



TM

Indian Dairy Sector

26 December 2025

Expert Session on Dairy industry – key takeaways

We hosted a group discussion with an expert in the Indian dairy industry, with 17+ years of experience across dairy and FMCG sectors, currently associated with one of India's leading dairy cooperatives as Head of Operations. **The expert acknowledged a recent firming-up of milk procurement costs (due to factors outlined below) and opined that cost corrections would manifest in April or so with the Ramzan period, noting product prices have been stable over the last few months (post-GST cut) except in few regions like Bihar and Andhra Pradesh. The expert provided a context to recent industry developments on consumption growth, inventory, procurement costs and product prices –** outlining how the industry journeyed from (1) the post-Covid period (2022-23) of low milk production and drop in prices, to (2) a 25% jump in production during the flush of October'24 through March'25 resulting in milk surplus accumulation, to (3) the current year 2025 wherein industry surplus has been impacted by disruptions including early rains, geopolitical conflict (Operation Sindoor) affecting northern milk belts of Punjab, Haryana, J&K, and robust festive demand. **Expecting robust consumption demand over 1HCY26, the expert believes dairy players will need to nimbly balance demand-supply in the backdrop of limited milk surplus.**

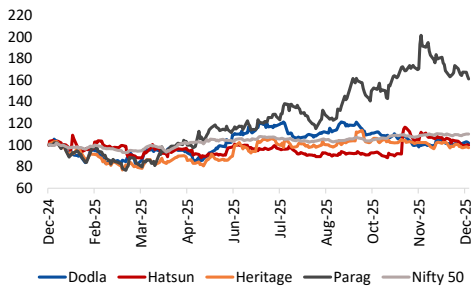
Noting that industry demand has benefited from reduced prices/ increased grammage post the recent GST cut, **the expert emphasized that margins have been impacted from disruption in channels and supply chains, and players would now seek to hike product pricing/ roll back higher post-GST volumes in a bid to recover margins.** He highlighted a **sustained demand upsurge in value-added products (VAP)**, mainly in curd, ice creams (consumption graduating from summer-intensive to an advanced/ wider demand window), paneer and ghee. The expert remarked that dairy products are now becoming impulse-purchase, with consumers moving from fizzy drinks to alternatives such as milkshakes. On distribution, the expert emphasized the **increasing sales' salience of E/Q-comm channels amid a clear consumption shift happening from general trade (GT).** While GT and E/Q-comm together account for c.80% of industry sales, he noted the conundrum of dairy players in modern trade (MT) – while MT makes up c.20% of industry sales, it provides lower margins.

We prefer Dodla Dairy (BUY, TP Rs 1,530) in the space, noting its (1) strong growth momentum in low-teens spearheaded by India VAP and Africa businesses (FY25-FY28E revenue CAGRs of 15%+ and 18% respectively), (2) sustained product-mix improvement leading to firm realizations, (3) incremental revenue visibility from the greenfield Maharashtra plant, (4) accretion from recent *Osam* acquisition and (5) sustenance of medium-term margins near-10% with better mix (VAP/ Africa growing faster vs base milk business) and lower bulk sales (sold at breakeven) despite higher expansion-related costs. We expect overall revenue/ PAT CAGR of 13%/ 16% over FY25-FY28E; we value the stock on a P/E of 26x on September-2027E EPS. We maintain confidence on growth, sustainability of margins, enduring return ratios and deft geographic expansions opening up additional levers of growth.

EXPERT CALL TAKEAWAYS

Industry FMCG-Dairy

Dairy stocks vs. Nifty 50 Index



Source: Bloomberg, Systematix Research

Company recommendations

Stocks	CMP	TP	Upside	Rating
Dodla Dairy	1218	1,530	25.6%	BUY
Hatsun Agro	980	NR	-	NR
Heritage Foods	456	NR	-	NR
Parag Milk	295	NR	-	NR

Source: Bloomberg, Systematix Research

Historical price performance

Stocks	6-Month	1 Year	3 Year	5 Year
Dodla Dairy	-13.2%	-2.0%	146.9%	184.1%
Hatsun Agro	3.8%	-1.9%	10.3%	38.1%
Heritage Foods	-6.3%	-3.2%	35.5%	57.8%
Parag Milk	31.1%	61.7%	210.7%	168.7%

Source: Bloomberg, Systematix Research

Abhishek Mathur
 abhishekmathur@systematixgroup.in
 +91 22 6704 8059

Vijay Jangir
 vijayjangir@systematixgroup.in
 +91 22 6704 8029

Key Takeaways from the session

Recent sector context & challenges

- Dairy sector growth generally sees a downtrend every 5-7 years, largely due to demand-supply imbalances or climatic changes.
- The post-Covid period (2022-23) saw large-scale disturbance in the supply chain, with unreasonable drop in milk prices, farmer unwillingness to invest in cattle farming (production cost not being met) and a steep decline in milk production.
- From mid-2023, farmer-engagement efforts from players like Amul led to renewed farmer confidence and interest in cattle induction with sustainable fodder programs restarted.
- From mid-2024 (peaking over Oct'24-Marc'25 flush season), rapid cattle induction led to 25% jump in milk production, resulting in milk surplus accumulation. Dairies had to judiciously deploy the produce into product mixes. Amul stepped up A&P activities, energized its ground force, further developed its cold chain and backend, stepped up dark-store distribution to deploy the surplus.
- In 2025, certain disruptions impacted the earlier industry surplus – early rains breaking the summer pattern; war-related disturbance (Operation Sindoor) affected northern milk belts of Punjab, Haryana, J&K.
- Dairy players had to balance demand-supply in advance of the flush of 2025 (Oct onwards), due to shortages with not much surplus left post-festive of 2025.
- Now, with surplus eroded, players are exploring ways to meet expected strong demand around occasions like Makar Sankranti, Basant Panchami and Id in early-2026 next year.
- In this backdrop, milk procurement costs have firmed up. The industry would likely see cost corrections coming in around April or so with Ramzan.
- Product prices have been stable over last few months, except for a few regions like Bihar and Andhra which saw an increase of Rs 1-1.5 per ltr.

GST-cut impact

- Post GST-cut, industry demand has benefited from reduced prices or increased grammage (c.10% higher volumes on small SKUs). But margins were impacted to an extent from disruption in channels and supply chains.
- Dairies are now looking to roll back the higher volumes or return to pre-GST pricing. Margins should improve once either of these happens.

Value-added products (VAP)

- Demand is surging in curd, in the drum/ tub/ bucket SKUs. In East India (Bihar region), massive consumption of 400 MT per day expected over Sankranti in Jan'26.
- Ice cream used to be summer-intensive, but the demand window has now broadened. From earlier consumption peaks over end-April/May/June, the peak has advanced to Ramzan (starting in March mid-Ramzan period).

- Dairy products are now becoming impulse-purchase, with consumers moving from fizzy/ carbonated drinks to alternatives such as milkshakes.
- Milk is most optimally utilized (based on per-litre production cost) in making yogurt and curd, which fetch higher margins vs milk. Thereafter, paneer, milk shakes, cheese allow better utilizations. Conventionally, dairies are tempted to make ghee, which fetches the best margins for most conventional players.
- Distribution of milk and curd is limited to a radius of 50-500km due to perishability; paneer, yogurt, milkshakes, ghee, butter can be preserved and served over larger regions.

UHT Milk

- UHT seen as alternative to fresh milk, esp. in East/North-East where fresh milk availability was historically constrained. However, the share of UHT in milk consumption has come down from 75% to 50% over the past 5 years as fresh milk availability improved.
- In Metros, consumers persistently perceive UHT as 'safest' for household consumption (despite availability of fresh milk) due to hygiene attributes.
- Overall growth of UHT milk category is slow, but growth in value-added UHT (fresh cream, milkshakes) is stronger vs plain UHT milk.

Distribution

- Salience of E/Q-comm (Zepto, Blinkit, Swiggy) increasing for dairy sales. Amul, Mother Dairy earlier had 20-30% workforce in front-end sales (door-to-door). These have now been reduced; resources redeployed to E/Q-comm. Channel incentives expanded to include data or insights like product/SKU demand by region, inventory movement, competitor presence).
- Clear consumption shift happening from GT to E/Q-comm. Modern Trade (MT) becoming a bit redundant with direct shift from GT to E/Q-comm.
- GT + E/Q-comm covers 80% of sales with stronger margins.
- MT has 20% sales salience, offers 25% visibility, but margins are lower (by c.16% of other channel margins) with free-of-cost promotions and shelf-life constraints. So dairy companies need to make channel-balancing calls.

Prominent players

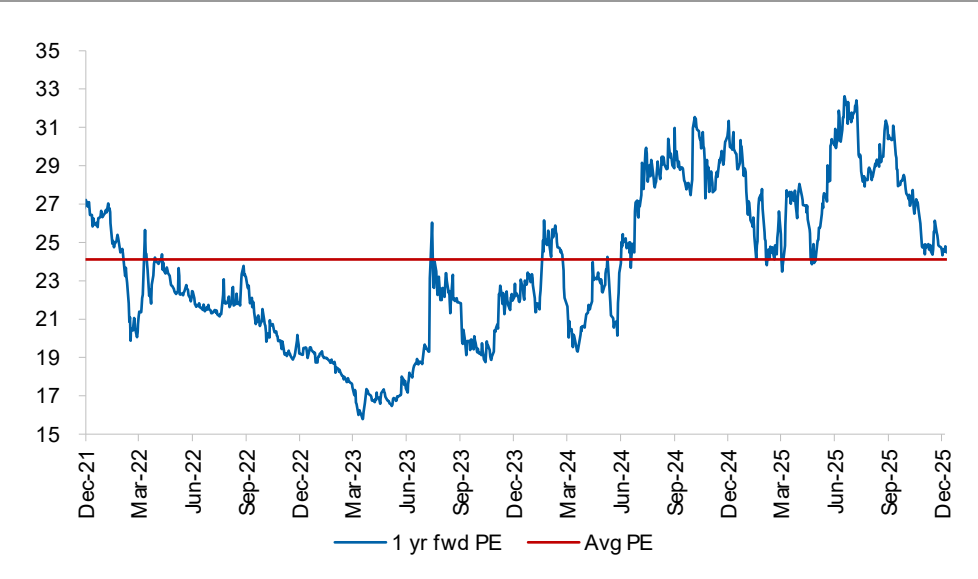
- Established legacy players - Amul, Mother Dairy, Nestlé (long-standing national presence).
- Strong regional / cooperative / private players - Heritage, Hatsun, Dodla, Nandini, Dairy Day (mid-generation, now well established).
- Next-generation regional challengers like Red Cow (Kolkata), Milky Mist (Tamil Nadu), Namaste India (Kanpur), Lotus (Jaipur) which are innovating via packaging, A2/ antioxidant concepts, nutrient re-creations, and localized insights.
- Foreign players: Lactalis still there with offshoots of Thirumala Dairy, Sunfresh Agro, Prabhat Dairy, Anik. Now branding their products in Lactalis. Trying to Indianize their foreign preparations.

Exhibit 1: Dairy company valuations

Company	CMP	TP	Upside	Rating	Mcap (Rs bn)	FY25-28E CAGR			PE		EV/EBITDA		ROE (%)	
						Revenue	EBITDA	EPS	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Dodla Dairy	1218	1,530	25.6%	BUY	74.1	13.1	12.5	16.0	23.1	18.7	15.5	12.1	16.6	17.2
Hatsun Agro	980	NR	-	NR	219.4	12.2	11.7	34.1	40.3	32.6	18.3	16.3	25.5	26.4
Heritage Foods	456	NR	-	NR	42.5	11.4	11.7	14.5	17.2	14.4	10.4	8.9	19.4	18.9
Parag Milk	295	NR	-	NR	37.1	13.8	14.6	29.1	17.5	14.6	11.6	9.7	7.1	7.6

Source: Companies, Bloomberg, Systematix Research. Hatsun, Heritage, Parag consensus estimates from Bloomberg.

Exhibit 2: Dodla 1-year forward P/E (x)



Source: Bloomberg, Company, Systematix Research

DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Abhishek Mathur, Vijay Jangir**, hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

I. **ISSUER SPECIFIC REGULATORY DISCLOSURES**, unless specifically mentioned in point no. 9 below:

- The research analyst(s), SSSIL, associates or relatives do not have any financial interest in the company(ies) covered in this report.
- The research analyst(s), SSSIL, associates or relatives collectively do not hold more than 1% of the securities of the company(ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
- The research analyst(s), SSSIL, associates or relatives did not have any other material conflict of interest at the time of publication of this research report.
- The research analyst, SSSIL and its associates have not received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in this report in the past twelve months.
- The research analyst, SSSIL or its associates have not managed or co-managed a private or public offering of securities for the company(ies) covered in this report in the previous twelve months.
- SSSIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party in connection with this research report.
- The research analyst has not served as an officer, director or employee of the company(ies) covered in this research report.
- The research analyst and SSSIL have not been engaged in market making activity for the company(ies) covered in this research report.
- Details of SSSIL, research analyst and its associates pertaining to the companies covered in this research report:

Sr. No.	Particulars	Yes / No.
1	Whether compensation was received from the company(ies) covered in the research report in the past 12 months for investment banking transaction by SSSIL.	No
2	Whether research analyst, SSSIL or its associates and relatives collectively hold more than 1% of the company(ies) covered in the research report.	No
3	Whether compensation has been received by SSSIL or its associates from the company(ies) covered in the research report.	No
4	Whether SSSIL or its affiliates have managed or co-managed a private or public offering of securities for the company(ies) covered in the research report in the previous twelve months.	No
5	Whether research analyst, SSSIL or associates have received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in the research report in the last twelve months.	No

10. There is no material disciplinary action taken by any regulatory authority that impacts the equity research analysis activities.

STOCK RATINGS

BUY (B): The stock's total return is expected to exceed 15% over the next 12 months.

HOLD (H): The stock's total return is expected to be within -15% to +15% over the next 12 months.

SELL (S): The stock's total return is expected to give negative returns of more than 15% over the next 12 months.

NOT RATED (NR): The analyst has no recommendation on the stock under review.

INDUSTRY VIEWS

ATTRACTIVE (AT): Fundamentals/valuations of the sector are expected to be attractive over the next 12-18 months.

NEUTRAL (NL): Fundamentals/valuations of the sector are expected to neither improve nor deteriorate over the next 12-18 months.

CAUTIOUS (CS): Fundamentals/valuations of the sector are expected to deteriorate over the next 12-18 months.

II. **DISCLAIMER**

The information and opinions contained herein have been compiled or arrived at based on the information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy completeness or correctness.

This document is for information purposes only. This report is based on information that we consider reliable; we do not represent that it is accurate or complete and one should exercise due caution while acting on it. Description of any company(ies) or its/their securities mentioned herein are not complete and this document is not and should not be construed as an offer or solicitation of an offer to buy or sell any securities or other financial instruments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. All opinions, projections and estimates constitute the judgment of the author as on the date of the report and these, plus any other information contained in the report, are subject to change without notice. Prices and availability of financial instruments are also subject to change without notice. This report is intended for distribution to institutional investors.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject to SSSIL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially USA, the same may be ignored and brought to the attention of the sender. Neither this document nor any copy of it may be taken or transmitted into the United States (to U.S. persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. Any unauthorized use, duplication, redistribution or disclosure of this report including, but not limited to, redistribution by electronic mail, posting of the report on a website or page, and/or providing to a third party a link,

is prohibited by law and will result in prosecution. The information contained in the report is intended solely for the recipient and may not be further distributed by the recipient to any third party.

SSSIL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, SSSIL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that they cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. Our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The compensation of the analyst who prepared this document is determined exclusively by SSSIL; however, compensation may relate to the revenues of the Systematix Group as a whole, of which investment banking, sales and trading are a part. Research analysts and sales persons of SSSIL may provide important inputs to its affiliated company(ies).

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations which could have an adverse effect on their value or price or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk. SSSIL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on the basis of this report including but not restricted to fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SSSIL and its affiliates, officers, directors, and employees subject to the information given in the disclosures may: (a) from time to time, have long or short positions in, and buy or sell, the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation (financial interest) or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential material conflict of interest with respect to any recommendation and related information and opinions. The views expressed are those of the analyst and the company may or may not subscribe to the views expressed therein.

SSSIL, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall SSSIL, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. The company accepts no liability whatsoever for the actions of third parties. The report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of the company, the company has not reviewed the linked site. Accessing such website or following such link through the report or the website of the company shall be at your own risk and the company shall have no liability arising out of, or in connection with, any such referenced website.

SSSIL will not be liable for any delay or any other interruption which may occur in presenting the data due to any technical glitch to present the data. In no event shall SSSIL be liable for any damages, including without limitation, direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by SSSIL through this presentation.

SSSIL or any of its other group companies or associates will not be responsible for any decisions taken on the basis of this report. Investors are advised to consult their investment and tax consultants before taking any investment decisions based on this report.

Registration granted by SEBI to SSSIL and certification from NISM to the analyst in no way guarantee performance of SSSIL or to provide any assurance of returns to investors.



Systematix Shares and Stocks (India) Limited:

Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in

Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in

Details of Email id grievance redressal cell : grievance@systematixgroup.in

Details of Registration : CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 12034600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | AMFI : ARN - 64917