

## Bhopal Dugdh Sangh Sahakari Maryadit

January 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	10.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE BB+; Stable / CARE A4+

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Bhopal Dugdh Sangh Sahakari Maryadit (BDSSM) to monitor the ratings vide email communications dated December 07, 2024, November 27, 2024 and November 17, 2024 and numerous phone calls. However, despite our repeated requests, BDSSM has not provided the requisite information for monitoring of ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which, however, in CARE Ratings Ltd's opinion is not sufficient to arrive at a fair rating. The rating on BDSSM's bank facilities will now be denoted as CARE BB; Stable; ISSUER NOT COOPERATING / CARE A4; ISSUER NOT COOPERATING. The ratings have been revised on account of non-availability of requisite information due to non-cooperation by BDSSM. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk.

**Users of this rating (including investors, lenders and the public at large are hence requested to exercise caution while using the above rating.**

The ratings continue to remain constrained by the environment and epidemic-related event risks associated with geographically concentrated milk procurement and exposure to regulatory changes and volatile skimmed milk powder (SMP) prices.

However, the ratings continue to derive strength from the strong ownership pattern of the union under the three-tier dairy cooperative structure and its established operations as the largest union of Madhya Pradesh Cooperative Dairy Federation (MPCDF) with a wide product portfolio under the renowned brands 'Sanchi' and 'Sneha'. The ratings also derive strength from the union's moderate scale of operations as well as moderate profitability which is inherent to the cooperative structure, comfortable capital structure as well as debt coverage indicators and good growth prospects for the dairy industry.

### Analytical approach: Standalone

BDSSM is a dairy cooperative union which aims at providing remunerative returns to its farmer members who are also its majority shareholders. This keeps its profitability moderate. However, BDSSM, along with other 'Sanchi' group unions, sells its products under the brands 'Sanchi' and 'Sneha', which have been established as the leading dairy brands of Madhya Pradesh by these unions and their apex body, MPCDF. Furthermore, MPCDF also assists its member unions in their production, sales, and capital expenditure planning, together with facilitating cash flows between them and GoMP. Hence, ratings of such cooperative sector entities are derived based on the sustainability and growth of the structure, stability of the milk supply base, trend in milk procurement, distribution network & brand created by the federation and average annual milk procurement prices paid to farmers.

### Outlook: Stable

CARE Ratings believes that the Union will continue to benefit from its strong ownership pattern with need based financial support from Central and State Governments in form of interest-free unsecured loans and grants, along with strong recognition of its brands i.e 'Sanchi' & 'Sneha'. Overall good prospects for the dairy industry in India will further support operations of the union.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Detailed description of the key rating drivers:

At the last time of rating on January 02, 2024, following were the rating strengths and weaknesses.

### Key weaknesses

**Environment-related risks associated with geographically concentrated milk collection:** BSDSM collects its entire milk from 11 districts nearby Bhopal. Geographical proximity in milk procurement thus exposes it to risks related to any unforeseen environment or epidemic outbreak (bovine diseases) in a particular region, which could adversely affect its milk supply.

**Exposure to volatile SMP prices and regulatory changes:** The dairy industry remains exposed to inherent risks associated with changes in regulatory environment such as change in incentives / ban on export of dairy products (mainly SMP), and demand for signing of free trade agreements by surplus milk producing countries such as Australia and New Zealand to gain access to the Indian dairy market. Also, union remains exposed to volatility in SMP prices, which are largely determined by domestic and international demand-supply dynamics along with export competitiveness of Indian players.

### Key strengths

**Largest union of MPCDF with strong recognition of brands 'Sanchi' & 'Sneha':** BSDSM is the largest amongst the six member unions of MPCDF - collectively referred as 'Sanchi group', in terms of total operating income (TOI) and strength of farmer members.

**Strength of cooperative structure with strong ownership pattern; along with initiatives taken to enhance milk production:** BSDSM is jointly owned by village cooperative societies (VCS), Government of Madhya Pradesh, Government of India (GoI) and MPCDF, which provides it with stability in milk supply, financial support in the form of interest-free unsecured loans and grants from state and central governments; along with requisite support required for various managerial decisions from MPCDF.

BSDSM's milk procurement network increased from 2,499 VCS in FY21 to 2,559 VCS in FY22 with 85,000 farmer members. Strong milk procurement network results in availability of quality products to consumers and remunerative returns to farmer members, as is aimed by the cooperative structure. Furthermore, the union also undertakes various initiatives to enhance milk production such as providing cattle feed, artificial insemination, scientific feeding practices, animal healthcare and management and installation of coolers at a village level to its farmers.

Average daily milk procurement increased to 3.38 lakhs litres per day (LLPD) in FY22 as against 3.32 LLPD in FY21.

### Moderate income and profitability with a wide product portfolio:

BSDSM has a wide product portfolio comprising products such as packaged milk, ghee, milk powder, flavoured milk, paneer, butter, curd, lassi, and various sweets.

While the union's total operating income (TOI) increased moderately to Rs.691 crore in FY22 (P.Y.Rs.669 crore). Depending upon the milk procurement, excess milk is usually converted into SMP and white butter inventory.

Furthermore, dairy cooperative unions have inherently low profitability due to cooperative structure wherein maximum benefit is passed on to the farmer members through remunerative milk procurement prices. BSDSM's PBILDT margin declined from 5.14% in FY21 to 3.61% in FY22 due to higher price paid to farmers by way of raw material price. Operating margin is expected to remain moderate in the foreseeable period owing to cooperative structure.

### Comfortable capital structure:

The union, over the past couple of years, has not availed any external debt. BSDSM had nominal outstanding debt of Rs.0.14 crore as on FY22 end in the form of interest-free unsecured loans from federation. Due to low reliance on debt, BSDSM had strong capital structure with overall gearing below 0.05x over the past three years.

With only nominal interest free loans availed, union reported strong debt coverage indicators with total debt/ GCA of 0.01x in FY22 (P.Y.: 0.01x).

### Good growth prospects for the dairy industry:

India has been the leading producer and consumer of dairy products with sustained growth in the availability of milk and milk products. The dairy sector rebounded significantly post covid, owing to the strong demand revival of milk and its value-added products. Also, the government is progressively taking initiatives to promote the dairy industry in India, in which inclination towards cattle breeding, clean milk production, dairy development and cattle feed management are included.

Thus, the demand for dairy and its allied products is expected to witness healthy demand due to the pick-up in demand of value-added products, steady sales of liquid milk and rising retail rates, alongwith steady supply of milk with India being world's largest milk producer and government extending various interest subvention schemes / incentives for modernisation of dairy infrastructure to promote its higher production; along with growing demand for milk and milk products backed by increasing population and per capita consumption, increase in expenditure on packaged food, brand awareness and urbanisation.

**Liquidity:** Not Applicable

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Dairy Products

Incorporated in 1977, BSDSM is the largest dairy cooperative union of Madhya Pradesh which aims at providing remunerative returns to its farmer members who are also its majority shareholders. BSDSM operates under a three-tier structure having farmers (milk suppliers) at the base and MPCDF at the apex. In addition to BSDSM, the structure has five other similar dairy unions, all together referred to as 'Sanchi Group' after the brand name 'Sanchi' under which the products of all unions are sold.

BSDSM procures milk from 2,559 member village cooperative societies (VCS) consisting of 85,000 farmers across 11 districts, who hold 86% stake in the union. The balance stake is held by Government of Madhya Pradesh (7%), Government of India (5%) and MPCDF (3%). The union had a total milk processing capacity of around 4 lakh litres per day (LLPD) as on March 31, 2022, from its milk processing plant located in Habibganj, Madhya Pradesh (established in 1981). Presently, besides dairy plant, the milk union has butter and Ghee manufacturing facility of 5 MT/day each. It also had a cattle feed plant with capacity of 150 metric tonnes per day (MTPD) at Pachama (Sehore, Madhya Pradesh).

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)	10MFY23 (P)
Total operating income	669.35	690.85	593.39
PBILDT	34.39	24.93	NA
PAT	23.95	19.04	NA
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	NM	NM	NA

A: Audited, P: Provisional, NA: Not Available, NM: Not Meaningful; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	10.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-LT/ST	LT/ST	10.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING * (02-Jan-24) 2)CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING * (23-Jun-23)	1)CARE A-; Stable / CARE A2+ (29-Mar-23) 2)CARE A-; Stable / CARE A2+ (26-Apr-22)	-

\*Issuer did not cooperate; based on best available information.

LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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