

Gujarat Co-operative Milk Marketing Federation Limited

May 27, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	5,000.00	CARE AAA; Stable	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

Rating assigned to bank facilities of Gujarat Co-operative Milk Marketing Federation Limited (GCMMF) derives strength from its strong brand 'Amul', leadership position in the Indian organised dairy industry, diversified milk procurement base through its affiliated District Cooperative Milk Producers Union (DCMPU), diversified product portfolio and wide-spread distribution network. The credit profile of GCMMF also derives strength from its strong position as the apex marketing federation of three-tier co-operative 'Anand Pattern', which aims at passing on maximum price to farmer members (the ultimate owners of the structure) by way of milk procurement prices through a two-step price payment mechanism under which GCMMF and its DCMPUs retain adequate amount of funds to ensure their timely debt repayments and for their capital and operational expenses, while the balance is paid to farmers. This objective provides stability in milk supply, though restricts GCMMF's profitability and net worth base. The credit profile of GCMMF is further underpinned by its strong liquidity due to its 'cash and carry' sales model on the back of strong brand recognition and flexibility to pay milk procurement prices paid to farmers.

These strengths are partially offset by the risk related to unforeseen environment or epidemic outbreak which could adversely affect the milk supply, susceptibility to regulatory changes, volatility in global prices of skimmed milk powder (SMP) and competition; GCMMF though is largely able to mitigate such challenges by virtue of its dominant position in the organised dairy industry as seen during the recent Covid pandemic.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Adverse increase in procurement prices materially impacting the cash flows or increase in the debt resulting in interest coverage below 3x on a sustained basis.
- Any environment and epidemic-related factors in the milk-procuring region of the DCMPUs having a significant impact on the GCMMF's operations.
- Significant increase in the financial support to its DCMPUs leading to worsening of debt protection metrics.
- Any adverse changes in the 'Anand Pattern'.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects that GCMMF shall continue to maintain its leadership position in organised Indian dairy industry backed by robust milk procurement network, strong distribution network, and established brands. The financial risk profile is expected to remain comfortable with cash and carry sales model, high financial flexibility owing to presence of two-step price mechanism.

Detailed description of key rating drivers:

Key strengths

Leadership position in Indian dairy sector

GCMMF, with strong brands 'Amul' and 'Sagar' commands a prominent market share in pouch milk and milk products (ranging from 40% to 85% market share). The federation is also the market leader in butter, cheese, ice cream, milk powder segment apart from pouch milk in India. Dominant position in the industry has been built through its adept marketing strategies, including dynamic advertisements and penetration in new markets along-with gradual expansion of product portfolio supported by extensive distribution network. Backed by its leadership position, the federation possesses strong pricing power for its products and largely heralds the prices of milk and milk products in the country. Its large scale of operations, estimated at ₹65,911 crore in FY25 (+11% y-o-y) has witnessed a compounded annual growth rate of ~11% over FY20-FY25.

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

Robust three tier co-operative structure

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, under 'Anand Pattern' there is robust cash flow mechanism, where GCMMF releases funds to majority DCMPUs through a two-step price payment mechanism during the year and DCMPUs 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 'Amul' created by the federation.

Apex marketing federation with an objective of passing maximum price to farmers, ensuring stability in milk supply

GCMMF is the apex marketing federation of the 'Anand Pattern', which aims at providing maximum price to farmer members who are the ultimate owners of the structure. This federation has built a strong milk procurement network of over 36.48 lakh farmers across 18,164 VCS ensuring a stable milk supply. Milk procurement by DCMPUs stood at 306 lakh litres per day (LLPD) in FY24, registering a significant growth of 18% over FY23 (260 LLPD) owing to surplus milk procurement in the flush season of the year. Over the years, the federation has also ensured steady growth in procurement prices paid to its farmer members. The federation regularly evaluates industry scenario, input costs and revises the milk prices when required. Average price paid to farmers by DCMPUs of GCMMF increased to ₹950/ kg fat in FY24 against ₹886/ kg fat in FY23 (FY22: ₹820/ kg fat).

Diversified product portfolio and wide-spread distribution network

GCMMF has a diversified product portfolio comprising over 50 products, including pouched milk, milk powder, butter, ghee, ice-cream, chocolate, cheese, sweets and bakery products among others, with more than 1,200 SKUs. Share of value-added products accounted for 51% of the total sales in FY24 and is estimated at a similar level in FY25. Based on market assessment and demand prospects, the federation continuously adds new products and product varieties to its portfolio. It also has expanded its presence in the organic food space with products such as sugar, tea, jaggery, rice, pulses among others, though operations under this segment remain limited.

GCMMF has a widespread distribution network comprising over 20,000 distributors and 20 lakh retailers. Over the years, GCMMF has expanded its geographical presence by increasing its penetration in the existing markets and entering new markets. The federation has a strong presence in regions, such as Gujarat, Delhi, Mumbai, Uttar Pradesh, Rajasthan and Kolkata among others with ~75% of its sales from outside Gujarat in FY24.

In FY24, GCMMF also expanded to US market with the launch of fresh milk in collaboration with the 108-year-old Michigan Milk Producers Association (MMPA) where it handles marketing and branding of the US products, while MMPA procures milk from its member farmers. The federation also plans to expand in Spain and other overseas markets under similar arrangement.

Adequate debt coverage indicators

Adequate debt servicing coverage is underpinned by presence of two-step price mechanism wherein year end surplus, based on final procurement price, is distributed to farmers only after meeting its financial and operational commitments. As on March 31, 2024, GCMMF's total debt stood at ₹3,170 crore in FY24 (FY23: ₹1,949 crore) and is estimated at ₹3,447 crore as on March 31, 2025. Total debt largely comprises working capital borrowings towards funding its commodities (SMP and white butter) inventory levels, which generally increases at year-end upon conclusion of flush season. Debt levels have increased over the last two fiscal years, owing to increase in commodities inventory level. Dairy industry witnessed an increase in commodities' inventory following substantial decline in the global SMP prices and reduction in exports. Part of its debt also includes debt availed and passed to DCMPUs for meeting their working capital requirements. Also, GCMMF has extended corporate guarantees for the debt availed by various DCMPUs. Total debt including corporate guarantees stood at ~₹3,706 crore as on March 31, 2024.

Interest coverage stood comfortable at 4.15x in FY24 (FY23: 4.72x). However, the operating structure to provide maximum returns to dairy farmers, restricts its profitability and consequently results in lower accretion to reserves and low net worth base (inherent to its co-operative structure) thereby resulting in moderate overall gearing. Increase in debt and lower net worth base has led to moderation in overall gearing to 3.38x as on March 31, 2024 (March 31, 2023: 2.53x) and the same is estimated at ~3.6x as on March 31, 2025. Overall gearing (including guaranteed debt) stood at 3.96x as on March 31, 2024 (March 31, 2023: 3.19x). Presence of two-step price mechanism wherein it has control over final effective price being paid to DCMPUs, provides high financial flexibility to GCMMF.

Favourable growth prospects for Indian dairy industry

India is the world's largest milk producer contributing 25% of global milk production per Ministry of Fisheries, Animal Husbandry and Dairying. Milk production has grown at an annual growth rate of ~6% in the last nine years to 239 million tonnes in FY24 (FY23: 231 million tonnes). Higher milk supply in FY24 and decline in SMP exports following decline in prices led to build up of SMP levels in the industry resulting in increased working capital requirements. Milk supply is expected to have increased further in FY25. Short-term borrowings are expected to rise to meet increased working capital requirements.

The government is progressively taking initiatives to promote the dairy industry in India, including inclination towards cattle breeding, clean milk production, dairy development and cattle feed management. It extended Rashtriya Gokul Mission from FY22 to improve productivity and enhance milk production. There is an increase in budgetary allocation for animal husbandry and dairying by ~15% to ₹4,521 crore in FY25 from ₹3,914 crore in FY24 (revised). 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 country's dairy industry.

In the last two years, dairies have undertaken a sustained price rise to offset increase in production cost, while demand has continued to remain healthy. In the medium term, demand growth is expected to sustain with rising population, urbanisation, higher purchasing power and increasing per capita income. The growth would be primarily driven by increase in demand for value-added milk products, which is also margin accretive for players.

Liquidity: Strong

GCMMF's liquidity remains strong with majority sales being on 'cash and carry' basis owing to its strong brand recognition and widespread distribution network. This results in a lean operating cycle for the federation and moderate utilisation of fund-based working capital limits at ~62% for past 12 months ended March 2025. Liquidity is also underpinned by robust cash flow mechanism under its two-step price mechanism, which provides flexibility to pay the prices to be paid to the farmers and surplus is passed on to DCMPUs only after ensuring retention of adequate amount for its debt repayments, capital expenditure and operational expenses. As on March 31, 2024, GCMMF had unencumbered fixed deposit and cash balance of ₹1,402 crore (FY23: ₹1,201 crore), which along with sufficient cushion in the working capital limits and generation of adequate cash accruals, is expected to cover its incremental working capital requirement over medium term. GCMMF has capex plans of over ~₹1,450 crore towards setting up a milk processing facility (20 LLPD) at Rajkot, Gujarat and a polyfilm plant at Gandhinagar, Gujarat over FY24-FY27 which is majorly expected to be funded by term debt. However, repayments are expected to begin post moratorium period of two years. GCMMF has no scheduled term debt repayment till December 2026.

Key weaknesses

Exposure to risks associated with milk supply

GCMMF remains susceptible to unforeseen environmental or epidemic outbreak/bovine diseases which could adversely affect the milk supply or could impact availability of animal feed. The farmer base of GCMMF's 18 DCMPUs is spread across districts of Gujarat, which contributes majority of the total milk supply in the structure. While its milk procurement base is also across Rajasthan, Haryana, Maharashtra and Punjab, large portion of its milk collection continues to be from the milk-shed areas of Gujarat. With the objective to help farmer members to optimise the milk production and maintain overall health of their animals, the federation, through its DCMPUs have taken measures such as developing technologies for improving milk productivity of animals, manufacturing diverse types of cattle feed and feed supplements, which mitigate risks to an extent.

Risks related to changes in regulatory environment, volatility in global SMP prices and competition

Dairy industry continues to remain exposed to changes in regulatory environment such as change in incentives / ban on export of SMP, volatility in SMP prices due to its linkages with domestic and international demand-supply dynamics which in turn influences inventory levels. In FY24, total milk procurement of DCMPUs under GCMMF increased by 18% y-o-y to 1,12,139 lakh litres which coupled with subdued international SMP prices led to increased commodities inventory level. Total inventory more than doubled to ₹4,915 crore as on March 31, 2024 (March 31, 2023: ₹2,189 crore). While inventory levels have moderated, it continues to remain high at ~₹4,200-₹4,300 crore as on March 31, 2025 given sustained growth in milk supply and continued subdued SMP prices.

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 and provide significant cost-cutting opportunities. This apart, the industry also remains fragmented with presence of large number of players. Considering its dominant position in the industry, GCMMF is largely able to mitigate such challenges.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Wholesale Trading](#)

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 1973, under Gujarat Cooperative Societies Act, GCMMF is the apex marketing federation of the three-tier dairy cooperative structure known as 'Amul Model' or 'Anand Pattern'. Currently there are 18 DCMPUs affiliated to GCMMF which procures milk supplied by over 36.40 lakh farmer members via 18,164 VCS. The federation markets these products in domestic and overseas markets under the brands 'Amul' and 'Sagar'. Besides acting as a marketing federation, GCMMF also facilitates decision making of its member DCMPUs in areas of milk collection, capital expenditure, product pricing, financial resource planning and research and development.

GCMMF also operates a manufacturing facility with a capacity of 50 LLPD, at Gandhinagar, Gujarat in which it processes surplus milk collected by its DCMPUs. The federation, and its 18 DCMPUs, collectively have a milk processing capacity of 455 LLPD as on March 31, 2025. In FY25, GCMMF had an estimated sales of ~₹65,911 crore.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	55,111	59,286
PBILDT	253	300
PAT	83	123
Overall gearing (times)	2.53	3.38
Interest coverage (times)	4.72	4.15

A: Audited; Financials are classified as per CARE Ratings' Standards
 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 instrument / 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-12-2032	1,140.00	CARE AAA; Stable
Fund-based - LT-Working Capital Demand loan		-	-	-	3,860.00	CARE AAA; Stable

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	1,140.00	CARE AAA; Stable	-	-	-	-
2	Fund-based - LT-Working Capital Demand loan	LT	3,860.00	CARE AAA; Stable	-	-	-	-

LT: Long 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 - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Demand loan	Simple

Annexure-5: Lender detailsTo 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 for clarifications.

Contact us

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About us:

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