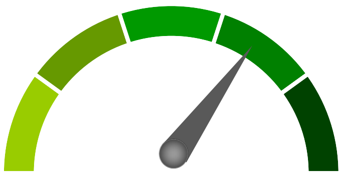
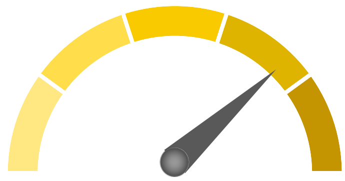
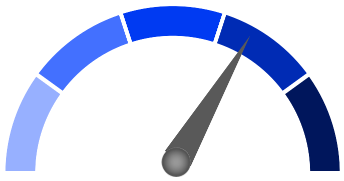
July 10, 2025

Dodla Dairy Limited: Rating assigned

Summary of rating action

Dodla Dairy Limited	Previous Score	Current Score	Rating Symbol	Rating Movement
ESG Impact Rating	-	**70**	**Good**	-

Environment	Social	Governance
		
E Score: 68	**S Score: 78**	**G Score: 66**
Good	Good	Good
Weightage: 45%	Weightage: 25%	Weightage: 30%

Rationale

The ESG Impact Rating assigned to Dodla Dairy Limited reflects its growing operational alignment with environmental and social sustainability imperatives. The company's social impact is bolstered by its farmer linkages and community engagement efforts that go beyond traditional Corporate Social Responsibility (CSR) activities. While governance mechanisms are evolving, supported by strong board engagement (94% attendance), timely financial disclosures, quarterly investor calls, and the deployment of a Regulatory Technology (RegTech) compliance monitoring system (compliance tracker covering more than 12,000-line items), the areas for further improvement include enhancing leadership diversity and adopting sustainability targets aligned with global frameworks and ESG assurance practices.

Dodla Dairy's **environmental impact score of 68 (Good)** indicates its current profile, which has been established on the back of steady progress across energy, water, waste, and supply chain sustainability dimensions. In FY2025, the company achieved ~12% reduction in energy intensity—from 57,932 MJ/Rs. crore to 51,001 MJ/Rs. crore—enabled by systematic deployment of energy-efficient technologies, including VFD[1]-enabled chillers, IE4[2] motors, and LED lighting. These interventions are tracked by a centralised energy cell and guided by ISO 50001:2011 certification at two manufacturing plants. However, the absence of certification across the remaining sites indicates scope to formalise a group-wide energy management system.

The company has also expanded its use of renewable energy, with 12.4% of its total consumption now met through solar sources, supported by an installed capacity of ~4.07 MW across 10 sites, and an additional 0.7 MW under implementation.

[1] *Variable Frequency Drive*
[2] *International Efficiency Class 4*

Dodla Dairy has set a forward-looking target of achieving 30% renewable energy (RE) share by 2028, indicating intent, although progress remains incremental.

While these measures are directionally positive, emissions-related disclosures highlight ongoing challenges. In FY2025, Dodla Dairy reported a combined Scope 1 and 2 emissions intensity of 25.98 tCO_2e/Rs. crore, down from 30.00 tCO_2e/Rs. crore in FY2024, reflecting modest improvement. However, the company does not currently disclose Scope 3 emissions, which limits assessment of the broader climate impact across its value chain. Furthermore, Dodla Dairy has not set formal Greenhouse Gas (GHG) reduction targets, nor has it aligned with international climate disclosure frameworks such as SBTi[3] or TCFD[4], keeping its climate transition roadmap at an early stage of maturity.

Additionally, air emissions from boilers remain high. In FY2025, Dodla Dairy reported dust emission intensity of 849.5 kg/Rs. crore and Sox + NOx intensity of 336.3 kg/Rs. crore, reflecting the environmental impact of wood-fired traditional boilers. While these figures are disclosed transparently, and the potential adverse impact on ambient air quality and nearby communities is somewhat moderated by the reduced population density, lower baseline pollution levels, and greater dispersion capacity due to the rural location of its plants, the lack of a structured air quality mitigation roadmap and slow transition to cleaner combustion alternatives weaken the company's air pollution management practices, the lack of a structured air quality mitigation roadmap and slow transition to cleaner combustion alternatives weaken the company's air pollution management practices.

Dodla Dairy demonstrates strong environmental stewardship through full reuse of treated water across its operations, supported by effluent treatment plants (ETPs), condensate recovery systems, and a Zero Liquid Discharge (ZLD) unit. In FY2025, the company treated and recycled over 606,000 kilolitres of water, achieving 100% reuse for non-potable purposes. Water consumption intensity stood at 230.40 m^3 per Rs. crore of revenue, and the company is progressing toward its target of reducing water usage in milk processing from 1.07 litres of water per litre of milk processed to 1.00 litre per litre of milk processed by 2027. Waste management practices are equally robust, with 100% recovery through recycling, including plastic waste handled under Extended Producer Responsibility (EPR) norms. Packaging sustainability is embedded, with 80% of material made from recycled content and 20% reused through vendor partnerships. The company has also phased out single-use plastics and introduced biodegradable alternatives, reinforcing its commitment to circularity and compliance**.** However, the absence of clear targets and limited disaggregation of other waste categories restrict the depth of disclosure.

The company's value chain practices further support its environmental profile. Dodla Dairy directly sources milk from farmers, promoting traceability and reducing upstream environmental risks. Supplier onboarding includes sustainability and compliance criteria, with periodic evaluations conducted. Nonetheless, the absence of a formal ESG audit framework and lack of tracking for supplier level emissions and resource use remain gaps.

Although Dodla Dairy does not operate in ecologically sensitive zones and undertakes tree plantation initiatives, it lacks structured biodiversity mapping and risk assessments, rendering biodiversity a relatively under-addressed area. This leaves nature-related risks unaccounted for in its sustainability strategy.

Dodla Dairy's **social impact score of 78 (Good)** demonstrates a socially inclusive operating model, deeply rooted in rural economies through direct engagement with a large network of over 1.4 lakh smallholder farmers. This decentralised procurement structure supports income stability in agrarian households across five states, with women playing a significant role in cattle rearing and milk collection. Regular veterinary services, training initiatives, and nutritional support contribute to enhanced productivity and resilience at the grassroots level.

[3] *Science-Based Targets Initiative*
[4] *Task Force on Climate-related Financial Disclosures*

Within its own operations, the company offers necessary benefits to its employees, including insurance coverage spanning health, accident, and life protection for all employees and their dependents, which also supports Dodla Dairy's employee relationships performance. However, workplace fatality remains a concern and ICRA ESG notes that the company has introduced procedural changes and equipment enhancements to reduce risk exposure in high-vulnerability zones. These factors apart, while attrition has moderated marginally, it remains high.

The company maintains gender pay parity with compensation levels at operational tiers showing no adverse gaps; however, ICRA ESG notes the low women representation among permanent employees due to operational challenges like early/ late working hours and plant locations in rural areas. Health and wellness related spending has reduced as a share of overall revenue, and structured programmes for mental health or family supportive infrastructure remain limited, adding to the overall weaknesses.

Dodla Dairy has grievance and safety systems in place, including helpdesks and site-level committees. While no recent incidents were reported, awareness efforts continue. Accessibility audits are routine, but broader human rights training and value chain assessments remain limited. Customer-centric processes remain active, supported by consistent product quality checks and traceability measures, with no major or recent breaches including internal and external information security.

Dodla Dairy's social contributions extend into community initiatives across education, water restoration, and rural infrastructure. While the thematic spread of these programmes is diverse, actual implementation has been modest over that planned for FY2025 due to operational delays. Dedicated third-party evaluations and structured employee volunteering programmes are areas where future enhancement could deepen the impact and visibility of the company's community engagement efforts.

Dodla Dairy's **governance impact score of 66 (Good)** reflects a stable and compliant corporate structure with consistent regulatory disclosures and board-level oversight. The company's board composition includes individuals with relevant experience across the dairy, technology, finance, and industrial sectors. Adequate board functioning with high meeting participation and strong approval of shareholder resolutions lend comfort. While most resolutions were passed with broad support, ICRA ESG has observed instances of minor dissent from certain institutional shareholders, indicating some variation in perspectives.

Key board committees, including audit, nomination and remuneration, and stakeholder relationships are chaired by independent directors, supporting accountability in decision making processes. However, leadership diversity is an area for improvement, with limited female representation—only one woman on the board and no women among key executive personnel. The company's chairperson is associated with the promoter group, and while management transitions have remained smooth, increased independence in leadership structures would enhance governance maturity.

The company's disclosures and assurance performance are well supported by financial discipline through timely publication of quarterly results and regular investor engagement via earnings calls and public disclosures. The statutory audit report for the year remained unqualified, and there were no delays in statutory dues or financial reporting obligations.

Dodla Dairy's sustainability governance has begun to take shape through the Risk Management Committee, which is tasked with monitoring key environmental and operational indicators. Selected executive performance indicators are now linked to environmental outcomes, such as solar energy use and energy recovery systems. However, broader alignment with international sustainability frameworks—such as the UN Global Compact or science-based emissions targets—has not yet been undertaken and, thus, constrain the governance score. The absence of third-party assurance for ESG disclosures limits the strength of externally validated commitments.

Key Rating Drivers

Strengths

- **Demonstrated focus on environmental sustainability through energy, water, and waste management:** Dodla Dairy has institutionalised several initiatives to minimise its environmental footprint, with a strong focus on energy efficiency. Consequently, energy intensities have declined. For example, at its Hyderabad plant, which forms ~16% of the total milk processing capacity, specific energy intensity has steadily declined over three years—from 63.4 kWh/tonne to 56.8 kWh/tonne for electricity and from 183,577 kcal/tonne to 161,321 kcal/tonne for thermal energy. This progress is driven by measures such as VFDs, BLDC[5] fans, IE4 motors, chilled water upgrades, automatic lighting controls, and solar heaters for CIP[6] water. Apart from this, the plant has a 1.5-MW solar system meeting 30% of energy needs. In water management, Dodla Dairy treats 100% of its wastewater via Effluent Treatment Plants (ETPs), reusing it for non-potable purposes like cleaning and gardening. Most plants feature Condensate Recovery Systems (CRS) and one major unit has a ZLD system. The company aims to reduce water usage in milk processing from 1.07 litres of water per litre of milk processed to 1.00 litre per litre of milk processed by the year 2027, with FY2025 showing progress at 1.06 L/L. Dodla Dairy also maintains low waste intensity, recycles 100% of its waste, and follows EPR-aligned practices—reflecting its commitment to circular economy principles.

- **Business model aligned with rural development and farmer empowerment:** Dodla Dairy's operations are fundamentally structured around a large and inclusive milk procurement network that engages directly with over 1.4 lakh farmers, primarily in rural areas across five states. This business model, which largely eliminates intermediaries, ensures fair and transparent pricing via electronic milk analysers and digital payments. Importantly, the company's engagement extends beyond procurement, including veterinary health camps, livestock nutrition programmes, access to insurance and microcredit, cattle feed supply, and regular training for farmers. These initiatives contribute significantly to rural livelihood sustainability, especially for women, who play a central role in cattle rearing and household-level milk production. The empowerment of women through consistent income generation has downstream benefits for education, healthcare, and household welfare in rural communities.

- **Transparent disclosure practices and ESG oversight at the board level:** Dodla Dairy has institutionalised transparent ESG reporting mechanisms, publishing BRSR[7] aligned with SEBI's[8] requirements. The company has a history of timely financial disclosures, publishing its quarterly results well ahead of regulatory timelines, and holds regular investor/analyst calls with published transcripts and investor presentations. The company also maintains an active Risk Management Committee, which periodically oversees emerging ESG and operational risks with an Executive Director overseeing overall sustainability matters.

Weaknesses

- **Early-stage renewable energy adoption with significant air emissions from wood fired boilers:** Despite some progress in renewable energy adoption, Dodla Dairy continues to rely on wood-fired boilers at several processing units, which contributes substantially to air pollutant emissions. While some emission mitigation systems are in

[5] *Brushless Direct Current.*

[6] *Cleaning-In-Place*.

[7] *Business Responsibility and Sustainability Report*

[8] *Securities and Exchange Board of India*

place, Dodla Dairy has not yet adopted quantitative targets for reducing air emissions. The current renewable energy share (12.04%), though improving, remains modest. ICRA ESG, however, notes the company's plans to install two new plants in the current year, with a combined planned capacity of 0.7 MW. These installations are part of broader infrastructure projects currently under implementation.

- **Nascent stage of sustainability-related goal alignment:** The company's ESG and environmental roadmap remains operationally focused, with several practices in place, but lacks alignment with global sustainability frameworks such as TCFD, SBTi, or GRI[9]. While Dodla Dairy has disclosed some targets, a comprehensive climate strategy—including Scope 3 emissions estimation, zero waste to landfill certifications, or water positivity tracking—are currently absent. Thus, the company is at a nascent stage of sustainability-related goal alignment and ESG maturity.

- **Scope for strengthening employee well-being and safety initiatives:** While the company provides basic employee benefits, there is scope to institutionalise more progressive well-being programmes, including mental health support, formal paternity leave, digital grievance redressal mechanisms, and performance-linked incentives for safety and wellness. The occurrence of a fatal incident along with increase in Lost Time Injury Frequency Rate (LTIFR) and decline in health and safety training among employees and workers remain a concern.

- **Limited gender diversity and lack of independence among leadership roles:** Despite a diverse board in terms of professional expertise, gender representation remains weak, with only one-woman director (13%) on an eight-member board and no women among its Key Managerial Personnel (KMP). Additionally, while the roles of chairman and managing director are held by different individuals, both are from the promoter group, and the chairperson is a non-independent director, leaving room for alignment with governance best practices. The board composition meets the statutory requirement for independent directors, with no voluntary enhancement at present.

Rating Sensitivities

Positive factors: The ESG rating of the entity could improve if it demonstrates tangible progress in its sustainability roadmap, such as formalising science-based climate goals, increasing renewable energy adoption, and enhancing efforts to reduce air emissions. Improvements in governance—such as enhancing board and KMP diversity, strengthening board independence, and reducing promoter influence in leadership roles—would also be viewed favourably. The introduction of third-party assurance for sustainability disclosures and third-party impact assessments of CSR programmes, along with workforce inclusion initiatives (such as formal mental health and parental care programmes), would further support upward movement in the rating.

Negative factors: The ESG rating could be downgraded if there is any material decline in environmental efficiency, such as an increase in energy or emissions intensity, weakening of waste or water management practices, or lapses in sustainable procurement practices. Governance risks, including non-compliance with regulatory requirements, statutory penalties, or qualified audit opinions, could also adversely impact the rating. Social performance may be affected by workplace safety lapses, an increase in attrition, a decline in training or employee welfare coverage, or inadequate community engagement.

[9] *Global Reporting Initiative*

Analytical Approach

Analytical Approach	Comments
Rating methodology	[ESG Impact Rating Methodology]
Rating scale	[ESG Rating Scale]
Last review date	NA
Data Availability	Excellent
Rating boundaries	For arriving at the rating, ICRA ESG has considered the company's standalone domestic operations, and the sustainability aspects disclosed through Business Responsibility and Sustainability Reporting, Integrated Annual Report, policies in the public domain, along with inputs received during discussions in management meetings.

About the Company

Dodla Dairy Limited, established in 1995 and headquartered in Hyderabad, is a leading integrated dairy company in South India, operating across the entire value chain—from milk procurement to processing and distribution—serving both domestic and international markets, including Kenya and Uganda. The company is promoted by Dodla Sunil Reddy and associated entities. Listed in June 2021, the company sources milk directly from over 1.4 lakh farmers through 7,879 village-level collection centres across more than 8,400 villages, ensuring quality and traceability. Its product portfolio includes milk and a wide range of value-added dairy products such as curd, clarified butter (*ghee*), cottage cheese (*paneer*), butter, flavoured milk, buttermilk and traditional yogurt beverages (*lassi*), ice cream, and traditional Indian sweets. With 16 processing plants and 190 chilling centres, Dodla Dairy has a daily processing capacity exceeding 24 lakh liters, supported by 839 retail parlours, over 1,900 distributors and more than 2,900 agents. Of its 16 processing plants, 14 are in India, while two are international units—one each in Kenya and Uganda—operated through its subsidiaries. The company supports its operations through its subsidiary, Orgafeed, which provides high-quality cattle feed and veterinary services.

In FY2025, Dodla Dairy reported a consolidated revenue of Rs. 3,720 crore, a 19% increase from the previous year. The EBITDA rose to Rs. 380.8 crore with a margin of 10.2%, while PAT increased to Rs. 259 crore, reflecting a PAT margin of 7.0%. On a standalone basis, the company recorded revenue of Rs. 3,341.5 crore, EBITDA of Rs. 319.1 crore with a margin of 9.6%, and PAT of Rs. 246.9 crore, translating to a PAT margin of 7.4%.

Key ESG Indicators

Parameters	Unit	FY2025
Environment indicators		
Energy intensity	MJ/ Rs. crore	51,001.40
Renewable energy consumption	%	12.04%
GHG emission intensity	tCO_2e/ Rs. crore	25.98
Air emission intensity (Sox +Nox)	kg/ Rs. crore	336.26
Water consumption intensity	m^3/ Rs. crore	230.40
Waste generation intensity	tonnes/ Rs. crore	0.04
Social indicators		
Fatalities	Number	1

Lost time injury frequency rate	Number	0.15
Employee turnover	%	21
POSH complaints reported	Number	0
Income inequality ratio	Ratio	189
CSR inhouse volunteers	Yes/No	Yes
Governance indicators		
Presence of reg-tech system	Yes/No	Yes
% of women in BOD	%	12.50
% of women in KMP	%	0
Average attendance in board meetings	%	94
ESG Assurance	Limited/Reasonable	NA
SBTi Target	Yes/No	No

Source: Company, ICRA ESG's analysis

Common directors (if any): None

Source of information: While assigning the ratings, ICRA ESG has considered the standalone operations and the sustainability aspects disclosed through Business Responsibility and Sustainability Reporting (BRSR), Integrated Annual Report, and other sustainability disclosures in the public domain along with the inputs received from the discussions ICRA ESG analysts had through management meetings.

Status of non-cooperation with previous ERP: Not applicable

Rating history for past three years

S. No.		Current Rating	Previous Rating		
	Parameter	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
		July 10, 2025	**-**	**-**	**-**
1	**ESG Impact Rating**	70, Good	-	-	-

Source: ICRA ESG

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