

EID Parry (India) Ltd — Rating update 2d Credit Rating Summary

Section	Details
Agency	CARE Ratings (CareEdge)
Rating Change	CARE A1+ (Reaffirmed)
Outlook (Current vs Previous)	Not Applicable (Short-term rating)
Key Drivers of Change	CIL Valuation Anchor: 55.58% stake in Coromandel International (CIL) valued at >₹33,000 Cr, offering massive financial flexibility. Subsidiary Drag (PSRIPL): Board decided to close PSRIPL refinery, leading to ₹401 Cr write-off in FY26 and ₹591 Cr guarantee provision. Capital Support: Post-FY26, EID infused ₹610 Cr (with ₹130 Cr more committed) to settle PSRIPL's third-party debts. Dividend Dependency: Received ₹298 Cr dividend from CIL in FY26 (up from ₹199 Cr), which now accounts for the bulk of profitability as core sugar/CPG segments reported operating losses.
Rated Instruments	Commercial Paper: ₹650 Cr
Key Observations	Group Strength: Part of the ₹87,100 Cr Murugappa Group, ensuring superior banking access and liquidity. Integrated Model: 40,800 TCD sugar capacity + 582 KLPD distillery; ethanol blending program is the primary growth hedge against sugar cyclicity. Wealth Creation: Realized ₹298.65 Cr by selling 1.5 million CIL shares in FY26. Cost Pressure: Sugarcane costs rose to ₹4,025/MT (from ₹3,718/MT), squeezing sugar margins. CPG Rationalization: Revenue moderated due to intentional exit from low-margin bulk categories and inventory write-offs of ₹10-15 Cr. Regional Risk: Concentration in South India (TN/AP/KA) exposes EID to lower cane yields compared to North India. Balance Sheet Stress: Adjusted gearing (inc. LOCs) rose to 1.35x due to asset impairments and subsidiary support.
Investor Impact	Leverage: Standalone gearing spiked from 0.49x to 1.05x; however, net debt remains comfortable relative to the market value of CIL shares. Margins: Reported a heavy net loss of ₹708.28 Cr in FY26 (vs ₹428.30 Cr loss in FY25) due to one-time cleanup of PSRIPL. Dilution Risk: Low; company prefers using internal accruals/CIL dividends and minor stake sales in CIL to fund losses rather than equity dilution.
Agency / Cross Analysis	Same Agency: CARE maintained the highest short-term rating despite a 65% increase in PAT losses. This reflects a shift in focus from the P&L (hit by impairments) to the Balance Sheet (backed by CIL equity). Financial Alignment: While interest coverage improved (2.36x → 3.42x), the sharp rise in gearing would typically trigger a negative outlook, but the Murugappa Group lineage and CIL liquidity act as a credit floor. Conclusion: Inconsistency between P&L health and Credit Rating exists, but is justified by the "Holding Company" valuation of the CIL stake.
Final Inference	The rating reaffirmation is a " Liquidity over Profitability " signal. EID is flushing out its "bad bank" (PSRIPL) via massive one-time write-offs, cleaning the balance sheet for a core sugar-ethanol recovery in FY27.