

Surendranagar District Co-Op Milk Producers Union Limited

August 05, 2025

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	143.15 (Reduced from 150.00)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	100.00 (Enhanced from 50.00)	CARE AA-; Stable / CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Surendranagar District Co-operative Milk Producers' Union Limited (Sursagar; the union) continue to derive strength from it being one of the unions of the Gujarat Co-operative Milk Marketing Federation Limited (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, growing despite low share of value-added products, presence of a cash-flow mechanism towards payment of milk procurement prices, which ensures adequate cushion for debt-servicing and the same mechanism is expected to continue going forward.

However, ratings are constrained by the environment and epidemic-related event risks associated with geographically concentrated milk procurement, exposure to risks associated with regulatory changes, competition and implementation & stabilisation risks associated with union's debt-funded capex plans.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

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

Negative factors

- Adverse changes in the Amul cooperative structure and/or weakening in the credit profile of GCMMF.
- Environment and epidemic-related factors in the milk procuring region of the union having a significant impact on the union's operations for a long term.
- Adverse changes in regulations governing dairy industry having material impact on the extent of returns/milk procurement prices paid to the farmer members on a sustained basis.
- Deterioration in net debt/ equity beyond 2.5x on a sustained basis.

Analytical approach: Standalone with factoring the strength of group structure.

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes Sursagar 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 and favourable growth prospects of the industry over the medium term.

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 going forward

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

Sursagar 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 Sursagar dairy sells over 95% of its products to GCMMF, which sells it to the end-users as indicated by ~2% contribution to GCMMF's total sales in FY25 (refers to April 01 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 36.40 lakh farmers across 18,164 VCS and the daily milk collection of all member DPUs aggregates 306 lakh litres per day (LLPD) for FY24. With a collective milk processing capacity of 455 LLPD as on March 31, 2025, GCMMF commands a prominent market share in pouched milk and different milk products (ranging from 40% to 85% market share) in the Indian dairy industry and going forward further expected to consolidate its position in the Indian dairy sector with greater expansion in its value-added products.

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 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 'Amul' created by the federation.

Strong pricing power over dairy products which is likely to sustain

GCMMF has a prominent market share in the Indian organised dairy industry across dairy products and possesses strong pricing power for its products and largely heralds the prices of milk and milk products in the country. GCMMF and its DPUs operate on a two-step pricing mechanism which results 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 inherent strengths of this business model, CareEdge Ratings expects this mechanism to sustain going forward.

Stable milk procurement network and gradual increase in share of value-added products

The annual milk procurement for FY25 moderated marginally from FY24 due to weather conditions and disease outbreak in certain regions.

The union has gradually diversified its product portfolio which currently comprises of liquid milk (raw and poly packed milk), ghee, buttermilk, curd, paneer, rabri, ice-cream and flavoured milk apart from cattle feed (on trading basis). The union has added flavoured milk, rabri and paneer in FY23, which led to an increase in the contribution of value-added products to total operating income (TOI) from 8% in FY22 to 11% in FY25. The union has completed construction of its ice cream facility in December 2024 which has commenced production from January 2025 and cattle feed manufacturing plant in April 2025 which is expected to commence production by the end of August 2025 due to delay in approval from regulatory authorities and is in process of constructing Amul parlour which shall further aid diversification and help passing on remunerative prices to farmers. However, share of value-added products remained low. Average milk procurement price paid to its farmer members stood at ₹853/kg fat in FY25.

Favourable growth prospects for the dairy industry

India is the world's largest milk producer contributing 25% 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 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

Sursagar'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 (FY25: 17 days). The union also has the flexibility to change prices paid to farmers, as funds available with a DPU is passed on to the VCS through raw material prices only after retaining a reasonable amount for its debt repayments, capital expenditure and operational expenses. Further, the utilisation of working capital limits remained low at ~40% in the last 12 months ended June 2025. The dairy had available liquidity of ₹209.77 crore as on March 31, 2025, which largely pertains to annual price differences payable to farmer members and deposits kept by VCSs with the dairy.

Key weaknesses**Stabilisation risk for debt-funded capex**

Of the total capex plans of ~₹235 crore, the union had already spent ~₹229 crore towards setting up of ice-cream manufacturing facility (commenced production from January 2025) of one LLPD at Vadhwani, Surendranagar (adjacent to its existing facility), cattle feed manufacturing facility of 300 metric tonne per day and sweet cream and Amul parlour at Patdi, Surendranagar. The cattle feed facility, implemented in April 2025, is expected to commence production by end of August 2025. The capex was planned to be funded by sanctioned term debt of ₹171.75 crore and balance largely through available liquidity. Of the total sanctioned debt, the dairy had already drawn ~₹166 crore for these projects. The union is expected to receive interest subsidy from GCMMF of 3% towards interest cost on term loan taken for construction of ice-cream manufacturing facility and interest subsidy of 4% towards interest cost on term loan taken for capex from Dairy processing & Infrastructure Development Fund (DIDF).

Owing to the structure, where maximum returns are passed on to farmers, the union has moderate net-worth base and gearing levels. Debt coverage indicators are expected to remain moderate as it requires to undertake capex for modernisation and upgradation of milk processing capacities at periodic intervals. Gradual stabilisation of this capex to optimise payment of milk prices to farmers and maintenance of comfortable liquidity in the union shall be crucial from the credit perspective.

Exposure to environmental and epidemic-related event risks associated with geographically concentrated milk procurement

The dairy industry inherently remains exposed to the risk related to unforeseen environmental or epidemic outbreak/bovine diseases in a particular region adversely affecting the milk supply. DPUs including Sursagar are exposed to such environmental risks associated with concentration in milk collection, since most milk procurement is from one district and its surrounding villages. Sursagar collects its entire milk from its milk shed area in Gujarat, and hence, the union remains exposed to 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 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 free trade agreements (FTAs) by surplus milk producing countries such as Australia and New Zealand to gain access to the Indian dairy market. 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 and provide significant cost-cutting opportunities. The industry also remains fragmented with presence of many players. Considering GCMMF's dominant position in the industry, it is largely able to mitigate such challenges.

Applicable criteria

[Definition of Default](#)

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

[Factoring Linkages Parent Sub JV Group](#)

[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 1975, Sursagar is one of the 18 DPU established under the three-tier dairy co-operative structure of Gujarat, known as 'Amul Model' or 'Anand Pattern'. The union procures milk from ~688-member VCS consisting of ~1.16 lakh farmers, who hold the entire shareholding in Sursagar. It continues to have total milk processing capacity of 8.50 LLPD, as on March 31, 2025, at its milk processing unit in Surendranagar, Gujarat. Apart from milk processing capacity, it also has capacities for manufacturing value-added products like ghee, buttermilk, curd, paneer, rabri and flavoured milk among others. The union has also set up manufacturing facilities for ice-cream in December 2024 and cattle feed manufacturing facility in April 2025 (expected to commence production from end of August 2025). It is in process of setting up Amul parlour, which is expected to be operational by end-FY26.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (Prov.)
Total operating income	1,097.64	1,042.86
PBILDT	11.34	10.95
PAT	6.03	7.01
Overall gearing (times)	3.41	5.99
Interest coverage (times)	1.55	1.09

A: Audited Prov.: Provisional; 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		-	-	-	100.00	CARE AA-; Stable / CARE A1+
Term Loan-Long Term		-	-	31-05-2032	143.15	CARE AA-; 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/ST	LT/ST	100.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (07-Jan-25)	1)CARE AA-; Stable / CARE A1+ (06-Feb-24)	1)CARE AA-; Stable / CARE A1+ (21-Mar-23)
2	Term Loan-Long Term	LT	143.15	CARE AA-; Stable	-	1)CARE AA-; Stable (07-Jan-25)	1)CARE AA-; Stable (06-Feb-24)	1)CARE AA-; Stable (21-Mar-23)

LT: Long 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	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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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