

K.C.P. Sugar and Industries Corporation Limited

October 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	63.20 (Reduced from 71.20)	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	30.00	CARE A-; Stable / CARE A2+	Reaffirmed
Short-term bank facilities	59.09 (Enhanced from 54.09)	CARE A2+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn
Fixed deposit	91.22	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities and fixed deposits of K.C.P. Sugar and Industries Corporation Limited (KCP) derive strength from its established track record of eight decades in the sugar industry and integrated operations comprising distillery and cogeneration. Ratings also derive strength from a comfortable capital structure and liquidity profile, marked by sizeable investments in mutual funds and equities.

Ratings are constrained by lower cane availability and lower recovery rate of sugarcane in its command area, affecting profitability margins. Ratings also factor in susceptibility of revenues and profitability to demand-supply dynamics and the cyclical and regulated nature of the sugar industry in terms of command area and plant location.

CARE Ratings Limited (CareEdge Ratings) has withdrawn ratings assigned to the company's term loan facility, as it has repaid this loan in full and there is no amount outstanding under the loan as on date per the no due confirmation from the lender.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Increase in registered cane area and effective utilisation of capacity, leading to improved operational performance on a sustained basis
- Generating profit from operations on a sustained basis

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Debt funded capex, resulting in net term debt/net worth >0.3x on a sustained basis.
- Continued decline in cane crushed/cane availability on a sustained basis, leading to lower capacity utilisation

Analytical approach: Standalone

Outlook: Stable

CareEdge Ratings believes that the company will maintain its risk profile, considering its comfortable capital structure and liquidity.

Detailed description of key rating drivers

Key strengths

Established track record in sugar industry and integrated nature of operations

KCP has an established track record of over eight decades in the sugar industry. It currently owns and operates an integrated sugar complex in Vuyyuru, Andhra Pradesh (Unit I), in the fertile Krishna River delta region. The unit has a crushing capacity of 7,500 tonnes of cane crushed per day (TCD), distillery capacity of 50 kilo litres per day (KLPD), and cogeneration facility of 15 megawatt (MW). The unit also includes a chemical division with facilities to manufacture pharmaceutical-grade calcium lactate, carbon dioxide (a by-product of the distillery division), and a biotech division with facilities to manufacture bio-fertiliser and bio-compost.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

In FY20 (FY refers to April 01 to March 31), the company closed operations at Unit II in Lakshmipuram (4,000 TCD), ~40 km from Unit I, due to a steady decline in cane availability. Cane from this unit is now diverted and crushed in Unit I. In FY23, the company sold the plant and machinery of Unit II and established a black gram (urad dal) processing unit using the existing infrastructure.

Strong relationship with farmers

The company's sugar command area is situated in Krishna district, Andhra Pradesh, which is highly fertile and irrigated by Krishna River canals. In recent years, farmers in the district have preferred cultivating alternate cash crops such as paddy, black gram, vegetables, and pulses. The fertile Krishna Delta region and developed irrigation systems support the growth of these crops. Despite a decline in cane cultivation, black gram cultivation has remained consistent and is increasing, with the region contributing ~30% of Andhra Pradesh's total black gram production. KCP maintains strong relationships with farmers due to its long-standing presence in the region, facilitating procurement of cane and black gram.

Diversification into other business segments

The company has diversified its operations by establishing a black gram (urad dal) processing unit in February 2023, with a capacity of 22,000 metric tonne. This unit contributed 20.2% of total operating income (TOI) in FY25 compared to 3.9% in FY24. Apart from this, the company also operates engineering and chemical manufacturing units.

Comfortable capital structure

The company's capital structure has shown continuous improvement, marked by an overall gearing of 0.30x as on March 31, 2025 (PY: 0.41x). Overall debt stood at ₹109.82 crore as on March 31, 2025, comprising ₹45.28 crore of working capital borrowings and ₹64.55 crore of fixed deposits. The company has nil term debt as on date.

As on March 31, 2025, the company had total liquid investments of ₹269.67 crore, of which ₹65.59 crore is lien marked towards working capital borrowings. The company is net debt negative as on March 31, 2025.

With no major debt-funded capital expenditure planned for the near term, the capital structure is expected to remain comfortable in the medium term.

Key weaknesses

Lower cane recovery rate affecting operating margins

The sugar business has not been profitable in recent years due to lower cane availability and reduced recovery rates in the Krishna belt. In FY25, unfavourable weather conditions in Krishna district led farmers to shift to other cash crops, reducing cane crushing to 2.6 lakh metric tonne (PY: 4.4 lakh metric tonne). Recovery rates also declined to 8.05% in FY25 from 8.50% in FY24. TOI declined 22% in FY25 to ₹227 crore (PY: ₹292.54 crore), and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin dropped to -1.89% in FY25 (PY: 3.98%).

In FY25, non-operating income was ₹19.82 crore, compared to ₹62.52 crore in the previous year. This mainly comprised dividend income from investments of ₹3.99 crore (PY: ₹3.64 crore), interest on fixed deposits of ₹4.03 crore (PY: ₹5.07 crore), and gains from fair value adjustments of equity instruments amounting to ₹4.37 crore (PY: ₹48.19 crore).

Cyclical and regulated nature of sugar business

The sugar industry is cyclical and vulnerable to government policies due to its classification as an essential commodity and its impact on the wholesale price index (WPI). The government regulates raw material prices through mechanisms such as state advised prices (SAP) and fair and remunerative prices (FRP). These factors influence sugarcane cultivation patterns and affect profitability. FRP increased 8% to ₹340/quintal in 2024-25 from ₹315/quintal in 2023-24. It is expected to increase further to ₹355/quintal in 2025-26. In 2025, domestic sugar prices are in the range of ₹4,170-₹4,270/quintal, reflecting a ~2% year-on-year increase due to the anticipated shortage of sugar in the country. For the 2025-26 ethanol supply year (ESY), India lifted restrictions on the diversion of sugarcane juice, syrup, and molasses to ethanol production, allowing for unlimited production from these feedstocks. The nationwide rollout of E20 fuel (20% ethanol blend) began in April 2025, five years ahead of the original 2030 target is expected to increase diversion towards ethanol. Sugar prices are anticipated to stay firm through sugar season 2026 (SS26), bolstered by reduced production and stable demand.

Liquidity: Strong

Liquidity remains strong, marked by free cash and investments of ₹204.08 crore as on March 31, 2025. Average working capital utilisation stood at 37.65% for 12 months ended June 2025, providing headroom for additional working capital requirements in

non-sugar segments. Current ratio improved to 2.73x as on March 31, 2025, compared to 1.89x as on March 31, 2024. The company has nil term debt and fixed deposit current maturity of ₹20.72 crore due in FY26 (PY: ₹22.69 crore). However, most of the fixed deposit is expected to be renewed upon maturity. As on March 31, 2025, fixed deposits stood at ₹65.84 crore compared to ₹62.82 crore as on March 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Sugar Sector](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food & other products	Sugar

KCP is part of the KCP group. K.C.P. Limited (KCPL), the group's flagship company was promoted by late V Ramakrishna in 1941. Over the years, KCPL diversified into different industries including cement, and engineering, apart from sugar. In 1995, KCP was formed under the leadership of late V M Rao to take over sugar mills and KCPL's workshop. KCP presently owns and operates sugar mill at Vuyyuru, AP with an aggregate capacity of 7,500 TCD, distillery capacity of 50 KLPD and incidental co-generation capacity of 15 MW. It also has facility to manufacture 500 Tonnes Per Annum (TPA) pharma grade calcium lactate, 60 TPA carbon dioxide, 1,200 TPA Bio-fertiliser and 1400 TPA Mycorrizha. In February 2023, it added to cart another new vertical black gram (urad dal) processing plant with capacity to process 22,000 metric tonne per annum (MTPA).

Brief Financials (₹ Crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	292.54	227.35	55.35
PBILDT	11.64	-4.30	-0.72
PAT (After def Tax)	56.26	-1.72	17.63
Overall gearing ratio (times)	0.41	0.30	NA
Interest coverage (times)	1.11	-0.46	NA

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fixed Deposit		-	-	-	91.22	CARE A-; Stable
Fund-based - LT-Cash Credit		-	-	-	63.20	CARE A-; Stable
Fund-based - LT/ ST-Working Capital Demand loan		-	-	-	30.00	CARE A-; Stable / CARE A2+
Fund-based - ST-Working Capital Demand loan		-	-	-	55.00	CARE A2+
Non-fund-based - ST-Bank Guarantee		-	-	-	4.09	CARE A2+
Term Loan-Long Term		-	-	March 26	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	63.20	CARE A-; Stable	-	1)CARE A-; Stable (26-Aug-24)	1)CARE A-; Stable (22-Aug-23)	1)CARE A-; Negative (12-Sep-22)
2	Non-fund-based - ST-Bank Guarantee	ST	4.09	CARE A2+	-	1)CARE A2+ (26-Aug-24)	1)CARE A2+ (22-Aug-23)	1)CARE A2+ (12-Sep-22)
3	Fixed Deposit	LT	91.22	CARE A-; Stable	-	1)CARE A-; Stable (26-Aug-24)	1)CARE A-; Stable (22-Aug-23)	1)CARE A-; Negative (12-Sep-22) 2)CARE A-; Negative (22-Jun-22)
4	Term Loan-Long Term	LT	-	-	-	1)CARE A-; Stable (26-Aug-24)	1)CARE A-; Stable (22-Aug-23)	1)CARE A-; Negative (12-Sep-22)
5	Fund-based - ST-Working Capital Limits	ST	-	-	-	-	-	1)Withdrawn (12-Sep-22)
6	Fund-based - LT/ST-Working Capital Demand loan	LT/ST	30.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (26-Aug-24)	1)CARE A-; Stable / CARE A2+ (22-Aug-23)	1)CARE A-; Negative / CARE A2+ (12-Sep-22)
7	Fund-based - ST-Working Capital Demand loan	ST	55.00	CARE A2+	-	1)CARE A2+ (26-Aug-24)	1)CARE A2+ (22-Aug-23)	1)CARE A2+ (12-Sep-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT/ ST-Working Capital Demand loan	Simple
4	Fund-based - ST-Working Capital Demand loan	Simple
5	Non-fund-based - ST-Bank Guarantee	Simple
6	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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