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Organised Dairy Sector Revenue Growth to Accelerate by Up to 400 Basis Points in FY27: Crisil Ratings

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India's organised dairy sector is poised for stronger revenue growth this fiscal, with revenues expected to expand by 13â??15 per cent, accelerating by 200â??400 basis points over the estimated 11 per cent growth recorded last fiscal, according to a latest analysis by Crisil Ratings.

The growth will be driven by sustained volume expansion of 8â??10 per cent and staggered price increases across milk and dairy products, supported by resilient consumer demand and rising consumption of value-added dairy offerings.

The ratings agency analysed 37 dairy companies, representing nearly 60 per cent of the organised dairy sector's revenue, and expects the industry's momentum to remain strong despite inflationary pressures on raw milk procurement.

According to Crisil, milk and traditional dairy products such as butter and ghee will continue to witness stable demand owing to their non-discretionary nature, while value-added products including protein-rich and probiotic offerings are expected to emerge as key growth drivers amid increasing consumer focus on health and nutrition.

"Manifestation of El NiÃ±o conditions, resulting in a harsh summer and a below-average monsoon, will impact cattle yields this fiscal," said Shounak Chakravarty, Director, Crisil Ratings. "Coupled with rising fodder costs, this will slow down growth in raw milk production to around 4 per cent year-on-year, compared with a compound annual growth rate of about 5 per cent between fiscals 2020 and 2025. Consequently, milk prices are expected to increase by 4â??5 per cent. Companies are likely to pass on these higher procurement costs to consumers in stages, with sharper price hikes in value-added categories."

Overall retail prices across milk product categories are projected to rise by 5â??6 per cent during the fiscal.

Despite these price increases, demand is expected to remain resilient as organised dairy players continue expanding their portfolios in premium and functional dairy segments. Although value-added products currently account for less than 5 per cent of the overall market, Crisil expects the segment to grow at more than 20 per cent over the coming years, fuelled by rising health awareness and increasing preference for branded, quality-assured products.

The report also notes that the shift from unbranded to branded dairy products is strengthening the growth prospects of organised players as consumers increasingly prioritise product quality, food safety and traceability.

While input costs remain elevated, operating profitability is expected to remain stable. Industry operating margins are projected to stay at around 4 per cent, similar to last fiscal, as companies calibrate retail price increases to offset higher raw milk procurement costs.

Strong business fundamentals are also expected to support continued investments in capacity expansion and modernisation.

"Healthy growth prospects, along with higher accruals from increasing scale, are expected to sustain capital expenditure in line with the past four-year average," said Rucha Narkar, Associate Director, Crisil Ratings. "Despite debt-funded capex, credit profiles are expected to remain stable, supported by healthy cash generation and strong balance sheets. Debt-to-EBITDA is projected to improve to around 2.3 times this fiscal from 2.5 times last fiscal, while interest coverage is expected to remain robust at over six times."

According to Crisil, healthy cash flows, stable working capital cycles and strong balance sheets will enable organised dairy companies to continue investing in capacity expansion while maintaining sound credit metrics, positioning the sector for sustained long-term growth despite ongoing cost pressures.