So like how much are we trying on formalization, like the North market is informal. So are we trying to push products in that region?

Dodla Sunil Reddy: North for us is significantly only Bihar and Jharkhand, where there is still a significant amount of informal and formal battle that goes on, which gives us a lot more scope to improve because the formalization won't be dramatic in nature, but like how it was in the rest of the country, maybe a decade or 1.5 decades ago is where we will be looking at the formalization happening and improvement going further in the northern markets of Bihar and Jharkhand.

It is also related to GDP and the overall infrastructure improvement. We are very confident that, that will happen because looking at other sectors, they've been doing extremely well in these markets and growing very fast, and we also are confident that we will be able to do the same.

Moderator: Thank you. The next question is from the line of Resha Mehta from GreenEdge Wealth.

Resha Mehta: I just have a couple of data questions. So for FY '25, what would be our revenues from B2B?

Dodla Sunil Reddy: B2B for us is a very small segment, ma'am. We hardly have -- B2B is only the bulk trade that we did in terms of our bulk volumes. So I'll just get you that number.

Murali Mohan Raju: Yes. Bulk basically last year, for the full year, we have done, volume we have done, INR202 crores butter and SMP of INR110 crores. So that's resulting into total value of yes, that's it. INR312 crores.

Dodla Sunil Reddy: For last year.

Murali Mohan Raju: For last year.

Resha Mehta: So, this is at a consol level, right?

Murali Mohan Raju: Okay. Yes, consolidated. And current year, it is only INR86 crores.

Dodla Sunil Reddy: For the half year.

Murali Mohan Raju: Half year. Because first quarter, we've done INR57.7 crores. Q2, we have done INR28.3 crores.

Dodla Sunil Reddy: So this is consol ma'am. Bulk is only in consol. Other areas, we don't do bulk at all. It's all B2C.

Resha Mehta: Right. And in terms of what is your revenue mix from different channels for FY '25? Like how much would be through the traditional milkman/Kirana route, how much through e-com, quick-com?

Dodla Sunil Reddy: Yes. So for us, broadly, e-com, quick-com is lower. Murali will give you the specifics, ma'am. We have what we call as agents. We have our own retail partners, distributors and others. Murali will give you the specifics.

Murali Mohan Raju: Distributor is 49%, agent is 22%, DRP is our own retail parlors is 17% and another hybrid DRP where they will do 2%, mainly institutional is 1.8%. Our modern trade is only 4.1%, including e-commerce and super stock is 2.6%.

Resha Mehta: Sorry, can you go a little slow?

Murali Mohan Raju: Sorry, Yes. Distributor.

Resha Mehta: Milk agents and distributor is 49% plus 22%, right? Our own retail parlors is 19% plus somewhere around 2%, as you said, right? And institutional is...

Murali Mohan Raju: 1.8%.

Resha Mehta: And modern trade is 4.8 and e-com?.

Murali Mohan Raju: 4.1. Super stockist. So a bigger distributor model, you can say that.

Dodla Sunil Reddy: You can add it to the distributor model, ma'am.

Murali Mohan Raju: 2.6%.

Resha Mehta: Super stockist is 2.6%. And then how about e-comm, quick-comm?

Dodla Sunil Reddy: E-com, quick-com is part of 4.8%, it will be very small. It will hardly be 0.5%.

Resha Mehta: Okay. Okay. And what would be our revenues from different states in FY '25? If you could just give the percentage terms? And also what would be our procurement from different states for FY '25 in percentage terms?

Dodla Sunil Reddy: So FY '25 procurement, I think we'll give you state-wise and -- go ahead, Murali.

Murali Mohan Raju: State-wise procurement madam, AP is 32%, Karnataka is 26%, Tamil Nadu is 26%, Telangana 2%, Maharashtra 14%. And state-wise...

Dodla Sunil Reddy: That's procurement, ma'am.

Murali Mohan Raju: That is procurement madam. Sales wise...

Resha Mehta: FY '25, right, annualized number you're giving, right?

Murali Mohan Raju: Yes. Annualized number.

Resha Mehta: Right. And for the revenue?

Murali Mohan Raju: Sales ma'am, 31% for AP, Karnataka, 37%, Tamil Nadu 19%, Telangana, 13%. It is for Q2. We are excluding bulk.

Resha Mehta: No, no. I want for FY '25.

Dodla Sunil Reddy: FY '25 for full year ma'am or for Q2, ma'am?

Resha Mehta: No, no, for full year, full year.

Murali Mohan Raju: Full year it will be minor change will be there, madam.

Dodla Sunil Reddy: Almost the same proportion, ma'am. I'll get you the numbers later, but it will be almost the same proportion ma'am.

Resha Mehta: Got it. And the procurement numbers also that you mentioned was for full year FY '25, right, across states.

Dodla Sunil Reddy: Full year FY '25. That was also for...

Murali Mohan Raju: Procurement I have given full year. If you want specific quarter also yes.

Resha Mehta: No. And Maharashtra, we don't have any revenue?

Dodla Sunil Reddy: No, no sales yet.

Resha Mehta: Okay. And then lastly, I think a clarification. You mentioned that the stand-alone India numbers are expected to grow at 5%, 6%. Did I hear that right?

Dodla Sunil Reddy: Yes, ma'am.

Resha Mehta: For H2.

Dodla Sunil Reddy: Milk and milk products because -- go ahead -- and again come again, ma'am.

Resha Mehta: And why would it be such a low number that we are expecting 5% to 6% India stand-alone?

Dodla Sunil Reddy: The revenue volumes because, again, we're entering into the winter season where the value-added product numbers will come down normally, and that is what we are looking at now.

Moderator: Thank you. The next question is from the line of Kiran from Green Investors.

Kiran: The first question I would like to ask is, like, EBITDA margin for curd and paneer for Indian stand-alone operations?

Dodla Sunil Reddy: Yes. Murali will just give you the EBITDA margins for curd.

Murali Mohan Raju: Curd, I think we just told you it is 15.29%. Paneer is around 6% to 7%, but we are hoping that, that will increase going forward because now we are in the stage of capturing the market and

more we are penetrating into the modern trade and e-commerce. That is the reason the margins are a little lower.

Kiran: So coming to the next question, I would like to ask like for flavored milk GST refund we had, I think, for FY '21, '22. Can you give just clarification regarding that?

Dodla Sunil Reddy: GST refund was basically there was industry as a whole. The flavored milk, there was a debate on which category GST should be classified under. So later, I think the industry and most of the independent dairies went to the respective courts and courts gave favorable orders that the department was classifying under the...

Murali Mohan Raju: 5% category earlier instead of 12%.

Dodla Sunil Reddy: 12% category and gave us the relief and that's where the advantages came.

Kiran: So, we have received the refund in this current quarter?

Murali Mohan Raju: Yes. This quarter, we have not received it. We are yet to receive another -- only Karnataka is pending, which we are expecting around INR1 crores will come in the subsequent quarters once we won the case. All other quarters are already captured.

Kiran: Tamil Nadu and AP?

Murali Mohan Raju: Yes, we already got. It was factored in the earlier quarters, not in the Q2.

Kiran: So it was captured in Q1?

Murali Mohan Raju: Yes. Q1.

Kiran: So in P&L where is this detail, just to know.

Murali Mohan Raju: It is in the rates and taxes.

Kiran: Okay. On the -- it's in the rates and taxes P&L. Thanks for the information.

Moderator: Thank you. The next question is from the line of Madhav from SKP Securities.

Madhav: So my question was more on industry standpoint. So, I wanted to know like what are the dynamics like demand supply dynamics? Like I know you have answered that like in the current quarter, you witnessed that there was a surge in procurement prices because of unfavorable weather and all these things. But like fundamentally, like what are your views?

Like is it that the demand for dairy products is rising, so the demand for milk is rising at a higher pace than supply or the supply increase is higher? So fundamentally, what is your take on this? And secondly, like is there like state-wise a very big divergence on this?

Dodla Sunil Reddy: No big divergence state-wise, sir. And the basic broad picture is milk is what we call as B2C, which you can look at it as the consumer products like milk, curd, paneer, all the other products. Then there is a whole segment of what we call as the ingredient space, which is basics are powder

and fat that you look at. The ingredients can go into a host of industries right from we have variants like caffeine and such things which can go from pharmaceutical to biscuit factories to other food products.

So the balance of what we have is, like you said, rightly, supply/demand of what we produce locally, if there is a shortage in these production, inventories of the other ingredients sort of prices go up and the ingredient business needs more volume than the increase the procurement prices.

Once there is a surplus in procurement, the ingredient is under pressure because they're building up too much of stock, procurement prices then come down. We being majority B2C business, we are able to keep that status quo profitability and go forward. Sometimes we do have a lag. We're not too sure of how much the procurement prices will go up if there is a shortage and by when it will be stabilizing.

And the passing on prices will take that effort of time and that we'll see a slight dip. Whereas the procurement prices drop, then we don't normally reduce the selling prices, and that comes into our bottom end quicker. That is broadly the way the scenario works, not much of a divergence.

Predominant growth is coming from Indian consumers consuming increasing what we call as a per capita consumption as more people are becoming health and aware being the new protein or looking at it as from a healthier point of view, consumption is increasing. I think we see 4% to 5% growth in terms of basic market size increasing. And the procurement is also keeping up in tandem.

Madhav:

Okay. So like in a normal scenario, so can we assume like at what rate you believe like the milk procurement prices for you are like -- can we expect to increase or decrease or whatever or remain stable in a normal scenario for like in medium to long-term, let's say, medium-term?

Dodla Sunil Reddy:

Long-term, sir, if you look at it as a 30-year long-term cycle since we have been in business, I think inflationary milk has been growing at around a 10% inflation on both procurement and sales over a 30-year period. I'm not looking at it as the short term of 2 to 3 years. 2 to 3 years, you will have the 4%, 5% inflationary pressure, which comes both from procurement and sales. It's only the timing of when the companies pass on or how do you take it forward.

So the difference is coming is that multiple channels are changing. So that is also another reason we will see more, I think, inflationary pressures coming because for the convenience customers are willing to pay more. So the costs are going to increase on the sales front.

Madhav:

Okay. Understood. And just one last question. So on the e-commerce front, especially quick-commerce front, so like there are several companies coming out with like they are growing their presence in these modern channels.

So like what are your plans as of now, there is no such like any big strategies from your end or like you are on those front? Like one of the players like if I have to mention like Country Delight, so they are like going big. So like what are your views currently on this front?

- Dodla Sunil Reddy:** So we basically would like to look at quick commerce and we keep track of them. So we are also on stores like Blinkit and Big Basket and all of them. Those are majority we try to do it with the long-term products. Dairy industry per se has been a sort of a home delivery, right? Majority of the consumer milk earlier was delivered to home by a different kind of a channel, maybe not very comfortable in terms of order placement.
- But I think right now, the delivery costs are still high. The older channel of delivery costs are a little comparatively more cost effective than the newer channel. So the subscription business largely is still with the older channel. We are keeping a close watch. If the modern channel starts coming down in terms of costs and they are becoming more competitive, all of us will also shift to delivery channel.
- So we consider quick-commerce more of a delivery channel for milk because it's predominantly subscription and nonrequirement or the surplus requirements comes in only very rarely, which can be catered by modern trade, Kirana and quick-commerce.
- Moderator:** Thank you. We will take that as the last question for today. I now hand the conference over to the management for closing comments.
- Dodla Sunil Reddy:** Thank you, everyone, for joining us today on this earnings call. We appreciate your interest in Dodla Dairy. If you have any further queries, please contact SGA, our Investor Relations Advisor. Thank you very much, everyone.
- Murali Mohan Raju:** Thank you.
- Moderator:** On behalf of Dodla Dairy Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.