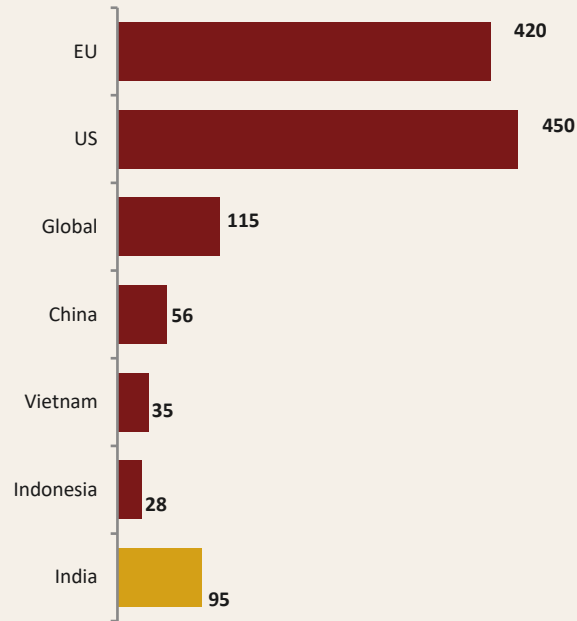


India Dairy Sector

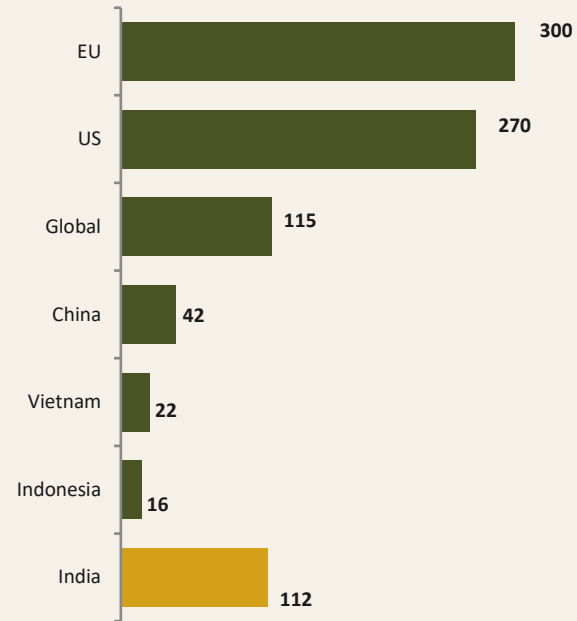
March 2026

India is a moderate dairy consuming market

dairy spend per capita (USD / year)

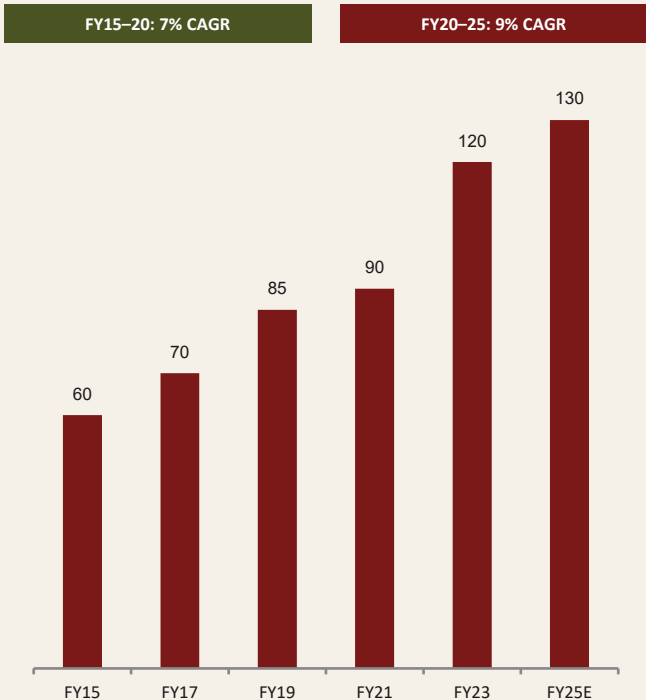


per capita milk consumption (kg / year)



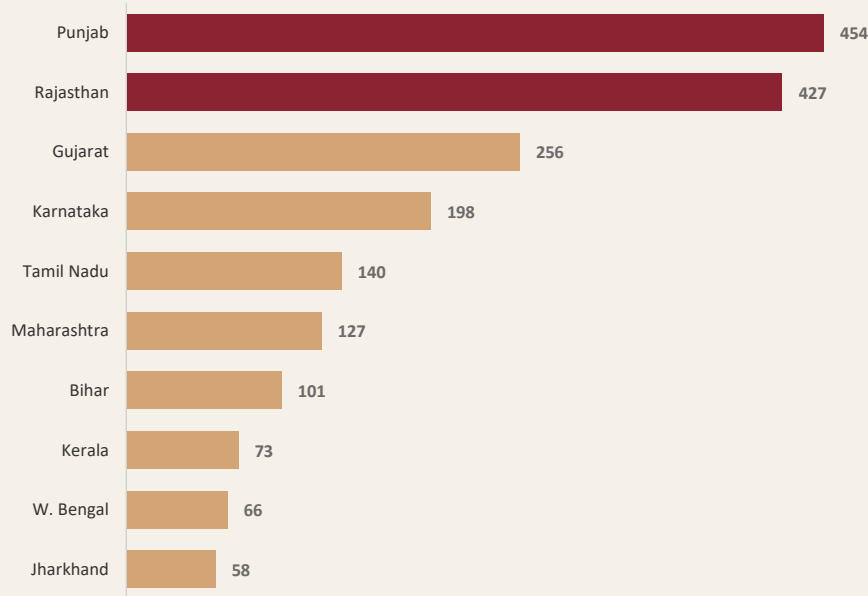
FY20-25: ~13% INR CAGR

India dairy market size is USD 130bn, with 8% 10-year growth



Per capita milk availability (kg/year, FY24)

Lower-consuming states catching up → volume growth tailwind



decomposing the 8% CAGR:

Volume ~4% (production CAGR)

Price/inflation ~3%

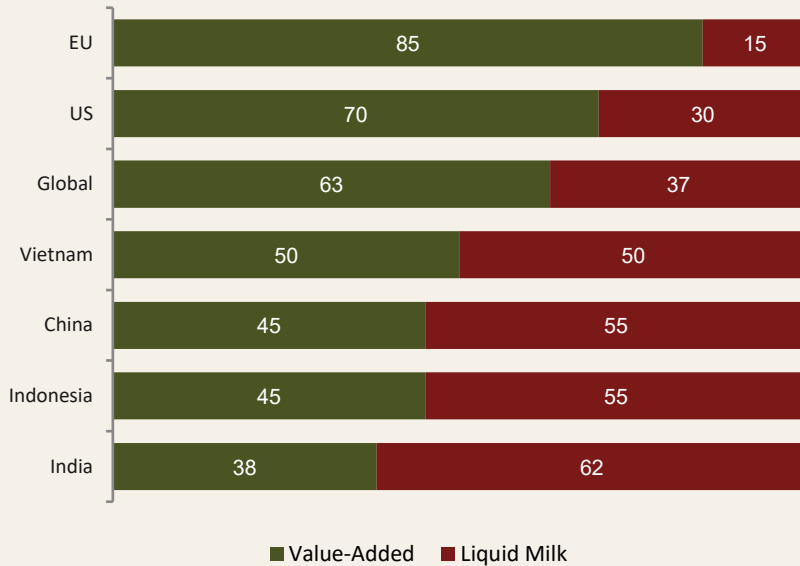
Mix/premium ~1%

key drivers of ~3% milk price inflation:

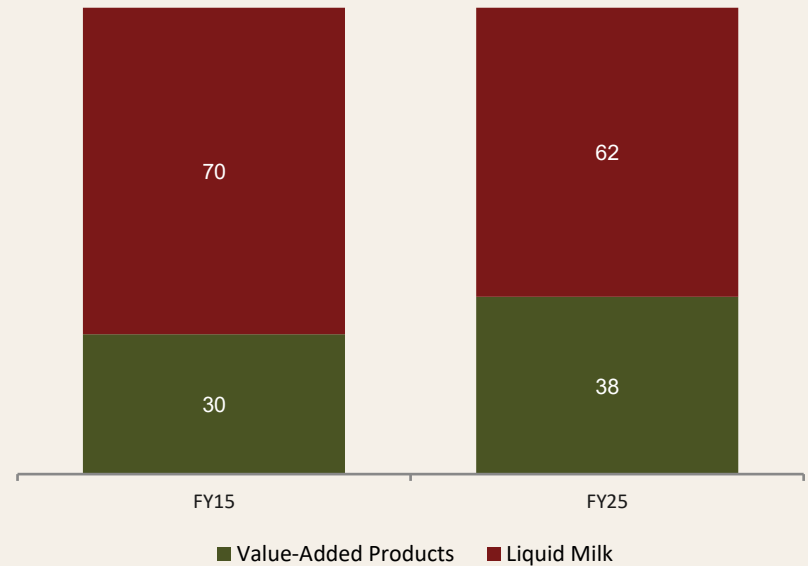
Fodder & feed costs (60–70% of production cost) rising with crop prices · Amul and other co-ops raises prices and others follow

VAP grew at 11%, 1.5x the rate of liquid milk but have lower ROCE

liquid milk vs value-added products — India vs peers (%)



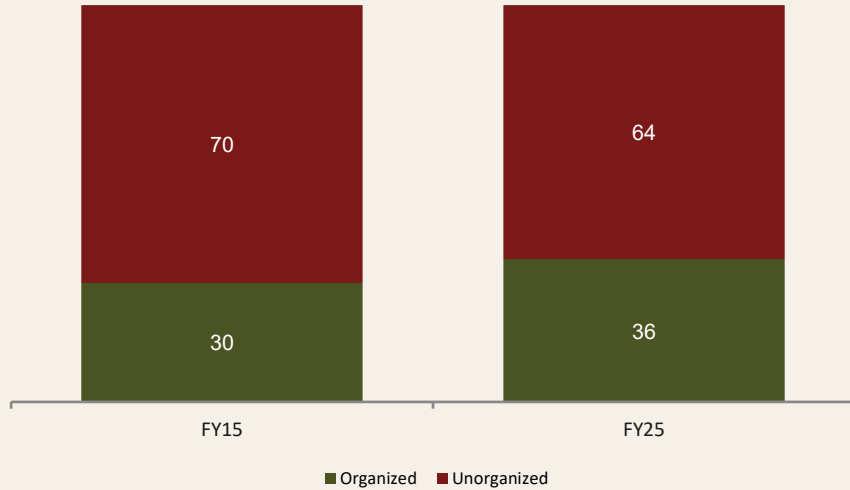
liquid milk vs value-added products split (%)



	Liquid Milk	VAP
Gross Margin	5–8%	25–45%
EBITDA Margin	4–5%	12–15%
Asset Turns	6–7x	2–3x
Working Capital	Negative	30–60 days

Organized sector gaining ground: private players closing the gap on cooperatives

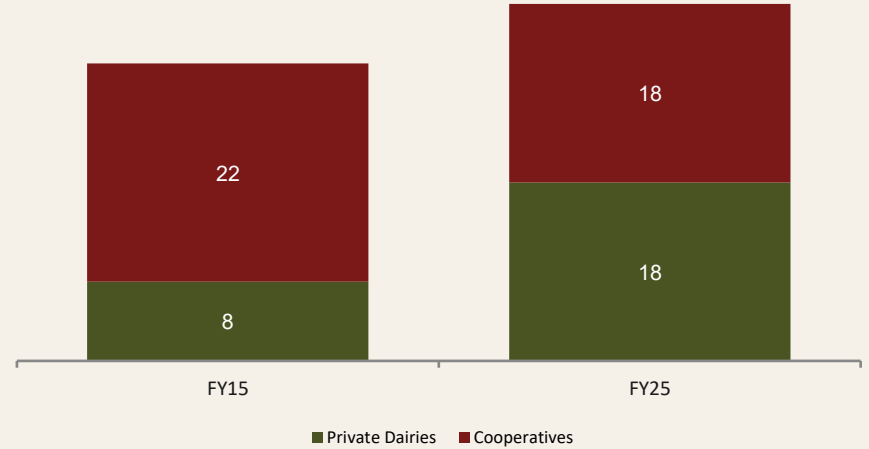
organized vs unorganized (%)



Unorganized → organized drivers: FSSAI tightening quality/adulteration norms; consumer shift to packaged milk post-COVID (hygiene trust); cold-chain expansion into Tier 2–3 cities; q-commerce requiring branded SKUs; GST formalization making unbranded sales less viable; govt's White Revolution 2.0 targeting 50% procurement hike.

within organized: coops vs private (%)

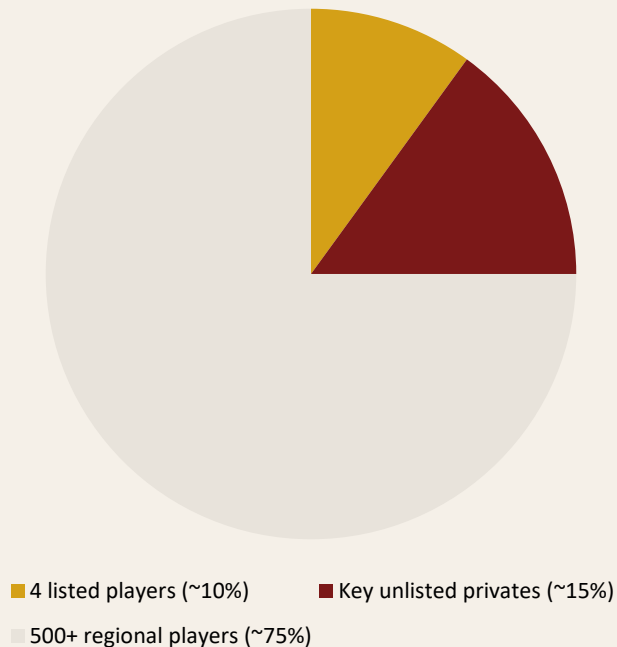
Private revenue CAGR: **~17%**



Cooperative → private shift drivers: Private players offer higher procurement prices to farmers (compete away supply); faster VAP innovation (cheese, yogurt, flavored milk — coops are slow); forward integration into proprietary retail; global M&A (Lactalis entry); access to growth capital via IPOs; better brand-building in urban/digital channels.

Private dairy is highly fragmented, low barriers to entry but high barriers to scale

private organized dairy market (~\$23B)



1. Procurement network depth

Direct procurement from hundreds of thousands of farmers through village-level chilling centres built over decades. Daily cash payments, vet support, cattle feed create high switching costs. 70–95% direct procurement gives cost/quality advantages. 5–10 years to replicate.

2. Cold chain infrastructure

Milk spoils in 24–36 hours. Entire value chain needs unbroken refrigeration. Costs millions of dollars and years to build. Competitive radius limited by cold chain reach — creating natural geographic barriers.

3. Brand trust + VAP capability

Consumers pay 10–15% more for branded milk (adulteration fears) and have strong loyalty to regional brands. VAP plants cost \$24–60M each which along with consumer brand recognition serves as a barrier to entry.

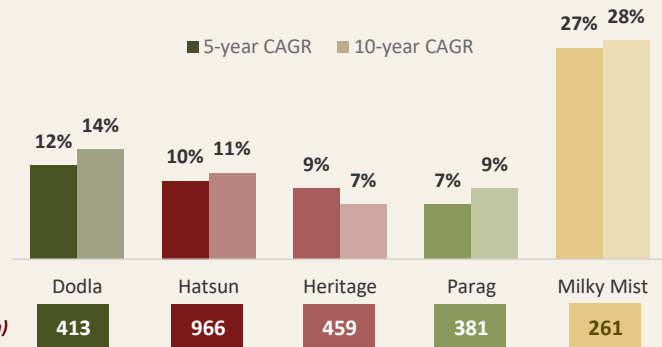
4. Distribution network reach

Proprietary retail presence, e-commerce channels (Blinkit, Zepto), and regional trade networks create last-mile advantages.

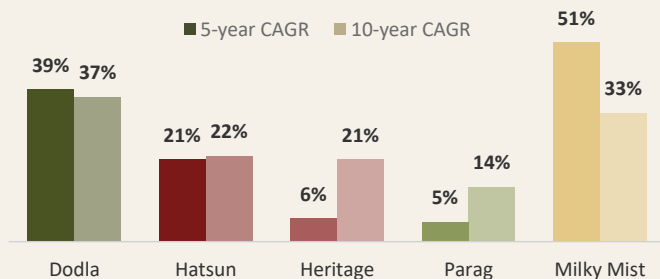
Why does the long tail exist? Milk is perishable (24–36 hr shelf life) so dairy is hyper-local. A small dairy can start with ~\$1M: pasteurize, pouch, sell within 50 km. Farmers trust the local buyer who pays cash daily. This creates hundreds of \$6–60M single-district operators. What's changing: FSSAI/GST compliance costs rising, q-commerce needs branded SKUs, cold chain capex squeezing undercapitalized players.

Four listed private players and one IPO candidate

Revenue CAGR (%)



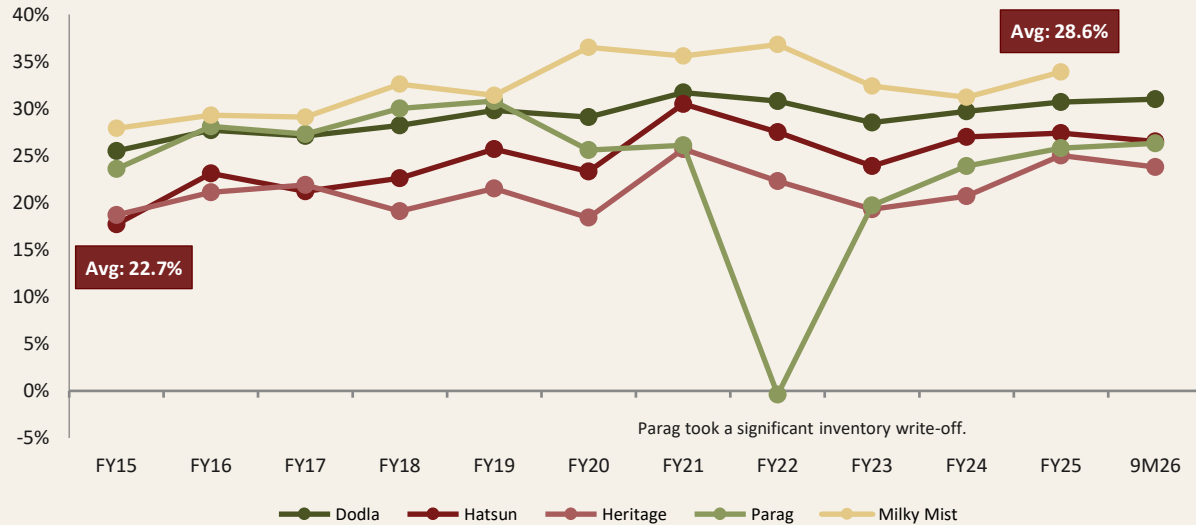
PAT CAGR (%)



Company	Top states	% of Rev	VAP %
Dodla	Andhra Pradesh, Telangana, Karnataka, Tamil Nadu	90%	38%
Hatsun	Tamil Nadu, Andhra Pradesh, Karnataka	85%	e.48%
Heritage	Andhra Pradesh, Telangana, Karnataka, Kerala	90%	43%
Parag	Maharashtra, Gujarat, North India	85%	90%
Milky Mist	Karnataka, Tamil Nadu, Andhra Pradesh, Kerala	71%	100%

Weaker cooperatives in Tamil Nadu/Andhra Pradesh (unlike Amul-dominated Gujarat) combined with lower political interference created space for private entrepreneurs. Higher urbanization, dairy-intensive cuisine, and hotter climate requiring farmer support accelerated organized dairy adoption.

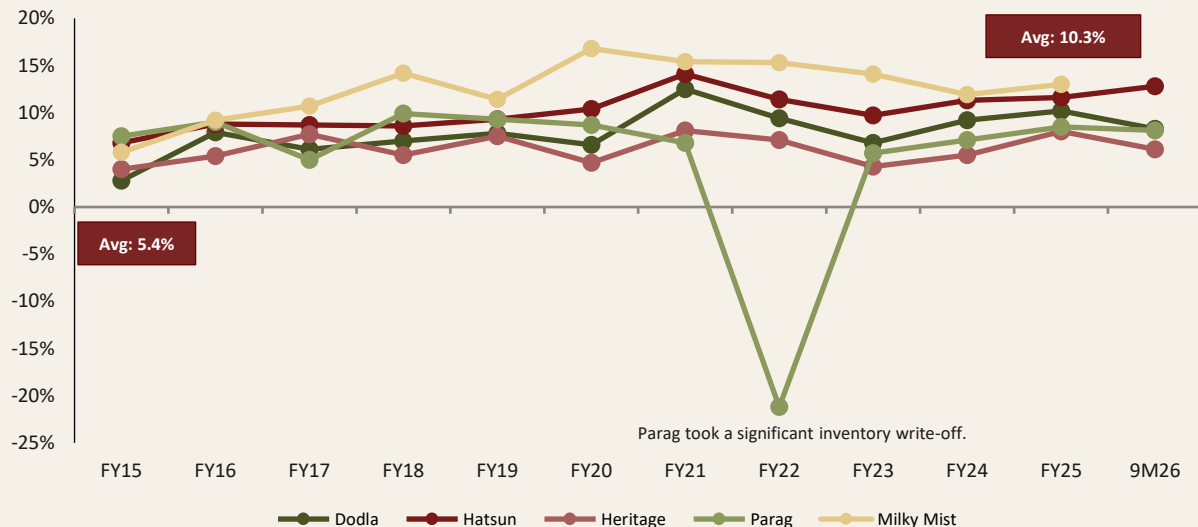
Gross margins have increased by 600bps



	FY15	FY25	9M26
Dodla	17.7%	27.4%	26.5%
Hatsun	25.5%	30.7%	31.0%
Heritage	18.7%	25.0%	23.8%
Parag	23.6%	25.8%	26.3%
Milky Mist	27.9%	33.9%	—

Gross Margin Drivers (FY15–FY25):
 VAP mix shift, pricing action and direct procurement driving structural improvement

EBITDAm has increased by 500bps



	FY15	FY25	9M26
Dodla	2.8%	10.2%	8.3%
Hatsun	6.8%	11.6%	12.8%
Heritage	4.0%	8.0%	6.1%
Parag	7.5%	8.5%*	8.1%
Milky Mist	5.8%	13.0%	—

EBITDA Margin Drivers (FY15–FY25):

Brand/distribution investments offset some gross margin gains

Margins are cyclical in the short-term depending on raw material cycles and milk yield but have been structurally increasing.

FY25 margin bridge: dissecting the path from gross margin to EBIT

FY25 (% of Rev)	Dodla	Hatsun	Heritage	Parag	Milky Mist
Gross margin	27.4%	30.7%	25.0%	25.8%	33.9%
(-) Employee cost	4.3%	2.8%	7.6%	4.4%	6.2%
(-) A&P	0.9%	2.1%	1.3%	3.9%	5.2%
(-) Freight	6.9%	3.5%	3.0%	3.6%	3.5%
(-) Misc. expenses	5.1%	10.6%	5.1%	6.6%	6.1%
= EBITDA margin	10.2%	11.6%	8.0%	7.4%	13.0%
(-) D&A	2.0%	5.4%	1.7%	2.0%	5.8%
= EBIT margin	8.2%	6.2%	6.3%	5.4%	7.2%

Balance sheet and capital efficiency

% Sales (FY25)	Dodla	Hatsun	Heritage	Parag	Milky Mist
Inventory	4%	11%	9%	17%	11%
Receivables	0%	0%	1%	8%	4%
Payables	4%	3%	4%	7%	4%
Net Working Capital	0%	9%	5%	17%	11%
Fixed Assets	18%	31%	17%	13%	56%
Net Debt / EBITDA	Cash	2.0x	0.2x	2.4x	4.5x
ROCE	27%	13%	25%	14%	11%

why working capital differs

Higher VAP mix and institutional sales drive higher NWC.

Dodla's 0% NWC is impressive – a big driver is their focus on only bread-and-butter VAP products as opposed to innovations and 90% of sales via distributors – agent network.

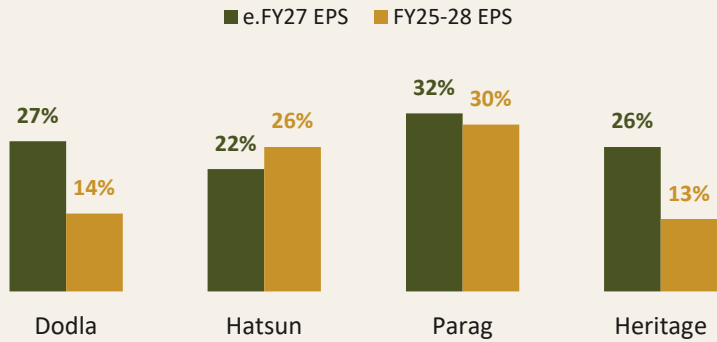
capital efficiency and returns

Hatsun and Milky Mist's higher PPE is driven by their focus on in house VAP processing, owned retail points and capex behind cold chains logistics.

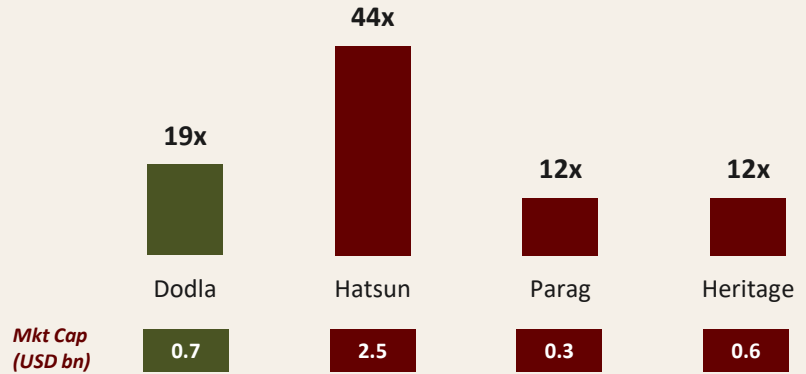
Dodla's 44% ROCE leads by a wide margin. Net cash balance sheet + zero NWC + 18% fixed assets = exceptional capital efficiency.

Valuations

Consensus e.EPS CAGR (%)



NTM P/E (x)



Hatsun has limited supply with Promoter holding at 73% and primarily long-term investors.

Key sectoral risks

1 Competitive Intensity

- Highly fragmented sector: private players, cooperatives (Amul, Mother Dairy) and a vast unorganised segment competing on price
- Low barriers to entry but high barriers to scale once established (procurement networks, cold chain, farmer relationships)
- Difficult to penetrate state boundaries — regional incumbents with entrenched distribution and brand loyalty in each market

2 Raw Milk Price Volatility

- Feed costs ~70% of milk production cost; fodder/concentrate price spikes directly squeeze processor margins
- Cyclical supply-demand: monsoon variability, disease outbreaks (e.g. lumpy skin), lean season pressure
- Limited hedging capability — most processors pass-through with a lag, creating 200–400 bps margin swings

3 VAP Execution / Capital Intensity

- VAP capex is heavy: cold chain, processing plants, brand-building all require upfront investment with 2–3x lower asset turns vs liquid milk
- Inventory write-off risk on SMP, cheese — Parag FY22 write-off a cautionary precedent
- M&A integration risk: Dodla OSAM, Hatsun Milk Mantra — execution and FCF timing uncertain

4 Regulatory / State-Level Policy Risk

- Higher support to co-ops by states via subsidies
- GST changes on dairy products can disrupt channel economics — recent cut boosted volumes but compressed margins
- FSSAI food safety/labelling standards tightening; state-level milk pricing controls in some markets

Archive: Global dairy benchmarks

Company	Country	FY24/25 Rev	10yr Rev CAGR	10yr EPS CAGR	ROCE
EUROPE					
Lactalis (private)	France	\$30.3B	~5%		
Danone	France	\$29.5B	~2%	~3%	-
Nestlé (dairy seg.)	Switzerland	~\$20B	~1%	~4%	-
Arla Foods (coop)	Denmark	\$14.5B	~3%		
FrieslandCampina	Netherlands	\$13.5B	~1%		
CHINA					
Yili Group	China	\$16.5B	~10%	~8%	~19%
Mengniu Dairy	China	\$12.2B	~9%	~5%	~7%
INDONESIA					
Cimory (CMRY)	Indonesia	\$0.6B	~53%*	~84%*	~26%
Ultra Jaya (ULTJ)	Indonesia	\$0.5B	~8%	~10%	~18%
VIETNAM					
Vietnam Milk (VNM)	Vietnam	\$2.5B	~7%	~2%	~31%
UNITED STATES					
Dairy Farmers of America	US	\$21.5B	~3%		
Schreiber Foods	US	\$7.0B	~5%		

* Cimory 5-year CAGR (IPO Dec 2021; limited 10yr history) | ROCE: EBIT / Capital Employed (FY23/24) | Sources: Company filings, PitchBook, StockViz

Archive: India's leading dairy cooperatives

Cooperative (Brand)	State	FY25E Rev (USD Bn)	5Y Sales CAGR	10Y Sales CAGR
GCMMF (Amul)	Gujarat, Maharashtra	7.8	~16%	~17%
KMF (Nandini)	Karnataka	2.4	~8%	~10%
Mother Dairy	Pan-India	2.0	~12%	~13%
RCDF (Saras)	Rajasthan	1.4	~10%	~12%
Milkfed (Verka)	Punjab	0.8	~9%	~11%
Milma	Kerala	0.5	~8%	~9%