

Panchmahal Properties Limited

September 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	70.00	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has assigned a long-term rating of CARE BBB+; Stable to bank facilities of Panchmahal Properties Limited (PPL). The rating derives strength from benefits emanating from PPL being part of the well-established JK Group, having presence across diversified business segments, including cement, paper, tyre, agro-chemicals, and dairy among others. PPL is held and promoted by the JK group's holding company, Bengal & Assam Co Ltd. (BACL, rated 'CARE AA-; Stable'), thus having ease of access to bank debt and support flowing from the group in form of inter-corporate deposits (ICDs). The rating also factors in the experienced promoter group, and company's established procurement and distribution network and wide geographical reach.

CareEdge Ratings also takes note of the demerger of the Umang Dairies Limited's (UDL's) entire dairy business into PPL, per the order of the Hon'ble National Company Law Tribunal (NCLT), benches Kolkata and Allahabad, dated May 22, 2025 and May 26, 2025 respectively, and the effective date of the Scheme of Arrangement on June 17, 2025. The residual business has been transferred to BACL. The erstwhile UDL, which was 55.30% held by BACL, has since been delisted. Following the scheme, PPL now houses the dairy business of the JK Group.

The dairy business currently housed under PPL has demonstrated a modest scale of operations, supported by its association with reputed institutional clients such as Mother Dairy and others for their job-work requirements, which help the company in fully utilising its plant capacity and achieving economies of scale.

However, rating strengths are partially offset by the company's average financial risk profile marked by low net worth base, moderate debt coverage indicators, the seasonal nature of operations and intense competition in dairy business from large and unorganised players. The rating is constrained by volatility in operating margins to fluctuation in milk, skimmed milk powder (SMP), and butter prices and working capital intensive operations with high inventory holding requirement.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in total operating income (TOI) and profit before interest, lease rentals, depreciation, and tax (PBILDT) margins over 5% on a sustained basis.
- Improving net debt to PBILDT below 2x.

Negative factors

- Sustained decrease in its TOI below ₹200 crore with decline in PBILDT margin.
- Stretching of working capital cycle leading to deteriorating liquidity position.
- Parent shareholding reducing below 51% or change in support by the group to PPL.

Analytical approach: Standalone

Standalone. However, the rating factors in the strong management and financial linkages with the JK group and the group's holding company, BACL (rated 'CARE AA-; Stable').

Outlook: Stable

Stable outlook reflects that the rated entity is likely to maintain its modest scale and profitability levels in the near-to-medium term and will continue to receive need-based financial and management support from being part of the well-established JK group and held by BACL.

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

Detailed description of key rating drivers:

Key strengths

Part of the JK group with strong parentage and need-based financial support

PPL is a part of the JK Group and benefits from strong parentage with PPL 100% owned by BACL (100% holding company), which serves as the group's investment arm. BACL (rated 'CARE AA-; Stable'), holds significant stakes across leading group companies, such as JK Tyre & Industries Ltd (JKTI), JK Lakshmi Cement Ltd (JKLC), JK Paper Ltd (JKPL), and JK Agri Genetics Ltd (JKAL), among others. Strong parentage supports PPL with strategic guidance, managerial expertise, and the ability to secure timely, need-based financial support. CareEdge Ratings expects PPL to continue to benefit from financial flexibilities being part of the JK group and extensive experience of the management team.

Prior to the demerger, UDL had consistently leveraged the JK Group's robust network and support system, particularly in periods of subdued profitability. The company benefited from ICDs from JK group company, with outstanding ICDs amounting to ~₹14 crore as on March 31, 2025, enabling the company to meet its liquidity and operational needs.

Going forward, CareEdge Ratings expects PPL to continue benefiting from the timely support from the JK Group. The association with a reputed conglomerate, and the operational expertise of the management team, is expected to support PPL's growth trajectory while maintaining a stable credit profile.

Established procurement and distribution network and association with reputed institutional clients

PPL has well-established procurement and distribution network with over 1,300 suppliers and a farmer network of over 25,000 farmers spreading across 300 village collection centres. This procurement process is repeated twice a day to keep the freshness of the milk intact and after a thorough check, the milk is sent to the company's chilling and bulk milk cooler centre situated in Gajraula, Uttar Pradesh.

PPL has a distribution network of over 800 distributors engaged in selling milk-based products, such as ghee, butter, SMP, and other milk products, sold under own brand name in northern and eastern regions of India. Apart from selling milk products under its own brand, the company also undertakes certain job work and earns conversion charges on it. The company has contracts with Mother Dairy and others for job work which includes conversion of raw milk supplied by Mother Dairy into SMP and butter among others. These job-work contracts help the company in fully utilising its plant capacity and achieving economies of scale. Job-work revenue, being primarily the conversion charges earned for services rendered, often does not significantly impact the company's topline, however, has a positive impact on its operating profitability. In FY25, job-work revenue accounted for 21% of total revenue of the company (PY: 19%).

Key weaknesses

Seasonal nature of operations in dairy industry

India being a tropical country renders a hot and humid climate for animals and thus there is a fluctuation in milk production and prices across different seasons. May to October is a lean season for milk production, while November to April is a flush season in the cooler regions. PPL converts the procured milk largely in flush season into ghee and SMP, among other value-added products. This leads to increased inventory holding to maintain the continuous supply of products round the year, translating into high working capital requirement in the year-end period and higher reliance on working capital to fund the same, as the credit period from villages where milk is sourced is usually low.

Susceptibility to volatile milk prices and intense competition in the industry

The dairy industry typically operates on narrow profit margins, largely because the raw milk cost constitutes a significant portion of its total cost. The availability and pricing of raw milk nationwide are influenced by external factors such as climatic conditions, the cost of cattle feed, and outbreaks of diseases such as Lumpy Skin Disease, making the industry's margins highly sensitive to fluctuations in milk prices. In FY25, the company experienced a moderation in margin due to rising milk costs and low demand. The industry also has relatively low product differentiation and industry's landscape is predominantly unorganised with many small-scale unorganised players in the industry. This makes PPL vulnerable to intense competition from large cooperatives, such as AMUL and Mother Dairy, among others and other local players.

Average financial risk profile with moderation in operating profitability in FY25, however, recovery expected in Q1FY26

In FY25, PPL reported a moderation in performance, with TOI declining by ~20% year-on-year to ₹227.84 crore, primarily considering subdued demand. The PBILDT also declined to ₹6.88 crore, with the margin compressing to ~3.02%, driven by a sharp rise in raw milk prices during the year.

Going forward, CareEdge Ratings anticipates a gradual recovery in FY26, supported by improving demand and more favourable input costs as reflected in Q1FY26. The TOI improved by 24% year-on-year, to ₹65.81 crore in Q1FY26 while PBILDT margin

stood at 4.51% (Q1FY25: 3.31%), indicating positive momentum. Favourable market dynamics are expected to support operations, as the raw milk prices have begun trending downward as of August 2025. Additionally, a shortage of butter in international markets, particularly driven by export demand from western India, is expected to help the company achieve better realisations in its key regions.

To further strengthen revenue and profitability, PPL implemented a price increase of 3-3.5% in June 2025 for its White Magik brand. Alongside this, the company is expanding its product portfolio with the launch of new SKUs, such as Gulab Jamun mix, which is expected to gain traction in the festive season, contributing to an improved performance in the second half of FY26.

The capital structure of the company is also moderate, characterised by an overall gearing of 1.37x as on March 31, 2025 (PY: 0.95x), owing to low net worth of ₹47.42 crore as on March 31, 2025, and rise in working capital borrowing during the year (₹47.90 crore as on March 31, 2025 against ₹25 crore in the previous year). The company also has moderate interest coverage ratio of 1.47xx for FY25. Historically, the company has relied on ICDs for payment of interest, debt repayments and other operational expenses considering lower profitability. Thus, CareEdge Ratings has factored in continued financial support from the JK Group, which is expected to be extended to the company, PPL, as and when required.

CareEdge Ratings has also noted that the company has fully prepaid its external term debt in June 2025 and currently has no plans for additional term debt, given the absence of major capital expenditure plans. However, the existing ICDs are due for repayment by March 31, 2026, with the possibility of refinancing these obligations, if necessary. Financial support from JK Group remains crucial, with ICD repayments due by March 2026 despite term debt prepayment in June 2025.

Liquidity: Adequate

PPL's liquidity profile is adequate aided by modest expected cash accruals, absence of large capital expenditure and continued support from the JK group. As on March 31, 2025, the company's cash and bank balance stood at ₹2.31 crore. The gross cash accruals in FY25 stood at ₹4.24 crore (PY: ₹6.59 crore), while the company is expected to generate cash accruals in the range of ₹8-10 crore in the medium term. The average fund-based utilisation for the past 12 trailing months ended June 2025 stood at 87%.

As on July 31, 2025, the company's cash and bank balance amounted to ~₹0.3 crore, while the unutilised cash credit (CC) limit of ₹5.04 crore provided liquidity support. CareEdge Ratings takes note of the ICDs, amounting ₹14 crore as on March 31, 2025, given by the JK group, is due in FY26. However, the same is expected to be refinanced with continuation of the group's support.

Applicable criteria

[Definition of Default](#)

[Notching by Factoring Linkages in Ratings](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

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 on May 23, 1995, PPL is a wholly owned subsidiary of BACL, part of the JK Group (North). BACL (rated 'CARE AA-Stable'), has a market capitalisation of ₹9,127 crore (as on August 21, 2025).

On June 17, 2025, UDL, previously a subsidiary of BACL with 55.30% holding, demerged its dairy business undertaking into PPL. Subsequently, UDL's residual business was transferred to BACL. The Scheme, approved by the NCLT benches of Allahabad and Kolkata, became effective on June 17, 2025, with certified orders filed with the respective Registrars of Companies. Under the Scheme, shareholders of UDL received one fully paid equity share of ₹10 each of BACL for every 92 fully paid equity shares of ₹5 each held in UDL related to the demerged dairy business.

Following the demerger, all liabilities related to UDL's dairy business, both secured and unsecured, were transferred to PPL, while residual liabilities and business were vested with BACL. PPL now carries forward manufacturing and selling dairy products for the JK Group.

The demerger is structured as a share swap arrangement, with no cash outflow, ensuring a seamless integration of UDL's dairy business into PPL while merging the residual UDL entity with BACL. This strategic restructuring simplifies the group's corporate

framework, enhances operational efficiency, and positions the dairy business for improved scalability and profitability under the PPL umbrella.

Brief Financials (₹ crore) (Standalone)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	286.15	227.84	65.81
PBILDT	9.60	6.88	2.97
PAT	1.43	0.67	0.52
Overall gearing (times)	0.95	1.37	NM
Interest coverage (times)	1.76	1.47	2.57

A: Audited; UA: Unaudited; NM: Not Meaningful; 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 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 - LT-Cash Credit		-	-	-	70.00	CARE BBB+; 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-Cash Credit	LT	70.00	CARE BBB+; Stable				

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	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

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Ravleen Sethi Director CARE Ratings Limited Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Sahil Goyal Assistant Director CARE Ratings Limited Phone: 91-120-4452000 E-mail: Sahil.goyal@careedge.in
	Bhoomika Sharma Lead Analyst CARE Ratings Limited E-mail: Bhoomika.Sharma@careedge.in

About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge Ratings and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2025, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information. Any use or reference to the contents herein on an "as-is" basis is permitted with due acknowledgement to CARE Ratings. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CARE Ratings.

**For detailed Rating Report and subscription information,
please visit www.careratings.com**