EID Parry (India) Ltd — 29 Jan 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	Reaffirmed at **CRISIL AA / CRISIL A1+** (0 notches moved)
Outlook (Current vs Previous)	**Stable** vs **Stable**
Key Drivers of Change	1. **Ethanol Policy Pivot:** Removal of diversion restrictions for EY2025 and price hikes to ~₹65/litre to boost distillery margins. 2. **Asset Value Backstop:** Holding of ~56% stake in Coromandel International (CIL) valued at **~₹50,000 Cr**, providing massive financial flexibility. 3. **Capacity Expansion:** Distillery capacity increased to **582 KLPD**; expected to mitigate sugar cyclicality. 4. **Operational Headwinds:** Lower sugarcane recovery and global oversupply in refinery (PSRIPL) causing short-term margin compression.
Rated Instruments	• **Commercial Paper:** ₹650 Cr (CRISIL A1+) • **Cash Credit:** ₹500 Cr (CRISIL AA/Stable) • **Term Loans:** ₹294.5 Cr (CRISIL AA/Stable) • **Short Term Loans:** ₹230 Cr (CRISIL A1+)
Key Observations	**Strengths:** • Part of ₹78,000 Cr Murugappa Group with strong parental support. • Integrated model (Sugar + Co-gen + Distillery) reduces earnings volatility. • Steady dividend inflow from CIL (₹1,300 Cr received between FY18-24). **Concerns:** • **H1 FY2025 Performance:** Reported Consol. (ex-CIL) loss of **₹175 Cr** (vs ₹110 Cr profit YoY). • **Interest Coverage:** Dropped to **~2.5x** (est. FY25) from 3.1x (FY24) due to higher debt. • **Inventory Risk:** Debt levels expected to remain elevated due to high working capital/sugar stocks. • **Subsidiary Drag:** PSRIPL (Refinery) margins under pressure due to global raw/white sugar spreads.
Investor Impact	• **Margins:** Near-term compression (2-2.5% EBITDA in FY25) but expected recovery to **4-5% in FY26** as ethanol volumes ramp up. • **Leverage:** Debt/Equity remains adequate but TOL/TNW is sensitive to inventory levels. • **Valuation:** Significant "HoldCo Discount" likely, as the CIL stake value (~₹50k Cr) far exceeds the sugar business valuation. • **Dilution Risk:** Minimal; liquidity is bolstered by potential stake sales (like the 4% CIL stake sold in 2021).
Agency / Cross Analysis	**Same Agency (CRISIL):** Ratings maintained despite a weak H1 FY25 (net loss). The agency is looking past current earnings volatility, betting on the **EY2025 Ethanol policy** and the credit strength of the Murugappa Group. Compared to the last review, the focus has shifted from "Refinery Growth" to "Distillery Resilience" as the primary driver.
Final Inference	A "Safety First" credit profile. While the core sugar/refinery business is currently struggling with losses and lower recovery, the **CIL stake acts as a massive equity cushion**, making a rating downgrade unlikely despite mediocre operational financials.