

September 22, 2025

The Andhra Sugars Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Working capital facilities	78.00	50.00	[ICRA]A+ (Stable); reaffirmed
Long term - Fund based – Unallocated	22.00	50.00	[ICRA]A+ (Stable); reaffirmed
Short term - Non-fund based - Working capital facilities	47.10	47.10	[ICRA]A1+; reaffirmed
Short term - Non-fund based Unallocated limits	12.90	12.90	[ICRA]A1+; reaffirmed
Total	160.00	160.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation of The Andhra Sugars Limited (ASL) considers its diversified and integrated operational profile, robust leverage and coverage metrics and a strong liquidity position. ASL is a diversified player, with presence in chlor-alkali and its derivatives, sugar and allied activities, other organic and inorganic chemicals and wind power. ASL has integrated operations (resulting in operating efficiencies) with strong research and development capabilities and a sound management background. This partly insulates it from the business cycles affecting its two main businesses - sugar and chemicals.

The ratings also factor in the company's presence in southern India, which is a relatively better chlor-alkali market in terms of the demand-supply dynamics. The company has a robust capital structure, characterised by low gearing due to the negligible debt levels and a strong liquidity profile, evident from the liquid investments and free cash balances of ~Rs. 196 crore on a consolidated basis and ~Rs. 142 crore on a standalone basis as on March 31, 2025, and the significant unutilised working capital limits.

The profitability moderated in FY2025 owing to higher unwinding financing cost and low caustic soda realisations. Nevertheless, the coverage indicators, at the standalone and consolidated levels, continued to be comfortable in FY2025, considering the very low debt levels. The company has suspended its sugar production due to losses and low crushing volume due to lack of cane availability. The company has officially shut down its Tanuku sugar plant, whereas the operation at its Taduvai and Bhimadole sugar plants remains halted for FY2026.

The profitability is expected to improve in FY2026, in line with the improved realisations and margins for caustic soda, and also on account of lower losses in the sugar segment due to suspension of operation. The leverage and coverage indicators are likely to remain healthy owing to the low reliance on debt.

The ratings, however, are constrained by the exposure to the volatility in the realisation of the electrochemical unit (ECU), the inherent cyclicity in the chlor-alkali business and the vulnerability to import duty levels, exchange rate fluctuations and global supply-demand dynamics.

The Stable outlook on the [ICRA]A+ rating reflects ICRA's opinion that ASL will continue to benefit from the comfortable capital structure, healthy liquidity profile and the commitment towards conservative financial policies.

Key rating drivers and their description

Credit strengths

Diversified business profile – ASL is a diversified player, with presence in chlor-alkali and its derivatives, sugar and allied activities, other organic and inorganic chemicals and wind power. At a standalone level, the chemical division, which includes caustic soda, caustic potash, sulphuric acid, chlorine, hydrochloric acid, and industrial alcohol, etc, accounts for a major part of the revenues (83% of the total revenues in FY2025 and 89% in Q1 FY2026), while the sugar division made up for 13% in FY2025. The offtake from ISRO products has been healthy. The revenue from ISRO products was ~Rs. 68.13 crore in FY2025 against ~Rs. 34.93 in FY2024. Going forward, the contribution from this segment is expected to remain healthy.

Comfortable financial risk profile with healthy capital structure and coverage metrics – ASL's capital structure is robust, characterised by low gearing of 0.01 times on a standalone and consolidated basis as on March 31, 2025. As of June 2025, the company is debt free. The debt coverage metrics remained healthy with interest cover of 56.2 times (consolidated) and 52.4 times (standalone) in FY2025. The leverage and coverage indicators are expected to remain comfortable in FY2026.

Credit challenges

Exposed to volatility in ECU realisation – The ECU realisations have been volatile in the past. International caustic soda prices moderated in FY2020 and FY2021. However, in FY2022 and H1 FY2023, global caustic soda prices witnessed an overall uptrend. Subsequently, the prices moderated in H2 FY2023, FY2024 and FY2025 due to pressure on demand and increased capacity, putting pressure on the realisations. However, the ECU realisations improved in Q1 FY2025, in line with the improved realisations for caustic soda. The chloro alkali segment recorded a profitability (PBIT%) of 4.6% in FY2025 vis-à-vis 6.6% in FY2024 due to decline in the realisation of caustic soda. The profitability (PBIT%) improved to 16.9% in Q1 FY2026.

Cyclical nature chemical businesses - The chemical business is exposed to currency fluctuations and duty structures, apart from the cyclicity associated with the global and domestic demand-supply balance.

Environmental and social risks

ASL manufactures caustic soda, which produces chlorine as a by-product, the disposal of which remains a key challenge for the industry. The chemical industry remains exposed to the risk of tightening regulations on environment and safety, which can have a potential bearing on the cost structure or lead to moderate capital outlay for mitigation and treatment. While ASL has a demonstrated track record of running its operations safely, the nature of the risk (being low frequency-high impact) weighs on its ratings.

Further, operating responsibly is an imperative and instances of non-compliance with environmental, health and safety norms could have an adverse impact on the local community which could manifest in the form of protests, constraining the ability to operate or expand the capacity. ASL hasn't experienced/reported any incident suggestive of safety lapses at its manufacturing facilities over the past several years and its ability to maintain the manufacturing controls would be a monitorable.

Liquidity position: Strong

ASL's liquidity is strong, given the significant free cash balances and liquid investments of ~Rs. 142 crore (standalone; ~Rs 114 crore in liquid mutual funds and ~Rs. 28 crore in FDs), and ~Rs. 196 crore (consolidated) as on March 31, 2025 and the sufficient cushion available in the fund-based working capital limits at a standalone level, with minimal utilisation in FY2025. ASL has moderate capex plans for FY2026 and FY2027 and modest repayment obligation of deferred sales tax loan. These are expected to be comfortably met through the available cash balances and accruals from operations.

Rating sensitivities

Positive factors – The ratings may be upgraded if there is a significant improvement in the consolidated revenue and profitability amid a healthy capital structure and coverage indicators.

Negative factors – Pressure on the ratings could arise if the revenue or profitability declines on a sustained basis, or if any stretch in the working capital cycle impacts the liquidity. The ratings may also be downgraded if the company incurs a large debt-funded capex that will impact its capital structure.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies 9 Bold	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ASL. As on March 31, 2025, the company had three subsidiaries and an associate, which are all enlisted in Annexure II

About the company

ASL is a diversified company, with presence in sugar and allied activities, chemicals including chlor-alkali and its derivatives, other organic and inorganic chemicals and wind power. It was promoted by late Dr. Mullapudi Harischandra Prasad and late P. S. R. V. K. Ranga Rao. ASL commenced its operations as a sugar manufacturer in 1947 and gradually diversified into other businesses. At present, it has four operating divisions (i) sugar and allied products (including co-products like bagasse and molasses, co-generation and distillery operations) (ii) chlor-alkali products like caustic soda and its co-products, caustic potash and its co-products (iii) industrial chemical liquid propellants and other related products, solid and liquid rocket propellants for the Indian Space Research Organisation (ISRO) (iv) power generation and other products.

In FY2025, ASL suspended its sugar operation due to sustained negative PBIT realisation in the segment. The company has shut down its Tanuku sugar plant and suspended production at the Taduvai and Bhimadole units for FY2026.

Key financial indicators (audited)

The Andhra Sugars Limited (consolidated)	FY2024	FY2025
Operating income	1,894.0	2019.7
PAT	54.3	32.8
OPBDIT/OI	6.0%	5.2%
PAT/OI	2.9%	1.6%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.3	0.1
Interest coverage (times)	77.5	52.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

The Andhra Sugars Limited (Standalone)	FY2024	FY2025
Operating income	1,151.1	1171.4
PAT	53.3	31.5
OPBDIT/OI	9.4%	8.6%
PAT/OI	4.6%	2.7%
Total outside liabilities/Tangible net worth (times)	0.2	0.3
Total debt/OPBDIT (times)	0.2	0.1
Interest coverage (times)	96.0	56.2

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current Rating (FY2026)			Chronology of rating history for the past 3 years						
			FY2025		FY2024		FY2023		
Instrument	Type	Amount rated (Rs. crore)	Sep 22, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based - Working capital facilities	Long term	50.00	[ICRA]A+ (Stable)	Sep 23, 2024	[ICRA]A+ (Stable)	Sep 29, 2023	[ICRA]A+ (Stable)	Jun 07, 2022	[ICRA]A+ (Stable)
								Sep 30, 2022	[ICRA]A+ (Stable)
Unallocated	Long term	50.00	[ICRA]A+ (Stable)	Sep 23, 2024	[ICRA]A+ (Stable)	Sep 29, 2023	[ICRA]A+ (Stable)	Jun 07, 2022	[ICRA]A+ (Stable)
								Sep 30, 2022	[ICRA]A+ (Stable)
Non-fund based - Working capital facilities	Short term	47.10	[ICRA]A1+	Sep 23, 2024	[ICRA]A1+	Sep 29, 2023	[ICRA]A1+	Jun 07, 2022	[ICRA]A1+
								Sep 30, 2022	[ICRA]A1+
Unallocated limits	Short term	12.90	[ICRA]A1+	Sep 23, 2024	[ICRA]A1+	Sep 29, 2023	[ICRA]A1+	Jun 07, 2022	[ICRA]A1+
								Sep 30, 2022	[ICRA]A1+
Fixed deposit	Long term	-	-	Sep 23, 2024	[ICRA]A+ (Stable); reaffirmed and withdrawn	Sep 29, 2023	[ICRA]A+ (Stable); Put on notice for Withdrawal	Jun 07, 2022	[ICRA]A+ (Stable)
								Sep 30, 2022	[ICRA]A+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund based - Working capital facilities	Simple
Long term - Fund based - Unallocated	NA
Short term - Non-fund based - Working capital facilities	Very Simple
Short term - Non-fund based - Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term - Fund based - Working capital facilities	NA	NA	NA	50.00	[ICRA]A+ (Stable)
NA	Long term - Fund based - Unallocated	NA	NA	NA	50.00	[ICRA]A+ (Stable)
NA	Short term - Non-fund based - Working capital facilities	NA	NA	NA	47.10	[ICRA]A1+
NA	Short term - Non-fund based - Unallocated limits	NA	NA	NA	12.90	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
JOCIL Ltd	55.02%	Full consolidation
The Andhra Farm Chemicals Corporation Limited*	77.35%	Full consolidation
Hindustan Allied Chemicals Limited*	76.82%	Full consolidation
The Andhra Petrochemicals Limited	34.23%	Equity method

Source: Annual report FY2025; *Not Operational

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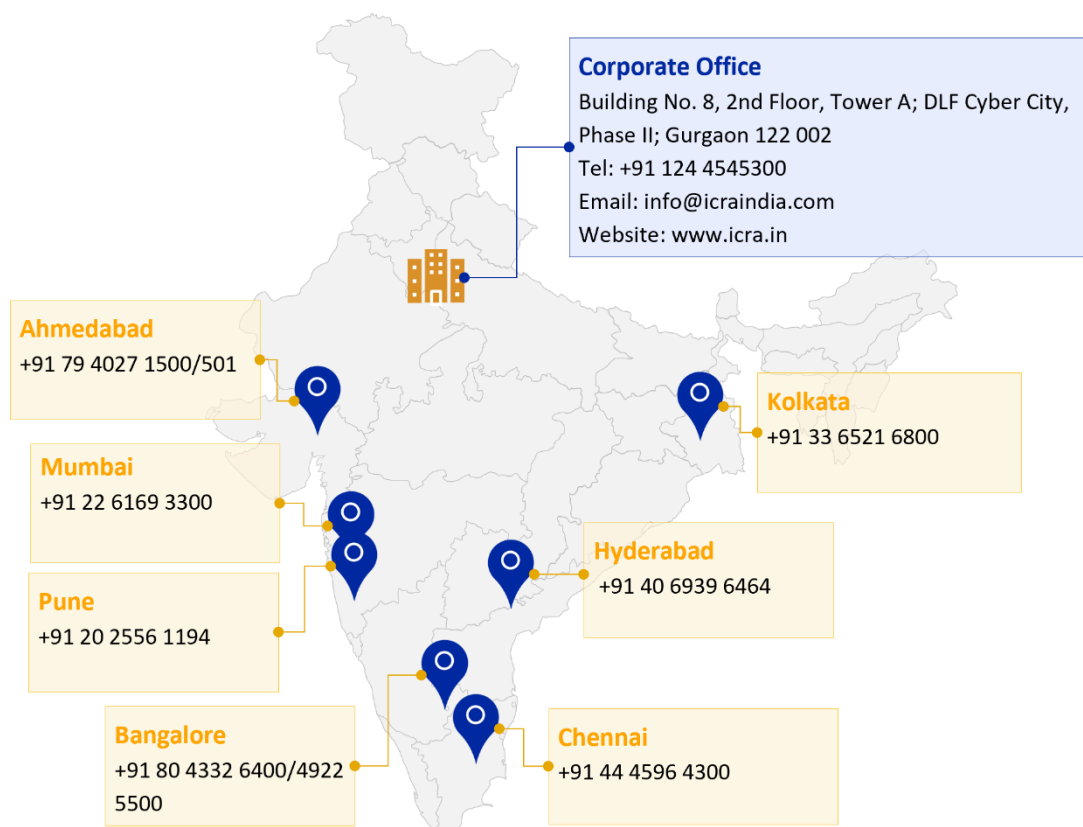
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