January 06, 2026

Banaskantha District Co-operative Milk Producers' Union Limited: [ICRA]AAA (Stable)/ [ICRA]A1+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Term loan	716.18	[ICRA]AAA (Stable); assigned
Short-term – Fund based – Working capital demand loan	200.00	[ICRA]A1+; assigned
Long-term / Short term – Unallocated limits	83.82	[ICRA]AAA (Stable)/ [ICRA]A1+; assigned
Total	**1,000.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned ratings on the bank lines of Banaskantha District Co-operative Milk Producers' Union Limited (Banas Dairy / the union) consider its established position as a leading dairy processing unit (DPU) under the Gujarat Co-operative Milk Marketing Federation (GCMMF/Amul), the apex marketing organisation that commands a strong market position and healthy pricing power in the domestic market. The ratings also consider the long-standing presence and large scale of operations of Banas Dairy, its sustained growth in revenues and earnings over years, and its critical position for GCMMF as it meets over a fourth of the federation's overall milk supply. The ratings also consider the exceptional financial flexibility and the associated benefits being part of GCMMF.

Banas Dairy has an established milk procurement system backed by the co-operative model in Banaskantha District, Gujarat, which ensures a regular supply of milk to the district union by the Village Co-operative Societies (VCS). Additionally, Banas Dairy also procures a portion of its milk requirement from outside Gujarat, which ensures an uninterrupted supply of raw milk throughout the year. The union operates six owned manufacturing units spread across three states with a total milk capacity of 125 lakh litres per day (LLPD) and has contract manufacturing facilities. Overall, the entity has a presence across nine states in India. The ratings also consider Banas Dairy's strong revenue growth of 12% CAGR over five years, with revenue reaching Rs. 21,295.3 crore in FY2025. Further, the ratings are supported by the DPUs' ability to control milk prices under the co-operative model through a dual price payment mechanism for milk procurement, wherein milk is purchased from the VCS at provisional prices throughout the year and the majority of the surplus pool price is distributed to farmers at the end of the year. While this results in the reported operating profit margins remaining low at around 2% in FY2025, comfort is derived from the fact that the union enjoys flexibility to retain funds and make payouts after analysing all its payment obligations, including debt servicing and capital expenditure (capex). The ratings also consider the comfortable financial profile of Banas Dairy, supported by strong revenue growth (12% CAGR over the last five years ending FY2025), a net worth of Rs. 1,114.8 crore (including convertible debentures) as on March 31, 2025, and stable cash flows.

The ratings also consider the dairy co-operative business model, under which the majority of the operating surplus is distributed to milk producers, leading to relatively restricted profit retention within the business. The ratings also factor in the large debt-funded capex of around Rs. 1,850 crore planned over the next three fiscals, which exposes the entity to project execution and stabilisation risks that could moderate the debt coverage indicators. Nevertheless, the union is expected to benefit from the increased capacities and the extended term-loan repayment tenor of around seven to eight years. The reported coverage indicators remain moderate, with an interest coverage ratio and debt-to-reported operating profit of 2.3 times and 5.3 times, respectively, in FY2025. However, on an adjusted basis (excluding surplus payouts), the ratios are comfortable. The ratings are also constrained by the union's exposure to agro-climatic and environmental risks, regulatory changes, and disease outbreaks among livestock, which could have a material impact on its dairy operations.

The Stable outlook reflects ICRA's expectation that Banas Dairy will witness steady volume growth, benefiting from its strong milk procurement capabilities and margin protection, which allows it to pass on increases in milk procurement costs, considering its established position. Further, the outlook underlines ICRA's expectation that the union's incremental capex will be funded in a manner that enables it to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established market position; part of GCMMF structure and entrenched milk procurement system - Banas Dairy is the largest district milk co-operative under GCMMF and contributes more than 25% of GCMMF's requirements. Additionally, an acknowledgment from GCMMF towards any need-based support in the form of letter of comfort or corporate guarantee to Banas Dairy, provide comfort on the commitment. Banas Dairy derives more than 80% of its revenues from products sold to GCMMF, while the balance revenues are received from the sale of cattle feed and products sold under the "Banas" brand. Banas Dairy derives significant operational and financial flexibility from being a part of the GCMMF co-operative structure. Over the years, Banas Dairy's established position has enabled it to increase its capacities, which has supported catering to the increasing milk requirements of GCMMF. The union has an established milk procurement system backed by the co-operative model, which ensures a regular supply of milk to Banas Dairy by the VCS in and around Banaskantha District, Gujarat, and it also procures a part of its milk from outside Gujarat, which ensures an uninterrupted supply of raw milk throughout the year. Under the dairy co-operative model, milk suppliers (farmers) are at the base of the structure, with the objective of passing on the maximum price to suppliers after ensuring retention of a reasonable amount for debt repayment and expansion requirements. Under the 'Amul Structure'/ 'Anand Pattern', there is a robust cash flow mechanism, wherein GCMMF releases funds to the majority of DPUs through a two-step price payment mechanism during the year, and DPUs, including Banas Dairy, make payments to the VCS, which distribute payments to member farmers for the milk supplied. Additionally, the entity has undertaken new initiatives such as venturing into protein-based products, frozen snacks, edible oil, organic products, biogas generation, and renewable energy generation, leading to diversification of its revenue streams and production of value-added products.

Geographically diversified presence with six milk manufacturing units and presence across nine states in India – Banas Dairy operates six owned manufacturing facilities with a total milk processing capacity of 125.0 LLPD across three states. It has milk manufacturing units located at Palanpur (Gujarat), Deodar (Gujarat), Faridabad (Haryana), Lucknow (Uttar Pradesh), Kanpur (Uttar Pradesh), and Varanasi (Uttar Pradesh). In addition, the entity has feed mill units at Palanpur and Katarva (Gujarat) and also utilises various third-party manufacturing facilities. Banas Dairy's geographically diversified presence provides operational flexibility in terms of diversified revenue streams and a strong milk procurement arrangement.

Favourable dairy industry growth prospects – The Indian dairy industry is expected to continue growing on the back of a steady supply of milk, with India being the world's largest milk producer. Increasing demand for milk and milk products due to rising disposable incomes and growing health consciousness are other positive demand factors.

Comfortable financial profile – Owing to the co-operative business model, wherein provisional milk procurement prices are paid periodically during the year, the net worth of Banas Dairy remained moderate at Rs. 1,114.8 crore as on March 31, 2025, including convertible debentures of Rs. 313.5 crore as of March 31, 2025, which are expected to be converted into equity. The final milk price distributed among the VCS in FY2025 stood at Rs. 2,131.7 crore. The reported operating profit margins remained low at around 2% owing to higher distribution of surplus under the co-operative model. However, comfort is derived from the fact that the union enjoys flexibility to retain funds and make payouts after analysing all its payment obligations, including debt servicing and capital expenditure (capex). Banas Dairy's working capital borrowings increased over the last two fiscals following an increase in milk supply and higher skimmed milk powder (SMP) inventory levels. With the planned capex over the next three fiscals, the union's capital structure is expected to moderate. Nevertheless, a strong liquidity position, with cash and liquid investments of Rs. 1,081.1 crore as on March 31, 2025, provides adequate support.

Credit challenges

Low retention of earnings inherent to the business model and large planned debt-funded capital expenditure – Banas Dairy operates under a co-operative business model, under which the majority of the operating surplus is distributed to milk producers, leading to restricted profit retention within the business. That said, the distributable surplus is arrived at post considering the operational and financial obligations. Banas Dairy has planned capital expenditure of around Rs. 1,850 crore to be incurred over the next three fiscals, funded through term debt of around Rs. 1,200 crore and internal accruals. This exposes the entity to project execution and stabilisation risks and is likely to moderate the coverage indicators. Nevertheless, the union is expected to benefit from increased capacities, and term loans are being availed with a longer tenor of seven to eight years. The coverage indicators remain moderate, with an interest coverage ratio and debt-to-reported operating profit of 2.3 times and 5.3 times, respectively, in FY2025, and are likely to remain moderate over the medium term owing to the large debt-funded capex planned during this period.

Exposure to volatility in product prices, regulatory changes, weather conditions and disease outbreaks – DPUs, including Banas Dairy, are exposed to environmental risks (such as outbreaks of epidemics or bovine diseases) associated with concentration in milk collection, as most milk procurement is from a single district and its surrounding villages. The majority of its milk procurement in FY2025 continued to be from Banaskantha District and its surrounding villages, contributing around 80% of the total milk procured. With the addition of capacity in Uttar Pradesh, the contribution of milk procurement from non-Gujarat states is expected to increase going forward, which partially mitigates this risk. Additionally, milk procurement remains vulnerable to environmental conditions such as outbreaks of bovine diseases. Furthermore, Banas Dairy remains susceptible to fluctuations in global milk powder prices and changes in government regulations, including import duties on milk and milk products.

Liquidity position: Strong

Banas Dairy has strong liquidity, with cash and liquid investments of Rs. 1,081.1 crore as on March 31, 2025 (including liquid investments in co-operative banks amounting to Rs. 575.0 crore). Average working capital utilisation stood at around 45% of the sanctioned limits of Rs. 4,020 crore (increased to Rs. 4,220 crore in November 2025) over the last 12 months ending October 2025, resulting in requisite cushion in terms of unutilised limits. Against these sources of funds, the union has a repayment obligation of around Rs. 123 crore in FY2026 and is expected to incur large debt-funded capital expenditure of around Rs. 1,850 crore across next three fiscal. Overall, ICRA expects Banas Dairy to comfortably meet its near-term commitments through internal accruals. Banas Dairy passes back the surplus to its members at the end of the year in the form of final milk price, which stood at Rs. 2,131.7 crore in FY2025 and is expected to remain high over the medium term. This surplus is distributed after meeting all obligations of the union and capital expenditure requirements, which provides flexibility to the entity.

Rating sensitivities

Positive factors – NA

Negative factors – Pressure on ratings could emerge if there is a weakening of the strategic importance of the union to GCMMF. The ratings could also be downgraded in the event of a material reduction in revenues and earnings, with a consequent adverse impact on leverage metrics and lower retained earnings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of Banas Dairy

About the company

Banaskantha District Co-operative Milk Producers' Union Limited (Banas Dairy / the Union) was established in 1969 under the Co-operative Societies Act as a co-operative dairy processing unit (DPU). Banas Dairy was set up under the three-tier cooperative structure of Gujarat, known as the 'Anand Pattern' or 'Amul Structure'. The entity has its largest dairy co-operative facility at Palanpur, Gujarat, and is a key constituent of the Gujarat Co-operative Milk Marketing Federation Limited (GCMMF/Amul). Banas Dairy procures milk from 1,487 VCS (as of March 2025) from Gujarat. It had a total milk processing capacity of 125 LLPD as on March 31, 2025, from its dairy plants located in Gujarat, Uttar Pradesh, and Haryana. It has its own manufacturing facilities spread across three states and additionally operates from third party manufacturing facilities.

Key financial indicators (audited)

Banas Dairy (Standalone)	FY2024	FY2025
Operating income	19,003.3	21,295.3
Reported PAT	50.0	55.5
Adjusted PAT*	2,023.8	2,187.2
OPBDIT/OI (reported)	1.8%	2.0%
OPBDIT/OI (adjusted)*	12.2%	12.0%
PAT/OI (reported)	0.3%	0.3%
PAT/OI (adjusted)*	10.6%	10.3%
Total outside liabilities/Tangible net worth (times)	5.7	5.6
Total debt/Reported OPBDIT (times)	6.4	5.3
Total debt/Adjusted OPBDIT (times)*	0.9	0.9
Reported Interest coverage (times)	2.9	2.3
Adjusted Interest coverage (times)*	19.8	14.0

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

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, *adjusted for Final milk prices paid at the end of the year*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Jan 06, 2026	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	716.18	[ICRA]AAA (Stable)	-	-	-	-	-	-
Working capital demand loan	Short term	200.00	[ICRA]A1+	-	-	-	-	-	-
Unallocated limits	Long term/ Short term	83.82	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund based – Term loan	Simple
Short-term – Fund based – Working capital demand loan	Simple
Long-term / Short term – Unallocated limits	NA

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	Term loan-I	Not drawn	NA	NA	562.50	[ICRA]AAA (Stable)
NA	Term loan-II	Not drawn	NA	NA	153.68	[ICRA]AAA (Stable)
NA	Working capital demand loan	NA	NA	NA	200.00	[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	83.82	[ICRA]AAA (Stable)/ [ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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

ANALYST CONTACTS

Jitin Makkar
+91 124 4545368
jitinm@icraindia.com

Srikumar Krishnamurthy
+91 444596 4318
ksrikumar@icraindia.com

Ramakrishnan G S
+9144 4596 4300
g.ramakrishnan@icraindia.com

Trusha Mahendra Patil
+91 94 2350 3574
trusha.patil@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches