EID Parry (India) Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Weak Miss **One-line:** Widening standalone losses due to lower cane availability and high inventory carrying costs overshadowed a strong scale-up in the new Staples business and a narrowing of losses in the Refinery subsidiary.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	Standalone loss widened to □78.59 Cr vs □45.77 Cr YoY; revenue growth driven by low-margin trading.	□
Earnings Quality	Low (Working Capital)	Significant inventory buildup (□300 Cr) driving increased short-term borrowing; CFO significantly trails PAT.	□
Guidance Confidence	Neutral	Management expects to match last year's crushing despite TN challenges; relies heavily on favorable policy shifts.	□
Management Credibility	Strong	Transparent about Distillery margin compression (single digits vs 20% target) and the "learning phase" in Staples.	□
Business Quality Signal	Stable	Structural shift from pure commodity to FMCG (Consumer Products) is gaining traction (□216 Cr revenue).	□
Key Q&A Exchange	Q# 11 - Sourcing	Management admitted the sourcing profit pool is critical and they are still "learning" the hyperlocal supply chain.	□
The Street's Primary Anxiety	Policy & Margins	Analysts pressed on the lack of Ethanol price hikes and stagnant Sugar MSP vs rising FRP.	□
Capital Cycle Stage	Investment	Expanding Distillery capacity (Haliyal/Nellikuppam) and investing in Staples distribution (1.5L outlets).	□
Margin / Return Ratio Trajectory	Deteriorating	Standalone EBITDA loss widened; Distillery margins compressed by high grain costs and stagnant ethanol prices.	□
Pricing Power	Eroding	Sugarcane FRP increased by 8% while MSP remains stagnant; Distillery prices are controlled by OMCs.	□
FCF Conversion & Quality	Weak	Negative conversion due to □300 Cr inventory spike and lower release quotas.	□
Competitive Moat Signals	Stable	Leveraging "Parry's" brand equity into Staples (Rice/Pulses/Millets) to reduce commodity cyclicality.	□
Balance Sheet Strength	Adequate	Short-term loans up to fund inventory, but consolidated debt remains manageable at □1,157 Cr.	□
Working Capital Efficiency	Deteriorating	Inventory days increasing due to lower domestic release orders and export prohibitions.	□
Mgmt Guidance Track Record	First entry	Initial baseline; targets for FY25 crushing appear ambitious given climate impact.	□
Key Vulnerability / Red Flag	Policy Paralysis	Business remains highly sensitive to GOI decisions on export bans and ethanol feedstock pricing.	□
Management Tone	Cautious	Realistically grounded on agriculture/policy headwinds while enthusiastic about the "Asset-Light" Staples pivot.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The Consumer Product Group (CPG) is successfully scaling beyond sugar, with Staples (Rice/Pulses) contributing □51 Cr in its launch quarter and exiting June with a □25 Cr monthly run-rate. The Sugar Refinery (PSRIPL) saw a significant turnaround, with EBITDA turning positive (□13.24 Cr) and losses narrowing drastically as it shifts toward institutional value-added segments ($10–$25/MT premium). Nutraceuticals have stabilized and are poised for European exports by Q3 FY25. * **Negatives:** Core standalone profitability is under severe pressure; EBITDA loss nearly doubled YoY. Sugarcane crushing in Q1 collapsed by 52% YoY due to climate impacts in Tamil Nadu. The Distillery segment, once a high-margin engine (20%+), has seen margins compress to single digits because the government hasn't raised ethanol prices to offset the 8% hike in Fair and Remunerative Price (FRP). * **Street Concern & Watchpoint:** The primary analyst concern is the "Staples" sourcing efficiency; management is currently using an asset-light model but lacks a fully integrated supply chain, which could cap long-term margins. **Watchpoint:** A revision in the Minimum Selling Price (MSP) for sugar or a hike in ethanol prices from OMCs is the only immediate catalyst for a standalone profit turnaround.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures primary; Concall used for commentary and missing granular data.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Vol (LMT)	1.93	↓ 51.9%	First entry	↓	Lower volume due to climate impact in Tamil Nadu; 65 days of crushing.
Recovery (%)	8.60%	↓ 45 bps	First entry	↓	Impacted by deficient monsoon and El Nino effects in previous year.
Sugar Realization (□/kg)	38.60	↑ 6.0%	First entry	↑	Better sales realization offset by 13% drop in sales volume (release quotas).
Ethanol Volume (LL)	217	↓ 2.7%	First entry	→	Volumes maximized where possible; switch to grain-based feedstock in AP.
Ethanol Realization (□/L)	64.31	↑ 5.3%	First entry	↑	Blended realization includes grain-based ethanol; prices stagnant for sugarcane feedstock.
Revenue (Standalone □Cr)	751	↑ 7.6%	First entry	↑	Growth driven by CPG/Staples scale-up; offset by lower sugar volumes.
EBITDA (Standalone □Cr)	(28.59)	↓ 95.4%	First entry	↓	Loss widened due to lower cane crush and higher distillery input costs.
PAT (Standalone □ Cr)	(78.59)	↓ 71.7%	First entry	↓	Impacted by high interest costs and lower operating margins.
Net Debt (Consol □ Cr)	1,157	↑ 6.9%	First entry	↓	Increase in short-term borrowing to fund higher inventory (□300 Cr).
ROCE (Refinery %)	NA	NA	First entry	→	ROCE mentioned as NA in PPT due to negative capital employed ($12.24 Mn).

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Result (₹ Cr)	Trend	vs Co. Avg	Key Development
Sugar (Standalone)	251	↓ 25.3%	(59)	↓	Laggard	Hit by lower domestic release orders and export ban.
Distillery (Standalone)	263.2	↑ 26.2%	12	↓	Growth engine	Margins compressed to single digits; dual-feedstock utilized.
CPG / Staples	216	↑ 67.4%	(12)	↑	High Growth	Staples contributed ₹51 Cr; June monthly run-rate ₹25 Cr.
Refinery (PSRIPL)	1,213	↑ 99.5%	(7)	↑	Recovery	EBITDA positive (₹13.24 Cr); focus on niche institutional segments.
Nutraceuticals	65.7	↑ 19.5%	1	↑	Stabilizing	Europe certification expected; billing to start by Q3 FY25.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Crushing Volume	Aiming to match last year's crushing volume for FY25.	Requires significant catch-up in winter season; Q1 was down 50% YoY.	First entry	**High** (Climate/ Yield)
Guidance	Nutra Billing	Start billing to Europe from Q3 FY25.	Subject to certification finalization in next 2 weeks.	First entry	Medium (Reg)
Strategy	CPG Scaling	Build a larger value in Staples beyond the current ₹25 Cr/month.	Needs distribution expansion beyond 1.5L outlets into rural clusters.	First entry	Low
Strategy	Refinery Mix	Take institutional segment to 33%+ of sales (currently 10-15%).	Requires doubling current institutional volumes; feasible given port access.	First entry	Low
Macro	Policy	Awaiting Ethanol price hikes and MSP revision.	Completely external dependency; no timeline from GOI.	First entry	**High**
Balance	Debt Management	Working capital spike is temporary (inventory).	Dependent on GOI release orders to liquidate stock; carrying costs are high.	First entry	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Gautham / Nalanda	Pricing Strategy	Business Overview	Thought process behind pricing "Parry Gold" Brown Sugar at □80 vs existing □100.	Management is using penetrative pricing for crystal brown sugar to generate consumer trials. This indicates a focus on volume over margin to establish the category.	None	4.0	Clear Strategy
2	3.5	Gautham / Nalanda	Monthly Run-rate	Financials	What was the exit run-rate for June for Jaggery + Amrit?	June sales were 400 tons out of 1,800 tons for the quarter. Indicates steady momentum but not an exponential exit spike.	None	5.0	Specific Data
3	4.5	Gautham / Nalanda	Staples Momentum	Business Overview	Month-on-month growth and exit run-rate for pulses/ staples.	Revenue grew from □10 Cr in April to □25.2 Cr in June. Confirms rapid scaling of the non-sweetener segment.	None	5.0	Quantified
4	3.0	Gautham / Nalanda	Distribution	Business Overview	Traction and number of distribution points.	Reached 1.5 lakh outlets across South India with good traction. Validates the strength of the Murugappa distribution network.	None	4.0	Verifiable
5	2.5	Gautham / Nalanda	R&D Products	Business Overview	Opportunity in "Green Grow"	Product is a soil-less growing		3.0	Vague

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					(bagasse-based media).	medium for greenhouses; currently in customer development for export/ domestic markets. Long-term optionality but not yet material to revenue.	Specific financials/ TIMELINE		
6	4.0	Gautham / Nalanda	Certification	Business Overview	Update on European certification for Nutraceuticals.	Certification expected in weeks; billing to commence from Q3 FY25. Critical for the turnaround of the loss-making Nutra segment.	None	4.0	Time-bound
7	3.5	Chirag Jain / Yogya	Capacity Mix	Capex and Allocation	Split between sugarcane, rice, and maize capacity in distilleries.	Total capacity 582 KLPD; 120 KLPD is dual-feedstock (currently running on grain). Highlights flexibility to navigate sugarcane diversion bans.	None	5.0	Specific
8	3.0	Chirag Jain / Yogya	Conversion Cost	Capex and Allocation	Cost of converting 100 KLPD sugar distillery to multi-grain.	Management is currently evaluating the CAPEX vs returns. Effectively deferred the question until a decision is made.	Exact cost figure	2.0	Hedged
9	3.0	Chirag Jain / Yogya	Strategy Shift	Management Outlook	Will the focus shift more to	Staples is "asset-light" and	None	4.0	Strategic

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					Staples vs Sugar?	independent of sugarcane operations; not a replacement for sugar. Clarifies that the business is diversifying risk, not exiting core.			
10	3.0	Bharat Sheth / Quest	Segment Revenue	Financials	Split of June revenue between sweetener and staples.	Sweetener (□60 Cr) and Non-Sweetener (□25 Cr) for June. Provides clarity on the scale of the "new" business relative to the "old."	None	5.0	Quantified
11	4.5	Bharat Sheth / Quest	Sourcing Strategy	Management Outlook	Sourcing strategy for Staples and leveraging Coromandel.	Currently sourcing from millers hyperlocally; exploring Coromandel connect as the business builds "muscle." Admission that sourcing profit pools are the next stage of evolution.	Coromandel integration details	3.0	Learning Phase
12	4.0	Sanjay Manyal / DAM	Crushing Outlook	Management Outlook	Crushing expectations for the next season.	Aspiring to match last year’s numbers but admitted challenges in Tamil Nadu. High-risk guidance given the	Specific volume targets	3.0	Aspirational

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						50% Q1 drop.			
13	4.0	Sanjay Manyal / DAM	Recovery Rates	Business Overview	Structural measures to improve recovery rates in South India.	UP varieties don't replicate well in the South; focus is on yield improvement and hyperlocal varieties. Signals recovery will likely stay in the 8-9% range, capping profitability.	None	4.0	Realistic
14	4.5	Suresh Kannan / PSRIPL	Refinery Spreads	Business Overview	Why hasn't the refinery benefited from high global prices?	Strategy is shifting from bulk trade to niche institutional segments ($10-$25 premium). Implies that bulk spreads were volatile and the company is moving toward sticky, higher-margin B2B.	None	4.0	Structural Shift
15	3.5	Divesh Vora	Working Capital	Financials	Why has short-term debt increased?	Funded a □300 Cr inventory spike. Directly links balance sheet stress to government release order policies.	None	5.0	Transparent

PATTERN FLAGS & SENTIMENT * **Theme Cluster 1: Staples Pivot.** Analysts were highly focused on the unit economics and sourcing of the new Staples business. Management's posture was one of "early-stage learning," emphasizing distribution first and sourcing efficiency later. The concern about low gross margins in trading-heavy models remains live and will likely be the focus of the next two quarters. * **Theme Cluster 2: Distillery Margin Compression.** There is clear anxiety regarding the single-digit EBITDA margins in what was supposed to be a high-growth, high-margin segment. Management deferred responsibility to government policy (Ethanol pricing), suggesting that without a price hike, the distillery expansion might yield lower-than-expected IRRs. * **Analyst Sentiment Verdict:** Analysts appeared cautiously optimistic about the Refinery turnaround and Staples scale-up but remained skeptical about the core Standalone segment's ability to return to profitability in the absence of policy support. Management's transparency about climate challenges and Distillery margin pain helped maintain credibility, though the lack of an immediate "fix" for sugar margins keeps the stock in a "wait-and-watch" mode. The greatest risk remains the ambitious target to match last year's crushing volume despite a poor start.

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.