

## Dairy Products

Industry Code (as per CMIE Prowess): 0101011101010000'

June 2022

Overall Industry Risk Score: **13/20 | Marginally Favourable**

Sample Size: 17 Companies

Median Rating Value of sample size: A-

### Individual Parameters Contributing to the Score

**Demand & Supply Balance**  **16/20**

Moderate Demand

India is the largest producer of milk contributing 23% of global milk production. The consumption of milk and value-added products was mildly impacted during FY21 mainly on account of logistical challenges & closure of restaurants. As per [www.investindia.gov.in](http://www.investindia.gov.in) data, Milk production has grown at a y-o-y rate of 5.5% to reach 209 million tonnes in 2021 from 198 million tonnes in 2020. The production reached 255 million tonnes in 2022. The industry sales revenue witnessed a y-o-y growth of 33.38% from Rs.30.3 billion in December 2020 quarter to Rs. 40.4 billion during the quarter ended December 2021. The demand is likely to increase furthermore in FY23 on the back of continued demand from home consumption segments and lifting of all restrictions generating demand in restaurants.

**Extent of Competition**  **8/20**

Fragmented Industry

The industry is gradually getting organised though level of unorganised sector still remains high at around 65%. The organised sector players are investing significantly in procurement chains which is one of the major drivers of success in this industry. The sector has attracted significant private equity investment which has led to higher scalability of regional players like Hatsun, Parag, Heritage & others to compete with traditional leaders like Amul.

## Regulatory Risk



16/20

Stable Regulatory environment

The industry has favourable government regulation. In an effort to strengthen dairy infrastructure and milk procurement, central government has initiated National Program for Dairy Development and National Dairy Plan schemes.

## Input Related Risk



12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Input costs (milk availability) is likely to remain favourable though prices have off late shown an increasing trend. Professional animal husbandry/ medical supervision along with high quality Cow feed remains critical for the sector.