EID Parry (India) Ltd — 14 Aug 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	**CRISIL AA** → **CRISIL AA-** (Downgrade by 1 notch)
Outlook	Stable (Current) vs Stable (Previous)
Key Drivers of Change	• **Profitability Squeeze:** Weak performance in sugar, co-gen, and refinery segments in FY25; recovery in FY26 expected to be modest, not material. • **Elevated Debt:** Total debt rose to **₹1,300 Cr** in FY25 due to higher working capital needs and subsidiary support, limiting deleveraging prospects. • **Weakened Coverage:** Interest coverage ratio projected to drop to **~2.5x** (vs 2.9x in FY24), signaling reduced cushion for debt servicing. • **Refinery Stress:** PSRIPL (refinery sub) hit by global oversupply and narrowed spreads; net profit impacted by losses in Dubai-based subsidiary (Parry DMCC).
Rated Instruments	• **Commercial Paper:** ₹650 Cr (CRISIL A1+) • **Cash Credit:** ₹500 Cr (CRISIL AA-/Stable) • **Term Loans:** ₹294.5 Cr (CRISIL AA-/Stable) • **Working Capital Demand Loan:** ₹300 Cr (CRISIL AA-/Stable)
Key Observations	**(+)** Superior financial flexibility via **56.18% stake** in Coromandel International (CIL) and Murugappa Group backing. **(+)** Distillery capacity expanded to **582 KLPD** (from 417 KLPD); ethanol expected to drive FY26 revenue. **(+)** Dividend income of **>₹200 Cr** from CIL provides a critical cash flow floor. **(-) TOL/TNW** remains high at **2.26x**; standalone net worth eroded by losses in refinery/trading arms. **(-)** Heavy regulatory risk: Ethanol pricing and sugar export restrictions remain "monitorables." **(-)** Working capital intensive: Inventory builds in sugar business keep debt levels sticky.
Investor Impact	• **Margins:** Core sugar EBITDA under pressure; refinery business is currently a drag on ROCE. • **Leverage:** Debt is higher than anticipated for an AA-rated entity; no immediate deleveraging trigger. • **Equity Value:** Trading significantly below the "Sum of Parts" value of its CIL stake, but standalone operational weakness justifies the holding company discount.
Agency / Cross Analysis	**Same Agency:** CRISIL shifted from a positive/stable stance to a downgrade. While previous reviews focused on "integration benefits," this review highlights that **distillery gains are being offset** by sugar/refinery losses and sticky debt levels. The agency now views the business risk profile as "moderate" rather than "strong." **Conclusion: Deterioration.** The downgrade confirms that internal cash accruals are insufficient to fund both working capital and debt reduction.
Final Inference	**Risk Signal:** This is a fundamental downgrade. While the Murugappa Group pedigree and CIL dividends prevent a freefall, EID Parry's core operations (Sugar + Refinery) are struggling to remain self-sustaining without high leverage.