

India's organised dairy industry to witness 12 pc y-o-y revenue growth in FY22: Report



The report is based on a Crisil Ratings analysis of 57 rated dairies, which account for nearly two-thirds of the organised segment revenue of Rs 1 lakh crore.

Synopsis

Steady demand for both VAP (around one-third share of organised sector sales) and liquid milk (around two-thirds share) is likely to lead to 5-6 per cent growth next fiscal as well in line with the pre-pandemic trend, the report estimated.

By PTI

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The organised **dairy industry** is likely to witness 12 per cent **revenue** growth this financial year to reach Rs 1.6 lakh crore, mainly due to recovery in demand for value-added products (VAPs), steady liquid milk sales and a hike in the retail price, a report said on Friday. Revenue of **India's** organised **dairy** industry will rebound a solid 12 per cent year-on-year this fiscal to Rs 1.6 lakh crore, compared with a decadal low growth of one per cent last fiscal, riding on strong demand recovery in most VAP, steady liquid milk sales and retail price hikes during the fiscal, according to a report by **Crisil Ratings**.

Steady demand for both VAP (around one-third share of organised sector sales) and liquid milk (around two-thirds share) is likely to lead to 5-6 per cent growth next fiscal as well in line with the pre-pandemic trend, the report estimated.

Operating profitability, however, will be set back to the pre-pandemic level of 5-5.5 per cent in the next two fiscals from the peak of 6 per cent seen in fiscal 2021. This is due to high raw milk prices along with higher transportation and packaging costs even as dairies increasing retail product prices by 3-4 per cent across categories this year.

Apart from this, better revenue growth and near-stable operating profits, along with well-managed balance sheets, will lead to a 'stable' credit outlook for dairy players, Crisil Ratings added.

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Demand for VAPs such as ghee, butter, cheese, curd, and SMP saw a strong recovery amid the festive and wedding season in the third quarter of this fiscal, and the reopening of commercial establishments on a pan-India basis.

"VAP sales growth is expected to be 17-18 per cent this fiscal on a lower base of last fiscal.

"This, in turn, will be driven by strong volume growth of 13-14 per cent as hotels, restaurants and cafe (accounting for 20 per cent of organised sector sales) have opened up, and festive and wedding celebrations, as well as home consumption, have increased," Crisil Ratings Senior Director **Anuj Sethi** said.

The second and third Covid-19 waves have had no material impact on most dairy segments, with food-delivery services and eateries continuing to function despite local restrictions, he added.