

Amreli District Co-Operative Milk Producers' Union Limited

March 25, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	50.00	CARE AA-; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	30.00 (Enhanced from 22.00)	CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Amreli District Co-Operative Milk Producers' Union Limited (AMR dairy, the Union) continue to derive strength from it being one of the unions of the Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF, Amul structure), which has a leading market position in the organised segment of the Indian dairy industry with well-recognised brands such as 'Amul' and 'Sagar', and favourable growth prospects for the dairy industry.

Ratings further factor in the measures underway to enhance milk procurement and presence of a cash flow mechanism towards payment of milk procurement prices, which ensures adequate cushion for debt-servicing and its strong liquidity; and the same mechanism is expected to continue going forward.

However, ratings continue to be constrained by the moderate capacity utilisation of its enhanced milk processing capacity, environment and epidemic-related event risks associated with geographically concentrated milk procurement and exposure to the risks associated with regulatory changes and competition.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in the scale of operations through greater geographical diversification of both its sales and sourcing; and widening of its product profile.

Negative factors

- Any adverse changes in the Amul cooperative structure and/ or weakening in the credit profile of GCMMF.
- Any environment or epidemic-related factors in the milk-procuring region of the union having a significant impact on the union's operations for a long term.
- Any adverse changes in regulations governing the dairy industry having material impact on the extent of returns/ milk procurement prices paid to the farmer members on a sustained basis.
- Deterioration in overall gearing beyond 3x, on a sustained basis.

Analytical approach: Standalone with group support.

The milk suppliers (farmer owners) are at the base of the dairy cooperative structure. Profit is not a motive of organisations working under this structure and maximum returns to these dairy farmers are passed on by way of milk procurement prices after ensuring retention of a reasonable amount for their debt repayment, capital and operational expenses. Moreover, Amul dairy cooperative structure has a robust cash flow mechanism, wherein GCMMF releases funds to its dairy processing units (DPUs) through a two-step price payment mechanism during the year and DPUs make payments to village co-operative societies (VCS), which in-turn distribute payment to the member farmers for their milk supply. Hence, the credit risk of such cooperative sector entities is assessed based on the sustainability and growth of the structure, stability of the milk supply base, trend in milk procurement and that of the average annual milk procurement prices paid to the dairy farmers, along with reach of its distribution network and the strong brand of 'Amul' created by the federation.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that AMR dairy shall continue to sustain healthy operating performance and benefit from it being a part of three-tier 'Amul structure' with GCMMF being apex marketing federation having leading market position in the organised segment of the Indian dairy industry along with favourable growth prospects of the industry over the medium term.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Member of the strong apex dairy marketing federation, GCMMF, which has a significant market share in the organised dairy industry in India; likely to further strengthen

AMR dairy is one of the member DPUs among the 18-member DPUs of GCMMF, under the three-tier 'Amul structure'. GCMMF is the apex marketing federation in the structure and the dairy sells 100% of its products to GCMMF, which in turn, sells it to the end-users as indicated by ~1% contribution to GCMMF's total sales in FY24 (refers to April 1 to March 31).

GCMMF has established brands 'Amul' and 'Sagar' as the leading dairy brands in India and facilitates decision making of its member DPUs. GCMMF, through its DPUs built on a cooperative structure, has a strong milk collection base of 36 lakh farmers spread across ~18,600 villages and the daily milk collection of all member DPUs aggregates ~320 lakh litres per day (LLPD) for FY24. Furthermore, with a collective milk processing capacity of 440 LLPD as on March 31, 2024, GCMMF commands a prominent market share in pouched milk as well as milk products (ranging from 40% to 73% market share) in the Indian dairy industry and going forward is expected to consolidate its position in the Indian dairy sector with greater expansion in its value-added products.

Strong pricing power over dairy products which is likely to sustain

GCMMF, having a prominent market share in the Indian organised dairy industry across dairy products, possesses strong pricing power for its products and largely heralds prices of milk and milk products in the country. GCMMF and its DPUs operate on a two-step pricing mechanism, which result in robust cash flows, where the aim is to pass on remunerative returns to farmer members through milk procurement prices but only after ensuring adequate cushion for meeting its upcoming debt servicing, capital and operational expenses. Considering, the inherent strengths of this business model, CARE Ratings expects the said mechanism to sustain going forward.

Measures underway to expand milk procurement network and healthy cattle upbringing

The union's milk procurement network comprised 839 VCS with ~38,801 farmer members as on December 31, 2024, who ensure smooth and steady milk supply to the union. In FY23, the union's milk procurement largely remained in line with FY22 owing to the impact of lumpy skin disease. However, the union witnessed improvement in its milk procurement in FY24 and 9MFY25. Further the dairy has increased its ground staff to collect milk from districts where there is no established VCS. The rise in milk procurement is expected to stabilise owing to geographical limitation. Further, the average milk procurement price paid to its farmer members slightly moderated to ₹762/kg fat in FY24 (FY23: ₹767/kg fat), however, the same has increased to ~₹788/ kg fat in 9MFY25. AMR dairy also provides cattle-feed at concessional rates to its members' VCS to enhance the milk productivity. AMR dairy's sales constituted ~1% of GCMMF's total operating income (TOI) for FY24. With GCMMF's industry leadership position in the organised domestic dairy industry, the milk procurement and sales of AMR dairy is also expected to gradually increase.

Favourable growth prospects for the dairy industry

Milk production in India reached 236 million tonnes in FY24, expanding by ~3% compared to FY23. 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. In this regard, it has extended Rashtriya Gokul Mission from FY22 to improve productivity and enhance milk production. These schemes aim to improve remuneration for farmers for which an allocation of ₹2,400 crore has been made over the next five years. In the interim budget for FY25, there is an increase in the budgetary allocation for animal husbandry and dairying from ₹4,327.85 crore to ₹4,521.24 crore. The government has also extended the benefit of tax payment at a concessional rate of 15% to new co-operatives. All these incentives are expected to boost the dairy industry in the country.

Over the long term, the demand outlook is expected to remain favourable due to factors such as steady supply of milk with India being the world's largest milk producer and government extending incentives for modernisation of dairy infrastructure to promote its higher production; and 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: Strong

AMR dairy's liquidity remains strong with the union deriving comfort from sales made on 'cash-and-carry' basis with timely receipts from GCMMF and payment to VCS on every 10-days' interval, resulting in a comfortable operating cycle of 13 days in FY24. Moreover, the union also has the flexibility to change the prices paid to the farmers, as the funds available with a DPU is passed on to the VCS by way of raw material prices only after retaining a reasonable amount for its debt repayments, capital expenditure and operational expenses during the year. The union has capex plans of ~₹100 crore over the next two years ending FY27 largely towards establishment of its IVF centre. The envisaged capex is expected to be substantially funded by government grant/subsidies and a small portion through internal accruals. The union has sanctioned working capital facilities of ₹50 crore,

which remains fully utilised as on December 31, 2024. The union also has an overdraft facility of ₹30 crore with average utilisation of ~20-30% for last 12 months ended December 31, 2024.

Key weaknesses

Moderate capacity utilisation and limited product portfolio

The Union's capacity utilisation stood moderate at 52% for FY24 which though improved to 61% for 9MFY25 remained moderate. The Union's product profile includes ghee, curd, lassi, and buttermilk, apart from packaged milk and cattle feed. Over the past two years, the share of value-added products in the union's product portfolio has remained ~20%-23%. However, the same moderated in 9MFY25, due to lower sale of ghee. The union has concluded with adding capacities for manufacturing paneer and ice-cream which shall be operational from FY26 and shall aid in diversification of its existing product portfolio.

Exposed to environmental and epidemic-related event risks associated with geographically-concentrated milk collection

The dairy industry inherently remains exposed to the risk related to occurrence of any unforeseen environmental or epidemic outbreak/bovine diseases in a particular region adversely affecting the milk supply. DPU, including AMR dairy, are exposed to such environmental risks associated with concentration in milk collection, since most of its milk procurement is from one district and its surrounding villages. The union collects its substantial milk volume from its milk shed area in Amreli, Gujarat, and hence, the union remains exposed to the risks associated with concentrated milk procurement.

Exposure to inherent regulatory changes and competition

The Indian dairy industry remains susceptible to volatility in prices of products, such as skimmed milk powder (SMP) due to its linkages with domestic and international demand-supply dynamics, which determines its inventory levels. It also remains exposed to regulatory changes such as change in government incentives/ban on export of dairy products (mainly SMP), and demand for signing of free trade agreements (FTAs) by surplus milk-producing countries such as Australia and New Zealand to gain access to the Indian dairy market in addition to competition from private players operating in same region. The demand for dairy analogues, which are used as a substitute for milk and milk fats, also pose challenges to some extent as they are look-alike dairy products providing significant cost-cutting opportunities. The industry also remains fragmented with the presence of numerous players. Considering GCMF's dominant position in the industry, it is largely able to mitigate such challenges.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[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 2002, AMR dairy is one of the 18 DPUs established under the three-tier dairy co-operative structure known as 'Amul Model' or 'Anand Pattern'. The union procures milk from ~839-member VCS consisting of ~38,801 farmer members, who hold the entire shareholding in AMR dairy as on December 31, 2024. It had a total milk processing capacity of 3.20 LLPD at its milk processing unit in Amreli, Gujarat. Apart from milk processing capacity, it also has capacities for manufacturing value-added products such as curd, ghee, lassi, and buttermilk. It also has a cattle feed plant at Amreli, with an installed capacity of 300 tonnes per day.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	337.30	412.50	388.02
PBILDT	10.70	13.26	NA

PAT	1.85	3.86	4.04
Overall gearing (times)	0.47	0.36	NA
Interest coverage (times)	3.74	2.86	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of 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 - LT/ ST-Working Capital Limits		-	-	-	50.00	CARE AA-; Stable / CARE A1+
Fund-based - ST-Line of Credit		-	-	-	30.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the 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 - LT/ ST-Working Capital Limits	LT/ST	50.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (21-Mar-24)	1)CARE AA-; Stable / CARE A1+ (24-Feb-23)	1)CARE AA-; Stable / CARE A1+ (21-Feb-22)
2	Fund-based - ST-Line of Credit	ST	30.00	CARE A1+	-	1)CARE A1+ (21-Mar-24)	1)CARE A1+ (24-Feb-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Fund-based - ST-Line of Credit	Simple

Annexure-5: Lender details

To view 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 for clarifications.

Contact us

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About us:

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