

Financial Performance of KCP Sugars Ltd. and its Market Challenges during the period 2020-25

Dr. Sathyanarayanan S.R.¹, Mr. Bhuvaneshwaran K²

Assistant Professor, Student.

Department of Commerce¹

B.Com (Honours) International Accounting and Finance²

Department of Commerce - International Accounting and Finance

Faculty of Science and Humanities

SRM Institute of Science and Technology,

sathyans@srmist.edu.in, bhuvan.kannan.007@gmail.com

Abstract

The purpose of this study is to examine the financial performance and key market issues of KCP Sugars and Industries Limited, a well-known participant in the Indian sugar sector. The Indian sugar industry plays a vital role in the country's agricultural and industrial economy by contributing significantly to employment generation, rural income, and renewable energy production through the ethanol blending programme. Given its close linkage with the farming sector and strong dependence on government policy interventions, the industry holds a strategic position in India's agro-based industrial framework. The study examines the financial performance of KCP Sugars and Industries Limited and analyses the key market challenges influencing its growth and stability during the period from 2020 to 2025. The research is based on secondary data collected from the company's annual reports, government publications, industry reports, and reliable financial databases. Financial performance has been evaluated using key indicators such as revenue growth, profitability ratios, liquidity ratios, and leverage ratios to assess the company's operational efficiency and overall financial health. In addition, the study explores major market challenges affecting the company, including fluctuations in sugar prices, rising sugarcane procurement costs, government-administered pricing policies, export-import regulations, and increasing competition in both domestic and global markets. The analysis highlights the impact of regulatory interventions and volatile market conditions on the company's production decisions, profitability, and long-term sustainability. The findings show that policy support measures and sustainability practices for KCP Sugars and Industries Limited in recent years. However, the company continues to face pressure on profitability due to high input costs and rigid regulatory constraints. The study's conclusion offers recommendations for

ways to strengthen KCP Sugars and Industries Limited's competitive position in the Indian sugar market, increase operational effectiveness, and improve financial sustainability.

Keywords: Financial Performance, Indian Sugar Industry, Sugarcane Procurement Cost, Operational Efficiency, Financial Sustainability.

1.Introduction

1.1.Introduction (Concept & Importance)

The global sugar industry is a vital agro-based sector, with nearly 80% of production derived from sugarcane. Countries like India and Brazil dominate production, making the industry economically significant yet highly cyclical and policy-driven. In India, the sugar sector plays a crucial role in rural development, employment generation, and energy diversification through ethanol and cogeneration. However, the industry faces volatility due to climatic dependence, regulatory interventions, and cost-price imbalances. Studying a representative firm like KCP Sugars helps in understanding how these external and internal factors shape financial performance.

1.2.Need for the Study

This study is essential to evaluate the financial health of KCP Sugars and Industries Corporation Ltd. in a regulated and volatile environment. It benefits management, investors, policymakers, lenders, and researchers by providing insights into profitability, stability, and sustainability.

1.3.Influence

The company's performance is influenced by government pricing policies, ethanol blending initiatives, climatic conditions, cost structures, and market demand fluctuations, all of which directly affect profitability and operational efficiency.

1.4.Statement of the Problem

The Indian sugar industry faces persistent issues such as cyclical production, price volatility, high working capital requirements, and policy uncertainty. These challenges raise concerns about the financial stability and long-term sustainability of sugar companies like KCP Sugars.

1.5.Theoretical Framework

The study is grounded in financial performance analysis using ratio analysis, trend analysis, comparative statements, and common-size analysis. These frameworks collectively evaluate profitability, liquidity, solvency, and efficiency, providing a structured approach to interpret financial data and assess operational effectiveness within an industry-specific context.

1.6. Significance of the Study

The research provides meaningful insights into financial strengths and weaknesses, supports informed decision-making, enhances understanding of policy impacts, and contributes to academic and industry knowledge.

1.7. Objectives

- **Primary:** To analyze the financial performance of KCP Sugars (2020–2025).
- **Secondary:** To assess profitability, liquidity, solvency, efficiency, and identify challenges while suggesting improvements.

1.8 Scope of the Study

The study covers five financial years (2019–20 to 2024–25), focuses on KCP Sugars, uses secondary data, and applies financial analysis techniques within the context of the Indian sugar industry.

1.9 Limitations of the Study

The present study is subject to certain limitations that may influence the interpretation of results. Firstly, the analysis is entirely based on secondary data obtained from published annual reports and other official sources, which may have inherent issues related to accuracy, completeness, or reporting bias. Secondly, the study relies on historical financial data, which may not accurately predict future performance due to changing market conditions and policy environments.

Additionally, the use of ratio analysis has its own constraints, such as the impact of inflation, accounting practices, and lack of uniform standards for comparison across firms and time periods. The study period of five years may not be sufficient to fully capture long-term trends or cyclical fluctuations characteristic of the sugar industry.

Moreover, the research is confined to a single company, KCP Sugars and Industries Corporation Ltd., which limits the generalizability of findings to the entire sugar sector. Finally, non-financial factors such as management efficiency, technological advancements, and labor relations have not been examined in depth, though they may significantly influence overall performance.

2. Review of Literature

Existing literature on the sugar industry highlights key aspects of financial performance, efficiency, and structural challenges. Studies by **Attwood and Baviskar (1987)** emphasize that the success of sugar cooperatives depends largely on governance, management practices, and financial discipline. Similarly, **Das and Mookherjee (2004)** compare cooperative and private sugar factories, revealing inefficiencies in ownership structures that directly affect financial outcomes.

Dawar (1990) and Sastry (1966) focus on productivity and returns to scale, indicating that operational efficiency plays a crucial role in determining profitability. **Kansal (1997)** further explains that factors such as production capacity, cost structures, and competitive advantage significantly influence industry performance. **Kumar and Arora (2009)** analyze regional variations in capacity utilization, showing that inefficiencies in resource use impact overall financial health.

Ray (2012) provides a comprehensive economic analysis of the Indian sugar industry, highlighting cyclical production, price volatility, and policy interventions as major determinants of performance. **Rajendran (2013)** specifically evaluates private sector sugar companies, concluding that profitability and liquidity vary significantly due to differences in management efficiency and financial strategies.

From a financial analysis perspective, works by **Prasanna Chandra (2008) and Shashi K. Gupta (2002, 2006)** establish ratio analysis as a fundamental tool for evaluating profitability, liquidity, and solvency. **Anand (1981)** also emphasizes the importance of ratio analysis in assessing organizational financial strength.

Overall, the literature suggests that financial performance in the sugar industry is influenced by a combination of operational efficiency, policy environment, ownership structure, and financial management practices. However, there is limited company-specific analysis over recent periods, especially considering modern challenges like policy shifts and market volatility. This study attempts to bridge this gap by analyzing the financial performance of TVS over a five-year period, providing a focused and updated perspective.

3. RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to the systematic approach used to solve research problems. It outlines the methods, procedures, and logic adopted for analyzing the financial performance of KCP Sugars and Industries Corporation Ltd. during 2020–2025.

3.2 Statement of the Problem

The Indian sugar industry operates under cyclical production, price fluctuations, and strong government regulations. KCP Sugars Ltd., despite diversification into ethanol and power, faces challenges in sustaining consistent financial performance. The period 2020–2025 includes disruptions such as COVID-19, rising costs, and policy changes, necessitating a structured financial analysis to identify strengths and weaknesses.

3.3 Research Design

The study adopts a descriptive and analytical design, describing financial performance while applying analytical tools for interpretation.

3.4 Sources of Data

The study is based on secondary data, including:

- Annual reports (2019–20 to 2024–25)
- Company website
- ISMA and government publications
- Journals, articles, and financial databases

3.5 Period of the Study

The study covers five financial years (2019–20 to 2024–25), including pandemic and recovery phases with key policy changes.

3.6 Financial Tools Used for Analysis

3.6.1 Ratio Analysis

- *Profitability*: GPR, NPR, OPR, ROCE, RONW
- *Liquidity*: Current, Quick, Absolute
- *Solvency*: Debt-Equity, Proprietary, Interest Coverage
- *Efficiency*: Inventory, Debtors, Fixed Assets, Working Capital Turnover

3.6.2 Statement Analysis

- Comparative Balance Sheet & Income Statement
- Trend percentages over five years
- Common Size Balance Sheet & Income Statement

4. Analysis and Interpretation

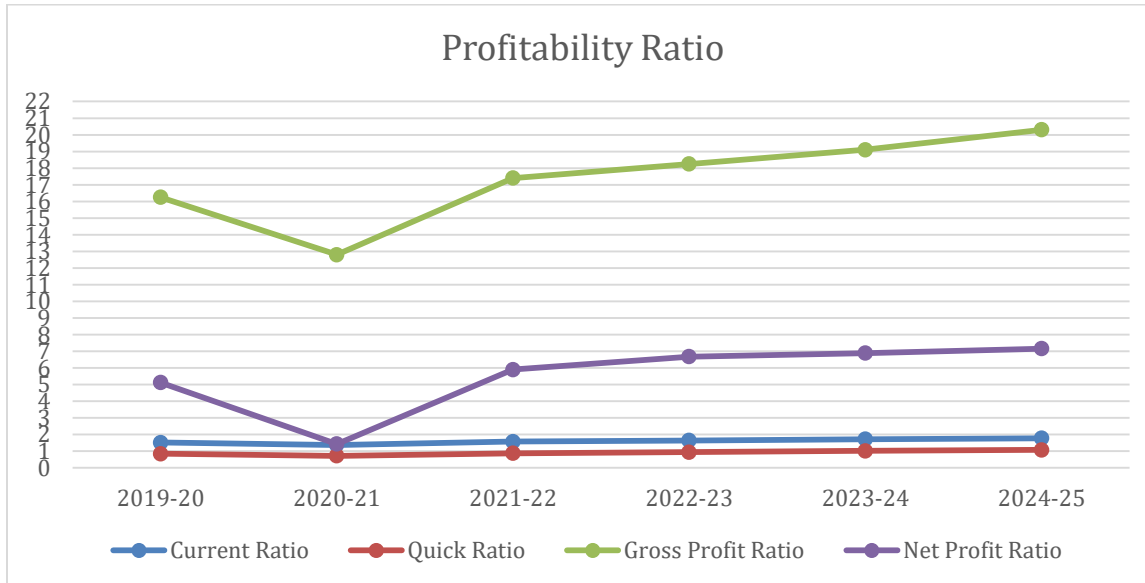


Figure: 1.1 Profitability Ratio

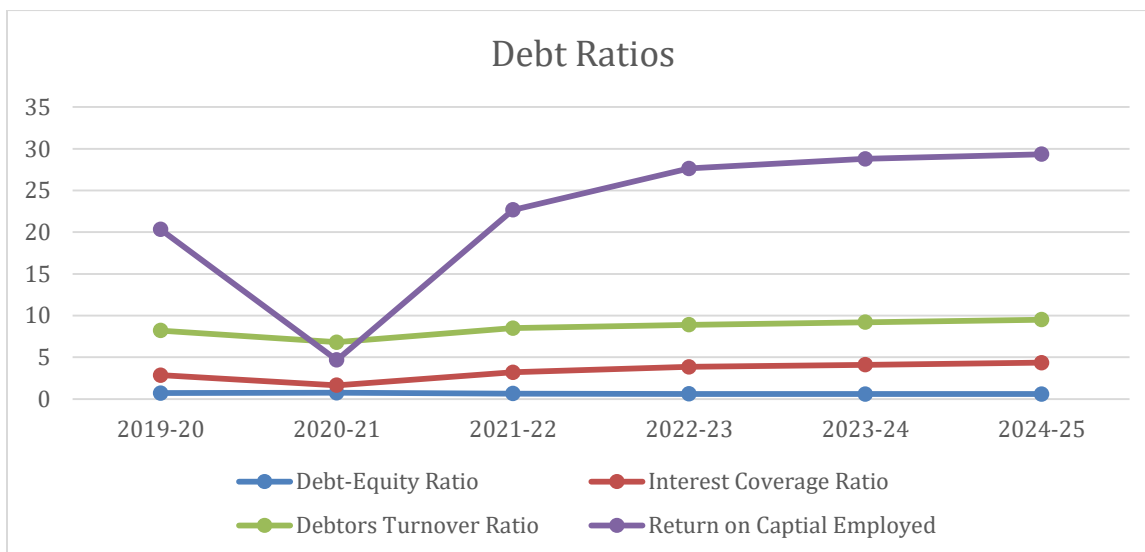


Figure: 1.2 Debt Equity Ratios

Objective	Key Indicators (Trend Evidence)	Results	Interpretation (Linked to Market Challenges)
Objective 1: Analyze Profitability Performance	Gross Profit Ratio ↑ (16.25% → 20.30%), Net Profit ↑ (5.12% → 7.16%), Operating Profit ↑ (8.05% → 10.12%), ROCE ↑ (12.60% → 17.20%), RONW ↑ (20.33% → 29.35%); Net Profit nearly doubled (₹42.30 Cr → ₹82.50 Cr)	Profitability shows a strong recovery post-2020–21 dip and consistent upward trend	The sharp fall in 2020–21 reflects pandemic-driven market disruptions, including reduced demand and operational inefficiencies. However, the steady improvement thereafter indicates effective cost control, increased ethanol revenue, and operational restructuring. This demonstrates the firm’s ability to overcome market volatility and improve margins, highlighting resilience in a cyclical sugar industry.
Objective 2: Evaluate Liquidity Position	Current Ratio ↑ (1.52 → 1.78), Quick Ratio ↑ (0.85 → 1.08), Absolute Liquidity ↑ (0.12 → 0.25) Debt-Equity Ratio ↓ (0.70 → 0.58), Proprietary Ratio ↑ (0.42 → 0.48), Interest Coverage ↑ (2.85 → 4.35)	Liquidity improved steadily, reaching near-ideal levels by 2024–25. Solvency position strengthened with reduced financial risk and improved debt servicing capacity	The improvement indicates enhanced short-term financial stability despite industry challenges like price fluctuations and working capital intensity. The initially low quick ratio (2020–21) reflects liquidity stress during crisis periods, but gradual improvement suggests better cash flow management and reduced dependency on

Objective	Key Indicators (Trend Evidence)	Results	Interpretation (Linked to Market Challenges)
			inventory, which is crucial in managing seasonal sugar cycles. Declining debt-equity and rising coverage ratio indicate strong capital structure management.

5. Conclusion

5.1 Major Findings

The study reveals that KCP Sugars and Industries Corporation Ltd. has shown a consistent improvement in financial performance during 2020–2025, particularly in profitability, liquidity, and solvency. Profitability indicators such as Net Profit and ROCE increased significantly, reflecting efficient cost management and diversification into ethanol. This aligns with the findings of Ray (2012), who highlighted that policy support and diversification improve financial stability in the sugar industry.

Liquidity position improved steadily, indicating better working capital management despite the industry’s seasonal nature, supporting Anand (1981), who emphasized the role of ratio analysis in assessing financial strength. Further, the decline in debt-equity ratio and increase in interest coverage confirm improved solvency, consistent with Dawar (1990), which stressed the importance of operational efficiency and financial structure in enhancing performance. However, challenges such as rising input costs and price volatility persist, as also noted by Kansal (1997).

5.2. Suggestions

- **Government:** Ensure stable and transparent pricing policies, strengthen ethanol blending initiatives, and provide subsidies to reduce cost pressures.
- **Company:** Focus on cost optimization, technological upgradation, diversification into value-added products, and efficient working capital management.
- **Investors/Readers:** Consider long-term investment perspectives, as the industry is cyclical but shows growth potential through diversification and policy support.

5.3 Limitations of the Study

The study is based on secondary data and limited to a five-year period, which may not capture long-term industry cycles. It focuses on a single company, restricting generalization. Additionally, ratio analysis limitations and exclusion of non-financial factors may affect the depth of interpretation.

5.4 Conclusion

KCP Sugars and Industries Limited has successfully navigated a turbulent period (2020–2025), transforming pandemic-induced setbacks into a phase of improved profitability, liquidity, and solvency. The company's strategic pivot towards ethanol and its disciplined financial management have been key drivers of this turnaround. Nevertheless, the sustainability of this performance hinges on three critical factors: (1) the ability to manage rising input costs through technological upgradation and operational efficiencies; (2) policy stability, especially in pricing and ethanol blending mandates; and (3) continued diversification to reduce dependence on cyclical sugar revenues. The study reaffirms that in the Indian sugar industry, financial resilience is not merely a function of internal decisions but a dynamic outcome of aligning corporate strategy with a volatile, policy-driven environment. For KCP Sugars, the path forward lies in leveraging its improved financial base to invest in innovation and flexibility, thereby turning market challenges into long-term competitive advantages.

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