

EID Parry (India) Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss **One-line:** EID Parry is navigating a structural margin squeeze in its core sugar business by aggressively pivoting toward a higher-margin Consumer Products (CPG) brand and maximizing distillery throughput, though the "Refinery Bailout" and lack of policy relief on ethanol pricing remain heavy weights on the thesis.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss	Consol. Revenue down 16% YoY; Sugar volumes down 20% on lower govt release orders.	□
Earnings Quality	Low	Impacted by ₹36 Cr impairment in Nutraceuticals; PBT remains in the red at ₹(60) Cr.	□
Guidance Confidence	Neutral	Management expects better crushing on good monsoon but remains hostage to government ethanol pricing.	□
Management Credibility	Neutral	Transparent about shifting away from low-realization bulk sugar, but the ₹350 Cr infusion into PSRIPL raises capital allocation questions.	□
Business Quality Signal	Stable	The shift to Value Added Products (VAP) in CPG (12% saliency vs 8% LY) indicates brand pull.	□
Key Q&A Exchange	Q# 1 - Sweeteners	Management jettisoning bulk sugar to focus on high-realization channels despite volume drops.	□
The Street's Primary Anxiety	Policy Paralysis	Lack of Ethanol price hikes for 3 years despite FRP increases; mgmt has no timeline for relief.	□
Capital Cycle Stage	Consolidation	Capex cycle concluded; now focused on 90-95% distillery utilization and CPG distribution.	□
Margin Trajectory	Deteriorating	Standalone PBT loss narrowed YoY but remains pressured by the ₹3,844/MT cane cost (+10% YoY).	□
Pricing Power	Fragmented	Strong in CPG (Premium Sugar/Staples), but zero in Ethanol/Bulk Sugar (Price-taker from GOI).	□
FCF Conversion & Quality	Weak	Negative PBT and rising short-term debt (₹1,100 Cr) for molasses stocking indicate cash strain.	□
Competitive Moat Signals	Widening	Distribution expansion in Staples (Rice/Pulses) and VAP sugar helps de-risk from the commodity cycle.	□
Balance Sheet Strength	Adequate	Supported by the ₹350 Cr infusion; debt primarily short-term for working capital.	□
Working Capital Efficiency	Deteriorating	Inventory carrying and molasses procurement driving short-term borrowing up.	□
Mgmt Guidance Track Record	Mixed	Crushing volumes up 10% YoY, but recovery (8.02%) was a significant drag vs LY (8.60%).	□
Key Vulnerability	Policy Hostage	Standalone viability depends on an MSP hike (to ₹40+) or Ethanol price revision.	□
Management Tone	Realistic	Grounded in agri-headwinds but firm on "Premiumization" strategy for the brand.	□

Sentiment: Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The **Consumer Products Group (CPG)** is successfully premiumizing; VAP saliency rose to 12%, and non-sweetener (Staples) volumes grew 40% YoY. **Distillery production** grew 6% YoY, operating at high utilization (90%+), which remains the primary shield against sugar losses. * **Negatives:** The **Sugar segment** is fundamentally broken at current policy levels; cane costs rose 10% (FRP impact) while the segment PBIT remains negative. The **Refinery (PSRIPL)** required a ₹350 Cr parent bailout to stabilize its net worth after multi-year spread compression, indicating it remains a volatile "capital sink." * **Street Concern:** Analysts are wary of the "value trap" dynamic where the lucrative Coromandel dividend and distillery profits are consumed by structural losses in sugar and unpredictable refinery cycles. Management's admission that sugar viability requires ₹40/kg (vs current ₹38-39) highlights the depth of the policy gap. * **Watchpoint:** Monitor the upcoming Sugar Year (Oct-Sep) crushing data. While monsoon is positive, the recovery rates in TN/KA will determine if the company can offset the higher FRP costs.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary.

Metric	Current Qtr (Q1FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Volume (LMT)	2.11	↑ 9.3%	↓ (Seasonal)	↑	Higher cane volumes despite 44% lower crushing days (37 vs 66 LY).
Recovery (%)	8.02%	↓ 58 bps	↓ (Seasonal)	↓	Recoveries were under pressure compared to 8.60% LY.
Sugar Realization (₹/kg)	41.87	↑ 8.5%	↑ 6.4%	↑	Driven by focus on better realization channels and lower bulk sales.
Ethanol Volume (LL)	260	↓ 13.3%	↓ 1.1%	↓	Part of 413 LL total distillery sales; realization at ₹67.59/L.
Ethanol Realization (₹/L)	67.59	↑ 5.1%	↑ 0.9%	↑	Improvement in average realization despite no OMC price hike.
Distillery Utilization (%)	90%	→	→	→	Maintaining high utilization; aiming for 95% in FY26.
Revenue (Consol ₹Cr)	1,688	↓ 16.4%	↓ 45.1%	↓	Impacted by lower sugar release orders and refinery volume drop.
PAT (Consol ₹Cr)	(60)	↑ 36.2%	↑ 39.4%	↑	Loss narrowed from ₹94 Cr LY; includes ₹36 Cr Nutra impairment.
CPG Revenue (₹ Cr)	192	↓ 11.1%	↓ 1.5%	↓	Volume drop in sweetener (lower quota) partly offset by 33% staples growth.
Net Debt (Consol ₹Cr)	1,640	↑ 41.7%	↑ 55.4%	↓	Rise in short-term debt for molasses sourcing and PSRIPL needs.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Margin (PBIT)	Trend	vs Co. Avg	Key Development
Sugar	1,258	↓ 22.5%	(2.4%)	↑	Above	PBIT loss narrowed to ₹30 Cr from ₹55 Cr LY.
Distillery	296	↑ 12.5%	Positive*	↑	Above	Sales volume 413 LL; realization up to ₹67.6/L.
Refinery (PSRIPL)	908	↓ 25.1%	0.07%	↑	Below	Narrowly positive PBT (\$0.08 Mn) after equity infusion.
Consumer Products	192	↓ 11.1%	(8.9%)	↓	Below	Focus on Browns (32% vol growth) and Staples (Rice/ Pulses).
Nutraceuticals	27	↓ 53.4%	(37.0%)	↓	Below	Hit by Alimtec closure and ₹86 Cr impairment.
*PBIT margin not explicitly split for Distillery in consol table, but noted as primary profit driver.						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distillery	Aiming for 95% capacity utilization in FY26.	Needs steady feedstock; currently at 90%+.	On Track	Low
Guidance	Sugar Viability	Needs MSP hike to "early 40s" (₹40+/kg) for meaningful profit.	Current realization is ₹41.87 (avg); needs consistent bulk floor.	Missed	High
Strategy	CPG Expansion	Focus on Brown sugar (non-quota) and Staples (Rice/ Pulses).	Staples grew 33% value YoY; Brown vol up 32%.	On Track	Medium
Strategy	Refinery	Strengthening net worth via ₹350 Cr infusion to reduce debt.	ROI depends on volatile white sugar spreads (\$80-100/MT).	Missed	High
Strategy	Bio-Bio Feed	Exploring repurposing distilleries to dual-feed (Grain + Molasses).	Subject to policy clarity and internal capex evaluation.	New Focus	Medium
Macro	Crushing	Positive outlook for MH/KA/TN due to good monsoon.	Crushing volume up 10% in Q1; recovery is the variable.	On Track	Low
Balance	Debt	External borrowings to stay around ₹1,100-1,600 Cr range.	Dependent on inventory liquidation (release orders).	Deteriorating	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Rajesh Majumdar / B&K	CPG Volume/Quota	Business Overview	"How do we read into the volumes of the consumer part... as in the entire sale is quota driven?"	Management explained they are focus on value-added browns (less quota restricted) and may explore third-party packing to bypass internal quota limits. This confirms the CPG segment's strategy to decouple from the restrictive domestic release quota system.	Specific timeline for third-party packing	4.0	Directional evidence
2	4.0	Rajesh Majumdar / B&K	Refinery Strategy	Financials	"What's really going on here in terms of the refinery business [infusing more capital]?"	Management stated the ₹350 Cr infusion was specifically for debt reduction to strengthen PSRIPL's balance sheet after closing non-strategic UAE units. This signals a "defensive" capital allocation to protect the parent's investment.	Expected ROE on the new capital	3.0	Deflected/Hedged
3	4.5	Rajesh Majumdar / B&K	Debt Spike	Financials	"We've seen a sharp increase in short-term debt... why has that happened?"	Management attributed the spike to forward-contracting molasses for distillery expansion and rising receivables in the CPG business. This indicates a temporary working capital bulge but	None	4.0	Clear and quantified

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						pressures near-term interest costs.			
4	5.0	Sanjay Manyal / DAM	Ethanol Pricing	Financials	"Is there any clarity... on a possibility of any ethanol price hike?"	Management admitted that the last 3 years saw zero price increases while cane costs (FRP) rose annually, calling the situation "concerning." This confirms EID is in a structural margin trap until the government intervenes.	Timeline for GOI decision	2.0	Policy hostage
5	3.5	Sanjay Manyal / DAM	Feedstock Mix	Business Overview	"How are our margins in the separate grain part as well as in molasses?"	Management noted both maize and molasses are profitable but declined to split the margin delta. This suggests the pivot to grain is a risk-mitigation tool rather than a superior margin play.	Specific margin delta	2.0	Strategic shift
6	4.0	Ritwik Sheth / One Up	CPG Strategy	Management Commentary	"What kind of distribution are we targeting... are we looking to add more SKUs?"	Management is targeting aggressive numerical distribution growth and new SKUs in the "food spaces" but kept plans "rudimentary." This implies the Staples business (Rice/ Pulses) is still in the early investment phase.	Specific store count targets	3.0	Vague/ Neutral
7	4.0						None	4.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Vaishnavi / Craving Alpha	2030 Vision	Management Commentary	"How do we see our position for 2030... agri or energy sector?"	Management sees a dual-path focus: Bioenergy (Ethanol/SAF) and CPG (Brand), indicating a long-term goal to move away from cyclical sugar. This reinforces the "Transformation" thesis.			Thesis confirmed

PATTERN FLAGS & SENTIMENT * Refinery Skepticism: Analysts are clearly troubled by the capital infusion into the refinery. Management's posture was defensive, framing the ₹350 Cr as a "net worth strengthening" move rather than an expansionary one, which leaves the ROI on this capital in limbo. * **Ethanol Price Frustration:** A recurring theme was the 3-year stagnation in ethanol prices. Management appeared frustrated by the "FRP up, Ethanol flat" squeeze, signaling that internal efficiencies have been exhausted and growth now relies on New Delhi's pen. * **CPG Pivot Confidence:** In contrast, management sounded most confident when discussing the shift from "Loose to Branded" and the growth in Brown sugar. This is the only segment where they claim control over their destiny.

Analyst Sentiment Verdict: ☐ **Neutral / Cautious.** Analysts were appreciative of the distillery's operational performance and CPG growth but remained skeptical of the refinery's recovery and the standalone sugar segment's viability. The primary unresolved issue is the **capital allocation toward PSRIPL**, which investors fear may dilute consolidated returns.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY25 Context)	This Quarter (Q1FY26)	Direction
Sugar Realization	₹39.37 / kg	₹41.87 / kg	↑
Cane Cost (FRP)	₹3,768 / MT	₹3,844 / MT	↓
Refinery PBT	₹(99) Cr Loss	₹0.67 Cr Profit (\$0.08 Mn)	↑
Distillery Realization	₹66.98 / L	₹67.59 / L	↑
CPG Mix	8% VAP Saliency	12% VAP Saliency	↑
Inventory Levels	1.90 LMT Sugar	1.20 LMT Sugar	↑
External Borrowing	₹1,055 Cr (Standalone)	₹1,100 Cr (Standalone)	↓
Nutraceuticals	Operational focus	Discontinued Alimtec; ₹36 Cr Impairment	↓
Recovery Rate	10.80% (H2 Season avg)	8.02% (Q1 Crushing)	↓

INVESTOR NOTE: The Trajectory Signal is **Mixed**. While the refinery has technically reached a PBT break-even and sugar realizations have hit the ₹41+ mark, the sharp drop in recovery rates (8.02% vs 8.60% LY) and the

rising short-term debt for molasses stocking create a liquidity drag. The **CFO-to-PAT ratio** remains distorted by a negative PAT; however, the **Forensic Trigger** this quarter is the **₹350 Cr parent infusion** into the refinery to save its net worth. This indicates that despite the "break-even," the subsidiary's balance sheet is too weak to self-sustain. The long-term thesis depends on whether CPG can scale fast enough to make the Coromandel dividend a "growth engine" rather than a "subsidy."