

March 20, 2025

## Dodla Dairy Limited: Long-term rating upgraded; Outlook revised to Stable from Positive; Short-term rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term / Short Term - Fund Based – Cash Credit	72.50	72.50	[ICRA]AA upgraded from [ICRA]AA-; outlook revised to Stable from Positive; [ICRA]A1+; reaffirmed
Long-term – Unallocated	127.50	127.50	[ICRA]AA Upgraded from [ICRA]AA-; outlook revised to Stable from Positive
Short-term –Fund-based – Overdraft	50.00	50.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>250.00</b>	<b>250.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating action factors in Dodla Dairy Limited’s (DDL) healthy improvement in its financial performance in FY2025e and expectation of a sustained growth in revenues and earnings going forward, supported by its strong business profile characterised by a diversified product profile with increased share of value-added products (VAP), and gradually improving geographical presence. DDL’s revenue grew by ~20% on YoY basis in 9MFY2025, driven by 52% growth in VAP (~36% of revenues in 9MFY2025 compared to ~28% in FY2024) on the back of bulk sales of skimmed milk powder (SMP) and butter, along with steady growth in milk volumes. DDL’s milk procurement increased to 17.3 LLPD in 9M FY2025 from 16.8 lakh litres per day (LLPD) in FY2024, which supported volume and revenue growth. Increased share of VAP in the revenue-mix is expected to support the company’s margins going forward. The company is debt free and has cash and has healthy cash balances and liquid investments of Rs. 633.8 crore as on December 31, 2024.

DDL is setting up a milk processing plant of 10 lakh litres per day (LLPD) in Dharapur, Maharashtra at an estimated project cost of Rs. 280.0 crore, which will be spread out over 18-24 months, and will be funded through internal accruals and existing cash and liquid investments. As of January 31, 2025, it has incurred project cost of Rs. 30.0 crore and is expected to complete the project by September 2026. The new plant in Maharashtra would support the company in increasing its VAP sales as its SMP plant is operating at a high-capacity utilisation of ~90%. The increased processing and procurement capacities will augment DDL’s revenue growth over the medium term.

The ratings remain supported by DDL’s established presence in South India with a diversified presence across districts of Andhra Pradesh, Karnataka, parts of Tamil Nadu and Telangana with a well-connected distribution network. The ratings factor in DDL’s wide procurement base, supported by a network of bulk coolers and chilling centres, and its strong connection with farmers, helping in steady sourcing of liquid milk. The company has also expanded its procurement base to Maharashtra in the past three years on the back of favourable raw material prices. The ratings also draw comfort from the favourable long-term growth prospects for the dairy industry, given the low penetration of organised players.

The ratings are, however, constrained by the commoditised nature of the products and intense competition from organised cooperatives, private-sector, and unorganised players, which limits the pricing flexibility of the players. The company also faces competition in procuring milk with limited control over procurement costs of liquid milk. However, given the pricing premium enjoyed by the company over the milk cooperatives, it has better flexibility to absorb the increase in costs and maintain/ grow market share. Also, the company remains vulnerable to external factors, such as weather and disease outbreaks.

The Stable outlook on the rating factors in ICRA's opinion that the company will continue to maintain a comfortable financial profile with strong coverage metrics on the back of healthy growth in earnings, benefiting from favourable demand prospects, and the planned capacity additions.

## Key rating drivers and their description

### Credit strengths

**Established brand presence** – Dodla brand is an established name in the liquid milk segment in southern India and has a diversified presence across the districts of Andhra Pradesh, Karnataka and parts of Tamil Nadu and Telangana. It has favourable long-term growth prospects, given the low penetration of the organised sector in the dairy industry. Further, DDL's wide procurement base ensures regular milk supply at competitive prices from farmers and is supplemented by a wide network of over 150 milk chilling centres as on December 31, 2024. DDL has been procuring milk from Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka and Telangana. DDL's milk procurement increased to ~17.3 LLPD in 9M FY2025 from ~16.8 LLPD in FY2024, which is expected to support revenue growth.

**Healthy revenue growth and increasing share of value-added products** – The company's revenue witnessed a healthy rise at a CAGR of ~17% in the past four years ending in FY2024. The same was driven by an increase in sales volumes amid healthy demand, given the changing preferences towards dairy products and changing lifestyles, especially in urban centres. The revenue growth remained healthy at 20% (YoY) in 9M FY2025, driven by high bulk sales (Rs. 274 crore) of SMP and butter. The revenues from VAP rose to ~36% in 9M FY2025 from ~28% in FY2024. ICRA expects the company to record a healthy revenue growth in FY2026 on the back of strong rise in sales of VAP and stable realisations, along with a steady growth in liquid milk volumes. Increased processing and procurement capacities will augment revenue growth over the medium term. Increased share of value-added products in the revenue-mix is expected to support margin improvement.

**Strong financial profile** – The company's financial risk profile is healthy, characterised by low debt of Rs. 45.7 crore (including lease liabilities) as on December 31, 2024, and healthy coverage indicators with an interest coverage of 92.7 times (101.1 times in FY2024), NCA/TD of 694% (511% in FY2024), TOL/TNW of 0.2 times (0.3 times in FY2024), Total Debt/OPBITDA of 0.1 times (0.2 times FY2024), on the back of healthy operating margins. The company's debt metrics are expected to remain comfortable, going forward as well, given the expected improvement in earnings and absence of any debt-funded capex. The company is setting up a milk processing plant in Maharashtra at an estimated cost of Rs. 280.0 crore, which is likely to be completed by September 2026. Also, the company is expected to incur capex towards expansion / automation of its existing units in India and Africa along with regular maintenance capex. The new plant in Maharashtra would support the company in increasing its VAP sales as its SMP plant is operating at a high-capacity utilisation of ~90%. The increased processing and procurement capacities will augment DDL's revenue growth over the medium term. The entire capex is expected to be funded through internal accruals. Despite the material capex plans for the near term, the company is likely to maintain comfortable cash balances.

### Credit challenges

**Intense competition with limited pricing flexibility** – Commoditised nature of the products and intense competition from organised cooperatives, private dairies, and unorganised players impacts the pricing flexibility of players in the industry. However, ICRA notes that given the pricing premium enjoyed by the company compared with milk cooperatives, it has better flexibility to absorb the increase in costs and maintain/ grow market share. It's revenues and earnings also remain vulnerable to external factors such as weather and disease outbreaks.

**Limited control over procurement costs** – The industry players have limited control over the procurement costs of liquid milk as these are impacted by intense competition from state-owned milk cooperatives and other private dairies, along with low switching costs for farmers. However, the company’s strong relationships with farmers ensure milk availability even during the lean season. DDL’s demonstrated ability to partially pass on the increase in costs to customers mitigates the impact of fluctuation in procurement costs to an extent.

### Environmental and social risks

**Environmental considerations:** Environment risks remain low for dairy processors. However, dairy-based entities are indirectly exposed to physical climate risks, which could result in variations in the availability of fodder for cattle and impact their productivity. Nevertheless, DDL has an internal cattle feed plant which mitigates this risk to an extent. Extreme weather conditions like harsh summers or floods can also impact raw milk availability. However, the company procures milk from five different states with a large network of 1.2 lakh farmers and strong procurement supply chains, which mitigate the adverse effects of environmental risks to an extent.

**Social considerations:** The sector is highly dependent on human capital as its key raw material, milk, is procured from farmers. Nevertheless, the social risks are low as dairy farmers have a symbiotic relationship with processors. DDL offers several benefits to its farmers including cash payments with low credit, supplying feed and advisory to improve yield, etc. Additionally, over 90% of the procurement is directly from farmers, mitigating the social risks to an extent. Moreover, there is a track record of consumers preferring dairy products on a routine basis, with consumption only rising with urbanisation and favourable demographic changes

### Liquidity position: Strong

DDL’s liquidity is strong with healthy cash balances and liquid investments of Rs. 633.8 crore as on December 31, 2024, and its working capital limits of Rs. 122.5 crore remain largely unutilised. The company is expected to generate healthy cash flows of Rs. 250-300 crore per annum over the next 12 months. The company is planning to set up a milk processing and SMP plant in Maharashtra at an estimated cost of Rs. 280.0 crore, which would be incurred over the next 18-24 months. Besides, the company is expected to incur capex towards expansion/automation of its units along with regular maintenance capex. The entire capex is likely to be funded through internal accruals. The company has minimal repayment obligations of Rs. 4.0-6.0 crore per annum, apart from the lease liability.

### Rating sensitivities

**Positive factors** – ICRA may upgrade DDL’s long-term rating if the company demonstrates a substantial improvement in its scale and profitability with increased geographical diversification while increasing the share of value-added products.

**Negative factors** – Pressure on the ratings may arise if any material decline in revenue or profitability, or sizeable capex or investments weaken its debt protection metrics or liquidity position on a sustained basis. Specific credit metrics that could lead to ratings downgrade include TD/OPBITDA above 1.2 times on a sustained basis.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of DDL. A list of consolidated entities considered for this rating is provided in Annexure-2

## About the company

Incorporated in 1995, Dodla Dairy Limited is promoted by Mr. D. Sessa Reddy and Mr. D. Sunil Reddy. The company processes and sells milk and milk products under the Dodla brand, with a market presence predominantly in Andhra Pradesh, Karnataka, Tamil Nadu and Telangana. The company is listed on the Bombay Stock Exchange and the National Stock Exchange. DDL has 16 processing and packaging units in India and Africa with a processing capacity of ~24.2 LLPD. DDL expanded to Uganda in FY2015 through its subsidiary, Lakeside Dairy Limited, with the acquisition of Hillside Dairy and Agriculture Limited. The company runs a milk processing unit with 3-LLPD capacity in Uganda. DDL has incorporated a company in Kenya, Dodla Dairy Kenya Limited (DDKL), which has an installed capacity of 1 LLPD and is producing around ~0.3 LLPD at present.

## Key financial indicators (audited)

DDKL (consolidated)	FY2023	FY2024	9M FY2025
Operating income	2812.0	3,125.5	2810.4
PAT	122.3	166.7	192.0
OPBDIT/OI	7.0%	9.3%	10.7%
PAT/OI	4.3%	5.3%	6.8%
Total outside liabilities/Tangible net worth (times)	0.3	0.3	0.2
Total debt/OPBDIT (times)	0.2	0.2	0.1
Interest coverage (times)	92.1	101.1	92.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

		Current rating (FY2025)				Chronology of rating history for the past 3 years					
		FY2025		FY2024		FY2023		FY2022			
Instrument	Type	Amount rated (Rs. crore)	Mar 20, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based	Long term / Short term	72.50	[ICRA]AA (Stable)/ [ICRA]A1+	Sep 05, 2024	[ICRA]AA-(Positive)/ [ICRA]A1+	Jul 31, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	Jul 28, 2022	[ICRA]AA-(Stable)/ [ICRA]A1+	Jul 29, 2021	[ICRA]AA-(Stable)/ [ICRA]A1+
Fund based – Overdraft	Short term	50.00	[ICRA]A1+	Sep 05, 2024	[ICRA]A1+	Jul 31, 2023	[ICRA]A1+	Jul 28, 2022	[ICRA]A1+	Jul 29, 2021	[ICRA]A1+
Unallocated limits	Long term	127.50	[ICRA]AA (Stable)	Sep 05, 2024	[ICRA]AA-(Positive)	Jul 31, 2023	[ICRA]AA-(Stable)	Jul 28, 2022	[ICRA]AA-(Stable)	Jul 29, 2021	[ICRA]AA-(Stable)
Term loans	Long term	-		Sep 05, 2024	-	-	-	-	-	Jul 29, 2021	[ICRA]AA-(Stable)
NCD	Long term	-		Sep 05, 2024	-	-	-	Jul 28, 2022	[ICRA]AA-(Stable)*	Jul 29, 2021	[ICRA]AA-(Stable)

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term / Short term – Fund based	Simple
Short Term – Fund based – Overdraft	Very simple
Long Term – unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit/Short term loan	NA	NA	NA	30.00	[ICRA]AA (Stable)/[ICRA]A1+
NA	Cash credit/Short term loan	NA	NA	NA	22.50	[ICRA]AA (Stable)/[ICRA]A1+
NA	Cash credit/Short term loan	NA	NA	NA	20.00	[ICRA]AA (Stable)/[ICRA]A1+
NA	Overdraft	NA	NA	NA	20.00	[ICRA]A1+
NA	Overdraft	NA	NA	NA	30.00	[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	127.50	[ICRA]AA (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Lakeside Dairy Limited	100.0%	Full Consolidation
Dodla Holding Pte Ltd (Singapore)	100.0%	Full Consolidation
Dodla Dairy Kenya Limited (Kenya)	99.00%	Full Consolidation
OrgaFeed Private Limited	100.00%	Full Consolidation
Global VetMed Concepts Pvt Ltd (India)	47.88%	Equity Method
Country Delight Dairy Limited, Kenya	100.0%	Full Consolidation

Source: Annual Report;

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### Branches



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