EID Parry (India) Ltd — Feb 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Standalone) / Weak Miss (Consolidated) **One-line:** The core structural pivot toward a high-margin distillery (582 KLPD target) remains on track, but the thesis is currently weighed down by significant one-off "accident" costs and high debt in the refinery subsidiary.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Standalone revenue growth of 6% YoY; operational sugar metrics stable.	□
Earnings Quality	Low (One-off driven)	Consolidated results severely impacted by □105.62 Cr (9M) "accident" clearance costs in Refinery.	□
Guidance Confidence	Neutral	Distillery commissioning timeline maintained, but cane availability risks in Q4 flagged.	□
Management Credibility	Neutral	Transparent about operational accidents, but refinery continues to be a persistent "drag."	□
Business Quality Signal	Improving	Massive shift to Ethanol (582 KLPD goal) structurally de-risks the sugar cyclicality.	□
Key Q&A Exchange	Q#4 - Refinery Drag	Analysts questioning the strategic logic of holding the high-debt refinery business.	□
The Street's Primary Anxiety	Refinery Solvency	□760 Cr short-term debt and persistent losses in the refinery subsidiary.	□
Capital Cycle Stage	Investment	Heavy capex (□268 Cr for FY24) into distillery expansions (Nellikuppam & Haliyal).	□
Margin / Return Ratio Trajectory	Deteriorating	Standalone EBITDA margins slightly compressed (8.7% vs 10.5% YoY) due to coal/fuel costs.	□
Pricing Power	Stable	Sugar realizations improved to □36.24/kg; Ethanol prices protected by Govt mandates.	□
FCF Conversion & Quality	Distorted	High working capital in Refinery (□761 Cr ST debt) offsets standalone debt reduction.	□
Competitive Moat Signals	Stable	Strong catchment area management; "zero cane dues" status implies high farmer loyalty.	□
Balance Sheet Strength	Stressed (Consolidated)	Standalone debt low (□169 Cr), but refinery debt is high and requires parental support.	□
Working Capital Efficiency	Deteriorating	Short-term borrowings at refinery increased to □760.65 Cr from □648.41 Cr in March.	□
Mgmt Guidance Track Record	Reliable	Sankili 120 KLPD commissioned on time; grain-based project nearing completion.	□
Key Vulnerability / Red Flag	Supply Poaching	Maharashtra production drop leading to cane poaching in EID's Karnataka catchment areas.	□
Management Tone	Cautious	Confident in ethanol expansion but wary of input costs and subsidiary volatility.	□

Key Takeaways (Positives & Negatives):

Positives: * **Ethanol Scaling:** Sankili 120 KLPD distillery commissioned in Jan 2023; total capacity targeting 582 KLPD by FY25. This creates a structural earnings floor less dependent on volatile sugar prices. * **Operational Efficiency:** Sugar recovery improved 10 bps YoY to 10.49%; Standalone 9M PAT grew 97% YoY (₹114 Cr) despite cost headwinds. * **Working Capital discipline:** Management maintained "zero cane dues" status, crucial for maintaining long-term cane security and farmer relationships.

Negatives: * **Refinery Burden:** The refinery subsidiary (PSRIPL) is a major drag, reporting a ₹208 Cr 9M PBT loss, exacerbated by ₹105 Cr in "accident" clearance costs. * **Cost Inflation:** High coal and fuel prices impacted distillery margins; Standalone EBITDA dropped 12% YoY despite higher revenue. * **Supply Risks:** Cane poaching by Maharashtra mills in North Karnataka is expected to impact Q4 crushing volumes.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Volume (Lakh MT)	17.78	↑ 9.9%	Not stated	↑	Volume driven by better crop in Karnataka/AP.
Recovery (%)	10.49%	↑ 10 bps	Not stated	↑	Improved efficiency across plants.
Sugar Realization (₹/kg)	36.24	↑ 2.8%	↑ 3.0%	↑	Prices improved from ₹35.25 YoY.
Ethanol Volume (Lakh L)	145	↑ 19.8%	Not stated	↑	Higher diversion to ethanol from B-heavy/syrup.
Ethanol Realization (₹/L)	61.11	↑ 8.4%	↑ 5.7%	↑	Driven by product mix and Govt price revision.
Revenue (Standalone)	₹727 Cr	↑ 6.0%	↑ 0.7%	↑	Growth led by sugar exports and distillery prices.
EBITDA (Standalone)	₹63 Cr	↓ 12.5%	↓ 12.5%	↓	Impacted by coal prices and maintenance.
PAT (Standalone)	₹16 Cr	↓ 11.1%	↓ 36.0%	↓	Lower EBITDA and higher other expenses.
Net Debt (Standalone LT)	₹169 Cr	↑ 17.4%	↑ 17.4%	↓	Increase due to Sankili distillery loans.
Refinery ST Debt	₹761 Cr	↑ 17.3%	↑ 14.3%	↓	High raw sugar prices increasing WC need.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Sugar	539	↑ 10.0%	Not stated	↑	Inline	Domestic 89k MT; Exports 49k MT.
Distillery	141	↓ 6.6%	Not stated	↓	Underperform	Volume down YoY (225L vs 264L liters).
Cogen	56	↑ 14.3%	Not stated	↑	Outperform	Average tariff ₹4.42/ unit.
Nutra (India)	14	↑ 7.7%	Not stated	→	Underperform	Stagnant growth; consolidated ₹62 Cr.
Refinery	948*	↑ 1.0%	Negative	↓	Underperform	PBT Loss ₹53.79 Cr (Q3) due to accidents.
*Refinery revenue derived from vol x realization; transcript implies stable sales.						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distillery Capacity	Total 582 KLPD capacity by FY25.	Needs execution of ₹268 Cr capex in FY24 for Nellikuppam/Haliyal.	On track; Sankili done.	Moderate
Guidance	Refinery Debt	ST Debt to settle between ₹500–₹600 Cr.	Requires reduction of ~₹160 Cr from current levels.	Missed prior targets.	High
Guidance	Ethanol Volume	18–19 Crore Liters per annum (Peak).	Needs 9M FY24 volumes to double current 9M FY23 (6.69 Cr L).	In progress.	Moderate
Strategy	Capex Plan	₹268 Cr outlay in FY24 for distillery expansion.	Internally funded/LT debt.	Consistent execution.	Low
Strategy	Asset Monetization	Repayment of ₹200 Cr loan by Refinery to EID.	₹100 Cr each in FY24 and FY25.	₹200 Cr already repaid.	Low
Macro	Cane Availability	Concern over poaching from Maharashtra mills.	Risk to Q4 crushing targets in North Karnataka.	New headwind.	Moderate

4. ANALYST Q&A

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
1	4.5	Falguni Dutta / Jet Age Securities	Distillery Margins	Financials	What are the margins in grain-based vs syrup/B-heavy ethanol?	Management stated grain-based ethanol margins are □2-3 lower than syrup-based, with syrup/B-heavy EBITDA at □4-7 per liter. This implies that as the multi-feed grain distillery starts (Q1 FY24), overall distillery margins may slightly dilutive compared to pure juice/ syrup.	None	4.0	Clear and quantified
2	4.0	Rajesh Majumdar / B&K Securities	Cane Supply	Business Overview	Is there an impact in North Karnataka from the Maharashtra crop failure?	Management confirmed that Maharashtra mills are "poaching" cane across the border, which will impact EID's Q4 crushing volumes. This creates a volume risk for the highest-margin quarter of the sugar season.	Quantum of volume hit	3.5	Directional
3	3.0	Rajesh Majumdar / B&K Securities	FRP Hikes	Business Overview	What is the status of the contested □100 FRP increase?	The matter is currently sub-judice with no final court verdict, and no immediate action is being taken. This keeps a potential	None	3.0	Evasive (Legal)

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						retrospective cost liability hanging over the P&L.			
4	5.0	Rajesh Majumdar / B&K Securities	Refinery Drag	Financials	Why is refinery debt so high (□761 Cr) and the business still a drag?	Management attributed the loss to one-off "accident" clearance costs (□105 Cr 9M) and high raw sugar prices/ fuel inflation. The persistent high debt and operational issues in the refinery remain the biggest hurdle to a consolidated re-rating.	Strategic exit logic	2.5	Deflected
5	3.5	Ritwik Sheth / One Up Financial	Distillery Scale	Management Commentary	What is the peak distillery sales volume expected?	Peak capacity will reach 18-19 Crore liters per year once Nellikuppam and Haliyal expansions are fully operational in FY25. This quantifies the structural revenue jump expected in the next 24 months.	None	4.5	Specific timeline
6	3.0	Rajakumar Vaidyanathan	Consolidated PAT	Financials	Why is there no positive bottom line from the EID standalone business on a consolidated basis?	Management reminded that sugar is seasonal (Nov-Mar) and 9M figures are not representative of full-year	None	3.0	Directional

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						performance. This suggests Q4 will be the decisive quarter for standalone contribution to the consolidated P&L.			

PATTERN FLAGS & SENTIMENT

- **Refinery Skepticism:** Analysts are clearly frustrated with the Refinery subsidiary. Every call features intense questioning on why this business remains a drag on the core sugar/distillery turnaround. Management's defense—citing one-off "accidents" and working capital cycles—is losing flavor as debt remains sticky at □700 Cr+.
- **Supply-Side Anxiety:** The "poaching" of cane by Maharashtra mills is a new, localized threat. While EID has strong recovery, the loss of volume to poaching directly hits the operating leverage of their Karnataka mills.
- **Distillery Optimism:** There is a consensus that the distillery expansion is the right path. Management's specific capacity target of 582 KLPD and volume target of 18-19 Cr liters provides a clear valuation bridge for long-term investors.

Analyst Sentiment Verdict: The sentiment was **bifurcated**. Analysts are bullish on the standalone ethanol story and project execution (Sankili commissioned) but remain highly skeptical of the Consolidated P&L. The credibility of the "refinery turnaround" is at a low point due to the □105 Cr accident-related charge. Management's tone was defensive regarding the subsidiary but highly confident in the distillery roadmap.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Refinery Debt	Targeted reduction.	Short-term debt increased to □761 Cr.	Working capital needs rising with raw sugar prices, delaying deleveraging.	Moderate
Cane Volumes	Crushing was up 10% in Q3.	Q4 volumes threatened by "poaching."	External crop failure in neighboring state creates supply risk.	Moderate
Grain Ethanol Margins	Growth driver.	Margins □2-3 lower than syrup.	Mixed-feed flexibility comes at a slight margin cost.	Low

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5. WHAT CHANGED vs PRIOR QUARTER

Based on Q2 FY23 (Prior Context) vs Q3 FY23.

What Changed	Prior Quarter	This Quarter	Direction
Distillery Status	Sankili (120 KLPD) under construction.	Sankili (120 KLPD) Commissioned (Jan 23).	↑ Improving
Capacity Roadmap	400 KLPD target.	582 KLPD target (Nellikuppam expansion added).	↑ Improving
Refinery Losses	□60.14 Cr (accident-related costs).	□105.62 Cr (accident-related costs).	↓ Deteriorating
Sugar Realization	□35.18 / kg.	□36.24 / kg.	↑ Improving
Refinery Debt	Debt reducing (Mgmt claim).	Short-term debt spiked to □761 Cr.	↓ Deteriorating
Raw Material Risk	Not a major concern.	Cane poaching risk flagged for Q4.	↓ Deteriorating
Nutra Performance	Dropped 35% YoY.	Stable but stagnant (Consol □62 Cr).	→ Stable

Investment Implication: The core business is executing its distillery-led pivot flawlessly, but the subsidiary "accidents" and poaching risks are masking this transition. For a long-term investor, the increase in peak distillery capacity to 582 KLPD is the lead signal, though the refinery's debt remains the primary reason for the valuation discount versus North Indian peers. Management must resolve the PSRIPL instability to unlock the value of the ethanol pivot.

Forensic Flag: The "accidents at PSRIPL factory" resulting in □105 Cr of "clearance of shipment" costs requires monitoring. The repetitive nature of these charges (□60 Cr in Q2 vs □105 Cr in Q3) suggests systemic operational or supply chain issues in the refinery subsidiary rather than a single isolated event.