

April 02, 2026

Dodla Dairy Limited: Ratings reaffirmed; rated amount enhanced

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 (Stable)/ [ICRA]A1+; reaffirmed
Long-term – Fund-based – Term loans	-	225.00	[ICRA]AA (Stable); reaffirmed and assigned for enhanced amount
Long-term – Unallocated	127.50	2.50	[ICRA]AA (Stable); reaffirmed
Short-term – Fund-based – Overdraft	50.00	50.00	[ICRA]A1+; reaffirmed
Total	250.00	350.00	

*Instrument details are provided in Annexure I

Rationale

The ratings factor in Dodla Dairy Limited's (DDL) long operational track record in the dairy sector and its established presence in South India, with a diversified footprint across districts of Andhra Pradesh, Karnataka, Telangana, and parts of Tamil Nadu, supported by a well-connected distribution network. The ratings also draw comfort from the company's wide and diversified milk procurement base, underpinned by an extensive network of bulk milk coolers, conventional milk coolers and chilling centres and strong relationships with farmers, which ensures steady sourcing of liquid milk. Further, DDL has expanded its procurement footprint to Maharashtra over the past three to four years, aided by relatively favourable raw milk prices. DDL acquired HR Food Processing Private Limited (HFPPL), which sells milk and milk products under the OSAM brand in Bihar and Jharkhand, in August 2025 for a consideration of Rs. 271.0 crore. HFPPL has a well-established procurement base in Bihar, Jharkhand, and West Bengal.

The rating continues to factor in the favourable long-term growth prospects of the Indian dairy industry, supported by the low penetration of organised players. The company's revenue grew at a healthy CAGR of around 18% in the last four years ended FY2025, driven by healthy demand and step-up in milk procurement, which supported a healthy growth in value-added products (VAP) and bulk sales. In 9M FY2026, its revenue grew by 9% on YoY basis driven by a healthy growth in liquid milk sales and acquisition, while VAP/ bulk sales were low on account of challenges in milk availability owing to erratic rainfall. However, the company is expected to record a healthy revenue growth in FY2027 driven by full-year impact of the acquisition and continued demand supporting growth in milk and VAP sales. Raw milk procurement prices increased by 9.7% to Rs. 40.2 per litre in 9M FY2026 from Rs. 36.0 per litre in 9M FY2025 owing to supply challenges. Increased input costs and lower share of revenue from high-margin VAPs impacted margins. The company's ability to take price hikes will be critical amid increased procurement costs.

DDL is in the process of setting up a milk processing plant with a capacity of 10 LLPD at Dharapur, Maharashtra, at an estimated cost of Rs. 280.0 crore, funded through term loan of Rs. 225.0 crore and the rest through internal accruals and existing cash balances. As of February 28, 2026, around Rs. 80.0 crore had been incurred. The project is expected to be completed by end of March 2027 (a delay of six months over the earlier expectation of September 2026), with operations commencing from April 2027. The proposed plant is expected to support growth in VAP sales. The additional processing and procurement capacities are likely to augment revenue growth over the medium term. The ratings consider the company's strong financial risk profile, characterised by a minimal debt and strong liquidity.

The ratings are, however, constrained by the commoditised nature of dairy products and intense competition from organised cooperatives, private players, and unorganised participants, which limits pricing flexibility. The company also faces competition

in milk procurement, with limited control over raw milk prices. Nonetheless, the pricing premium enjoyed by DDL over cooperatives provides relatively better flexibility to absorb cost pressures while maintaining or expanding market share. The company also remains exposed to external risks such as adverse weather conditions 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 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. With acquisition of HFPPL, DDL has added the OSAM brand and expanded its presence to Bihar, Jharkhand and West Bengal. 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 220 milk chilling centres as on December 31, 2025. DDL has been procuring milk from Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka, Telangana, Bihar, Jharkhand and West Bengal.

Healthy revenue growth and increasing share of value-added products – The company's revenue witnessed a healthy rise at a CAGR of around 18% over the past four years ending in FY2025. 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. In addition, it stepped up milk procurement which enabled the company increase VAP and bulk sales augmenting its revenue growth. Its revenue grew at a healthy pace of around 9% (YoY) in 9M FY2026, driven by continued demand for milk and VAP. ICRA expects the company to record a healthy revenue growth of around 8-12% in FY2026, driven by growth in milk sales while VAP (bulk) sales are likely to moderate owing to lower milk availability. Revenue growth is expected to improve to 12–16% in FY2027, supported by full-year impact of HFPPL's acquisition and a steady increase in milk and VAP volumes, and healthy realisations. Increased processing and procurement capacities will augment revenue growth over the medium term.

Strong financial profile – The company's financial risk profile is healthy, characterised by low debt of Rs. 53.3 crore (including lease liabilities) as on December 31, 2025, and healthy coverage indicators with an interest coverage of 86.5 times (91.2 times in FY2025), NCA/TD of 566% (753% in FY2025), TOL/TNW of 0.2 times (0.2 times in FY2025), Total Debt/OPBITDA of 0.2 times (0.1 times FY2024) in 9M FY2026, supported by healthy earnings. Going forward, despite a likely increase in debt levels to fund the ongoing capex in Maharashtra, the company's capital structure and debt metrics are expected to remain comfortable. 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 March 2027. It was sanctioned a term loan of Rs. 225.0 crore to fund the capex, which is yet to be drawn down. In addition, company plans to expand its Uganda unit with a capex of around Rs. 50–60 crore over the next two years, as well as incur annual maintenance capex of around Rs. 70.0 crore, both to be funded through internal accruals and cash balances. The new plant in Maharashtra would support the company in increasing its VAP sales. 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.

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. Its 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 raw 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. Reduced milk availability led to increased procurement costs since Q3 FY2026 and impacted its high-margin VAP sales, affecting the company's margins in Q3 FY2026. DDL has demonstrated ability to partially pass on the increase in costs to customers in the past; timeliness of such hikes remains a monitorable.

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 eight different states with a large network of over 1.3 lakh farmers and strong procurement supply chains, which mitigate the adverse effects of environmental risks to an extent. DDL manufactures several products that are generally disposed off after use (food and rigid plastic packaging). There may be an increasing emphasis on recyclability and using packaging products from more biodegradable substrates, which could impact the company's cost structure. The company needs to continue focusing on building quality products and adapting to an evolving regulatory environment.

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, among others. Additionally, over 90% of the milk is directly procured from farmers, mitigating the social risks to an extent. The necessity of responsible operations is high since accidents/ non-compliance with environmental norms can adversely impact the local community, leading to increased social risks in the form of protests that might constrain the company's ability to operate or expand capacity.

Liquidity position: Strong

DDL's liquidity is strong with healthy cash balances and investments of Rs. 625.4 crore as on December 31, 2025, and its working capital limits of Rs. 122.5 crore remain largely unutilised. The company is expected to generate healthy cash flow from operations of Rs. 280-320 crore per annum over the next 12 months. It is expected to incur capex of around Rs. 200.0 crore towards setting up a milk processing and skimmed milk powder (SMP) plant in Maharashtra, which is expected to be completed by Q4 FY2027, funded through a mix of term debt and internal accruals. Additionally, it is likely to incur capex towards expansion/ automation of its units along with regular maintenance capex. 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	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated financials of Dodla Dairy Limited and its subsidiaries. The list of consolidated entities are provided in Annexure II.

About the company

Incorporated in 1995, DDL is a public limited company promoted by Mr. D. Sesha Reddy and Mr. D. Sunil Reddy. It was listed on the stock exchanges in June 2021. The company is engaged in the processing and sale of milk and milk products under the Dodla brand with a market presence predominantly in the four southern states of Andhra Pradesh, Karnataka, Tamil Nadu and Telangana. It acquired HFPPL, which sells under the brand, OSAM, in August 2025, expanding its presence to Bihar, Jharkhand and West Bengal. The company is also setting up a milk processing plant in Maharashtra, which is likely to be operational from April 2027. DDL has 18 processing and packaging units with a processing capacity of more than 26.0 lakh litres per day.

Key financial indicators (audited)

DDL (consolidated)	FY2024	FY2025
Operating income	3,125.5	3,720.1
PAT	166.7	259.9
OPBDIT/OI	9.3%	10.3%
PAT/OI	5.3%	7.0%
Total outside liabilities/Tangible net worth (times)	0.3	0.2
Total debt/OPBDIT (times)	0.2	0.1
Interest coverage (times)	101.1	91.2

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 (FY2027)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	FY2026		FY2025		FY2024		
			Apr 02, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based-Cash credit	Long Tem/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+
				-	-	Mar 20, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
Fund-based-Term loan	Long Term	225.00	[ICRA]AA (Stable)	-	-	-	-	-	-
Unallocated limits-Unallocated limits	Long Term	2.50	[ICRA]AA (Stable)	-	-	Sep 05, 2024	[ICRA]AA-(Positive)	Jul 31, 2023	[ICRA]AA- (Stable)
				-	-	Mar 20, 2025	[ICRA]AA (Stable)	-	-
Fund-based-Overdraft	Short Term	50.00	[ICRA]A1+	-	-	Sep 05, 2024	[ICRA]A1+	-	-
				-	-	Mar 20, 2025	[ICRA]A1+	-	-
Fund-based-Cash credit	Short Term	-	-	-	-	-	-	Jul 31, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/ Short-term – Fund-based – Cash Credit	Simple
Long-term – Fund based – Term loans	Simple
Long-term – Unallocated	Not applicable
Short-term – Fund-based – Over draft	Simple

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	Fund-based – Cash Credit	NA	NA	NA	72.50	[ICRA]AA (Stable)/ [ICRA]A1+
NA	Fund based – Term loans	Sep 2025	NA	FY2034	225.00	[ICRA]AA (Stable)
NA	Unallocated	NA	NA	NA	2.50	[ICRA]AA (Stable)
NA	Fund-based – Overdraft	NA	NA	NA	50.00	[ICRA]A1+

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 (Uganda)	100.0%	Full Consolidation
Dodla Holding Pte Ltd (Singapore)	100.0%	Full Consolidation
Dodla Dairy Kenya Limited (Kenya)	99.0%	Full Consolidation
OrgaFeed Private Limited (India)	100.0%	Full Consolidation
Global VetMed Concepts Pvt Ltd (India)	47.88%	Equity Method
Country Delight Dairy Limited, Kenya	100.0%	Full Consolidation
HR Food Processing Private Limited (India)	100.0%	Full Consolidation

Source: Company data

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