

October 14, 2025

## Bengaluru Co-operative Milk Union Ltd: Ratings upgraded to [ICRA]A- (Stable)/[ICRA]A2+

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term – Fund Based – Others	200.00	200.00	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Stable)
Long Term / Short Term Interchangeable	(25.00)	(25.00)	[ICRA]A- (Stable)/[ICRA]A2+; upgraded from [ICRA]BBB+ (Stable)/[ICRA]A2
<b>Total</b>	<b>200.00</b>	<b>200.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings upgrade factors in the improvement in the credit profile of Bengaluru Co-operative Milk Union Ltd. (BAMUL) with improved scale of operations and higher share of revenues from value-added products, supporting earnings growth. The union's revenues grew by 9.4% in FY2025 and 14.4% in 5M FY2026 on a YoY basis, driven by healthy demand for products such as ghee, butter, and skimmed milk powder (SMP), along with a steady growth in milk volumes. BAMUL's milk procurement increased to around 17.3 lakh litres per day (LLPD) in 5M FY2026 from 14.7 LLPD in FY2024 (around 15.2 LLPD in FY2025), supporting both volume and revenue growth. Reduction in Goods and Services Tax (GST) on a few value-added products such as ghee, butter, panner, etc. augurs well for growth prospects. ICRA expects the union to achieve a revenue growth of 10-15% in FY2026, driven by increased milk procurement, strong demand for dairy products, and robust presence of Nandini brand in Karnataka. While margins are expected to moderate in FY2026 due to high conversion charges (conversion to skimmed milk powder [SMP]), BAMUL's overall earnings and debt metrics are likely to remain comfortable.

The ratings consider BAMUL's dominant position in Karnataka's dairy industry as the largest union under the Karnataka Co-operative Milk Producers' Federation Limited (KMF). BAMUL benefits from grants and funding support through various KMF and the Government of Karnataka (GoK) schemes. Its long track record, strong presence of Nandini brand, and extensive product portfolio further support the ratings. The union's established procurement network, supported by bulk milk coolers and chilling centres, ensures a steady milk supply. Its ability to implement periodic price revisions for milk and feed to protect margins remains a key monitorable.

The ratings are, however, constrained by BAMUL's modest profitability, inherent to the dairy cooperative model, which prioritises farmer welfare by maintaining procurement even during weak demand periods. Its profitability is also limited by BAMUL's restricted pricing power, as selling prices are fixed by KMF while procurement costs are market driven. Margins have been under pressure in the past (FY2021 to FY2024) due to higher procurement costs and stagnant selling prices. Additionally, profitability remains vulnerable to external risks such as adverse weather, disease outbreaks like lumpy skin disease (LSD), and regulatory changes. ICRA also notes BAMUL's sizeable capex plans of Rs. 85-95 crore in FY2026, to be funded through internal accruals and existing cash reserves. The commoditised nature of operations and intense competition from organised cooperatives, private players, and unorganised sectors continue to constrain the ratings.

The Stable outlook on the long-term rating factors in ICRA's opinion that the company will continue to maintain a healthy financial profile and adequate liquidity position, supported by growth in scale of operations with healthy milk availability and favourable demand prospects for dairy products.

## Key rating drivers and their description

### Credit strengths

**Established market position in cooperative value chain of KMF with robust procurement setup** – BAMUL is the largest among the 16 milk unions within KMF. The union has an aggregate milk processing capacity of 18.0 LLPD and procures around 15.6 LLPD of milk across Bengaluru urban, Bengaluru rural and Ramnagara districts of Karnataka under the dairy cooperative model. At present, BAMUL is associated with more than 2,200 dairy cooperative societies covering around 3,500 villages. Its milk procurement is facilitated by bulk milk coolers and chilling centres to maintain the cold chain. BAMUL's procurement improved to around 15.2 LLPD in FY2025 from 14.7 LLPD in FY2024, supported by increased cattle feed farming in the state and higher yield, given favourable monsoons. The average milk procurement further increased to 17.2 LLPD in 5M FY2026 from 15.2 LLPD in 5M FY2025. The union's revenue increased by around 9% in FY2025 owing to an increase in value-added product sales such as butter, ghee, and SMP along with higher liquid milk sales owing to higher milk procurement, supported by better monsoons across the state. ICRA expects BAMUL to record a revenue growth of 10-15% in FY2026, aided by increase in milk prices by Rs. 4 per litre since April 2025, healthy demand and strong milk availability.

BAMUL sells liquid milk through a network of retailers, franchised outlets, and its own milk parlours through over 365 distribution routes. As per the cooperative union model, outside the local market, all milk products processed by BAMUL, and purchased by KMF, are marketed under the Nandini brand. BAMUL sells excess milk to KMF, which is then sold to deficit unions and in bulk to retailers across South India.

**Grants, funds and schemes from KMF and state government support cash flows** – All the unions within the KMF receive support in the form of grants to support their capex requirements. In addition, BAMUL earmarks various funds linked to milk sales, volumes and purchases, utilising the funds for its various requirements. Besides the aforesaid flexibility, the GoK extends a milk purchase subsidy of Rs. 5.0/litre procured through Dairy Cooperative Society (DCS) to farmers. BAMUL's revenue base benefits from the Government schemes for selling milk and milk products apart from grants and incentives (shared directly with farmers).

### Credit challenges

**Modest operating profit margin, vulnerable to product prices** – Under the cooperative nature of its operations, the union's margins remain relatively modest as it endeavours to pass on the benefits in various forms to farmers. The operating profit margin improved to 2.5% in FY2025 from 1.2% in FY2024, owing to increase in revenue share from value-added products, which command higher margins. After adjusting for provisions made for infrastructure and trade fluctuation funds, the margin improved by 210 bps. BAMUL's margins are expected to moderate in FY2026 due to high conversion charges (conversion to SMP), however, its earnings are expected to be healthy with improved scale of operations. The entity's debt metrics are expected to remain healthy, going forward, with robust earnings, scheduled debt repayments and absence of any major debt-funded capex plans.

**Intense competition within the dairy industry** – BAMUL is exposed to intense price competition, restricting its profit margins. The selling price of milk and related products is generally fixed by KMF, whereas the procurement price of milk is decided by the respective milk unions and is subject to market conditions. This affects the union's margins, as witnessed in FY2024. The union, like all dairy players, is exposed to volatility in global milk powder prices and any adverse movement in the prices could result in weak profitability or high inventory positions.

**Susceptibility to changes in Government regulations and environmental conditions** – BAMUL's revenues, like all dairy players, are susceptible to Government regulations, such as a ban on SMP exports. In addition, the control over revising the selling prices stays with the GoK, leading to limited control over profitability. In addition, the union is susceptible to adverse milk production conditions, resulting from agro-climatic factors such as drought and cattle diseases like LSD, as seen in FY2023.

## Liquidity position: Adequate

BAMUL's liquidity is expected to remain adequate, given the healthy cash balances. The entity's cash flows from operations are expected to be in the range of Rs. 50-60 crore over the next 12 months. The entity also had cash balances and investments of Rs. 116.8 crore as on March 31, 2025, besides unutilised working capital lines of around Rs. 100.0 crore. In comparison, BAMUL's cumulative funding needs towards capital expenditure and repayment obligations are estimated at Rs. 110.0-130.0 crore over the next 12 months, lending comfort to the liquidity profile.

## Rating sensitivities

**Positive factors** – ICRA could upgrade BAMUL's ratings if the union demonstrates a significant expansion in scale, along with an increased share of revenues from value-added products, leading to improved profitability metrics and liquidity position.

**Negative factors** – Pressure on BAMUL's ratings could arise if there is a substantial reduction in its scale or profitability, or if an elevated capex weakens the liquidity position or debt metrics.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

BAMUL was established as Bangalore Dairy on January 23, 1965, with a milk processing capacity of 50,000 litres per day, which increased to the current capacity of 18.0 LLPD over the years. The union has dairy facilities in three locations—Mega Dairy with a processing capacity of 10.0 LLPD, Hoskote Dairy (2.0 LLPD) and Kanakapura Dairy (6.0 LLPD). In addition, BAMUL owns seven chilling centres with a total capacity of 14.0 LLPD and 246 bulk coolers of 7.8 LLPD, facilitating procurement from the associated dairy co-operative society (DCS). It derives a major portion of its revenues from sales to retailers, franchise outlets and its own milk parlours through around 365 distribution routes. It sells excess milk and related products to KMF.

## Key financial indicators (audited)

	FY2024	FY2025
Operating income	2673.7	2925.9
PAT	-13.3	8.7
OPBDIT/OI	1.2%	2.5%
PAT/OI	-0.5%	0.3%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDIT (times)	5.0	1.9
Interest coverage (times)	2.1	5.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instruments	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 14, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund Based – Others	Long term	200.00	[ICRA]A-(Stable)	Oct 07, 2024	[ICRA]BBB+(Stable)	-	-	-	-
Interchangeable	Long term /short term	(25.00)	[ICRA]A-(Stable)/[ICRA]A2+	Oct 07, 2024	[ICRA]BBB+(Stable)/[ICRA]A2	July 14, 2023	[ICRA]BBB+(Stable)/[ICRA]A2	May 30, 2022	[ICRA]BBB+(Stable)/[ICRA]A2
Fund Based – Cash Credit	Long term	-	-	-	-	July 14, 2023	[ICRA]BBB+(Stable)	May 30, 2022	[ICRA]BBB+(Stable)

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Others	Simple
Long-term / Short-term – Interchangeable	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

#### Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long Term – Fund Based – Others	NA	NA	NA	200.00	[ICRA]A- (Stable)
NA	Long Term / Short Term – Interchangeable	NA	NA	NA	(25.00)	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company

#### Annexure II: List of entities considered for consolidated analysis – Not Applicable

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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