EID Parry (India) Ltd — Feb 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Miss **One-line:** Policy-driven headwinds in the ethanol segment and restricted sugar exports offset a surprise turnaround in the Kakinada refinery, delaying the fundamental re-rating of the FMCG pivot.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	Standalone PAT loss of □14 Cr (vs □16 Cr profit YoY).	□
Earnings Quality	Moderate	Operating profit impacted by policy shifts; Refinery PBT positive (□7 Cr) for the first time in several quarters.	□
Guidance Confidence	Neutral	Ethanol mix guidance revised downward due to Govt restrictions on syrup; Nutra turnaround still stalled.	□
Management Credibility	Strong	High transparency on policy impacts (□6 Cr ethanol hit) and refinery structural hurdles.	□
Business Quality Signal	Stable	Branded sugar growth (+36% YoY) and Kakinada turnaround suggest core operational resilience.	□
Key Q&A Exchange	Q#5 & Q#9 (Refinery/MSP)	Management is relying on market forces (sugar price > MSP) to offset rising FRP.	□
The Street's Primary Anxiety	Ethanol Policy Pivot	Analysts focused on the margin impact of the ban on juice/ syrup-based ethanol.	□
Capital Cycle Stage	Investment	Continued push into asset-light "Staples" (Rice, Dals) and grain-based distillery.	□
Margin / Return Ratio Trajectory	Deteriorating	Standalone EBITDA margin collapsed to 3.6% (from 8.7% YoY) due to FRP hikes and export bans.	□
Pricing Power	Strong	"Parry" branded sugar fetches a □2.30/kg premium over trade prices.	□
FCF Conversion & Quality	Weak	Negative PAT and rising working capital (sugar stock up 52%) likely straining cash flow.	□
Competitive Moat Signals	Widening	Increasing retail penetration (31% of sales) and branding "unbranded" staples categories.	□
Balance Sheet Strength	Adequate	Long-term loans stable at □200 Cr; major reduction in refinery short-term debt (□9.35 Cr vs □761 Cr YoY).	□
Working Capital Efficiency	Deteriorating	Closing sugar stocks expected to be 52% higher YoY due to export embargo.	□
Mgmt Guidance Track Record	Mixed	Successfully turned refinery PBT positive but failed to resolve Nutra/European certification issues.	□
Key Vulnerability / Red Flag	Policy Volatility	The sudden embargo on sugarcane juice for ethanol disrupts the high-margin distillery trajectory.	□
Management Tone	Cautious but Strategic	Focused on "branding the unbranded" staples and flexibility in distillery feedstocks.	□

Sentiment Verdict: □Neutral

Key Takeaways: Positives: * **Refinery Turnaround:** The Kakinada refinery posted a □7 Cr PBT profit (vs □54 Cr loss YoY), driven by better spreads and cost-tuning, marking a significant operational milestone. * **Branded Portfolio Scale-up:** Branded sugar volumes grew 36% YoY (34k vs 25k tons), now contributing 31% of total sales, providing a buffer against commodity price volatility. * **FMCG Expansion:** The launch of regional rice (Ponni) and staples marks the transition from a "sweetener" company to a "grocery basket" player, leveraging a high-trust brand in unorganized categories.

Negatives: * **Ethanol Policy Shock:** The government ban on using syrup/juice for ethanol resulted in a □6 Cr negative impact this quarter, forcing a shift to lower-margin B-heavy/grain feedstocks and reducing capacity utilization. * **Export Restrictions:** Sugar revenue fell 16% YoY as high-margin export volumes (49k MT last year) dropped to zero. * **Nutraceuticals Drag:** The segment continues to bleed due to persistent European certification issues, with Indian Nutra revenue down 43% YoY.

Forward-Looking Watchpoint: The ability to secure a strategic partner for the Refinery/Nutra businesses remains the primary catalyst for a balance sheet clean-up and a valuation re-rating.

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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)	17.76	↓ 0.1%	↑ 342.9%	→	Stable YoY; seasonal jump from Q2.
Recovery (%)	10.14%	↓ 35 bps	↑ 109 bps	↓	Hit by climatic conditions in TN and rain in Karnataka.
Sugar Realization (□/kg)	38.71	↑ 7.0%	↑ 6.6%	↑	Prices firming up; branded fetches □2.30 premium.
Ethanol Volume (Cr L)	1.51	Not stated	↓ 32.0%	↓	Impacted by ban on syrup-based production.
Ethanol Realization (□/L)	62.82	↑ 2.8%	↑ 2.8%	↑	Mix improvement; OMC price hikes for C-molasses pending.
Revenue (Standalone □ Cr)	668	↓ 7.9%	↓ 4.3%	↓	Dragged by zero exports (vs 49k MT YoY).
EBITDA (Standalone □ Cr)	24	↓ 61.9%	Not stated	↓	Margin squeeze from FRP hike and lower export volumes.
PAT (Standalone □Cr)	(14)	↓ 187.5%	↑ 69.6%	↓	YoY loss due to sugar export ban and ethanol policy.
Net Debt (Consol □Cr)	~1,026	→	→	→	Based on prior context; Short-term refinery debt fell sharply.
Refinery PBT (□Cr)	7	↑ 113.0%	↑ 107.3%	↑	Major turnaround from □54 Cr loss YoY / □96.5 Cr loss QoQ.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Sugar	449	↓ 16.2%	Weak	↓	Underperform	Domestic volumes up, but 49k MT export loss hit hard.
Distillery	177	↑ 25.5%	Improving	↑	Outperform	Higher volumes from expansion despite policy shocks.
Cogen	60.7	↑ 8.4%	Improving	↑	Outperform	Tariff increased to ₹4.91/unit (vs ₹4.42 YoY).
Nutra (Consol)	47	↓ 24.2%	Negative	↓	Underperform	European certification issues continue to block sales.
Refinery (Sub)	1,597	↑ 69.0%	Positive	↑	Outperform	PBT positive (₹7 Cr) due to spreads and cost tuning.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Ethanol Volume	3.0 to 3.5 Cr liters in Q4 (ENA + Ethanol).	High; depends on seamless switch to grain/B-heavy feedstocks.	On Track	Moderate
Guidance	Sugar Production	315 LMT (India total) for SY23-24.	Implies steady crushing despite weather issues in South India.	Consistent	Low
Strategy	FMCG Pivot	"Branding the unbranded" staples (Rice/Dals).	Needs state-wide rollout beyond Tamil Nadu to move the needle.	New	Moderate
Strategy	Refinery Model	Seek strategic partner for Kakinada.	Timeline remains vague; no update provided this quarter.	Missed	High
Strategy	Nutra Turnaround	Resolve European certification issues.	Ongoing for 3+ quarters; recovery pushed to future periods.	Poor	High
Macro	Policy	Manage impact of syrup-to-ethanol ban.	₹6 Cr hit in Q3; Q4 will see continued utilization pressure.	In Progress	High

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	4.0	Gautam Dedhia / Nalanda	Branded Sugar	Business Overview	Branded sugar volume and realization data.	Branded sales hit 34k tons (+36% YoY) with a □2.30/kg premium over trade prices. This confirms the brand's ability to de-commoditize the revenue stream and protect margins.	None	5.0	Specific and Quantified
2	4.5	Gautam Dedhia / Nalanda	Strategic Review	Strategy	Update on strategic partnerships for Refinery and Nutra.	Management stated there are no further updates to share at this point in time regarding partnerships. This maintains the "overhang" on the stock as the capital-intensive refinery remains on the balance sheet.	Timeline for partnership	2.0	Deflected
3	3.5	Vikram Kotak / ACE Landsdown	FMCG Pivot	Strategy	Initial response to the new staples (rice/ dals) range and expansion plans.	Initial response is positive but it is too early for formal projections; expansion to other Southern states is planned for the year. The move to staples targets a larger share of the household	Specific margin targets	3.0	Vague but Consistent

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						grocery basket (70% unbranded market).			
4	5.0	Somnath Saha / B&K Securities	Refinery Viability	Financials	Why continue the refinery if it loses money after interest, and is closure an option?	Management emphasized that the refinery has been profitable at the PBT level for two quarters due to improved sales spreads and cost-tuning. This signals that the "stop-loss" is being achieved through operations rather than closure.	Long-term ROCE target	4.0	Directional with Evidence
5	4.5	Chetan Phalke / Alpha Invesco	Rice Strategy	Strategy	How will EID compete with incumbents like KRBL/LT Foods in rice?	Management is focusing on "branding the unbranded" regional varieties (Ponni) where only 25-30% of the market is currently branded. This avoids a head-on collision with Basmati giants while leveraging existing sweetener distribution.	None	4.0	Specific Strategy
6	4.0	Chetan Phalke / Alpha Invesco	Supply Chain	Capex and Allocation	Infrastructure plans for rice (aging, polishing, mills).	Management is currently using an asset-light model with partners;	Scale threshold for capex	3.0	Consistent

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						captive infrastructure will only be considered once scale warrants it. This preserves capital but may limit long-term margin capture in the staples segment.			
7	3.5	Falguni Dutta / Mansarovar	Sugar Cost	Financials	What is the cost of sugar production for this season?	The cost is approximately □34,000 per metric ton (□34/kg). With realizations at □39/kg, the sugar spreads remain healthy despite the lack of exports.	None	5.0	Specific
8	5.0	Karan Mehta / Individual	Ethanol Policy	Financials	Quantified impact of the ethanol procurement policy change.	The policy change resulted in a □6 Cr negative impact in Q3 and will continue to impact Q4 due to product mix changes. This provides a clear "policy risk" quantification that the street was seeking.	Guidance for Q4 impact	4.5	Quantified Impact
9	4.0	Ritwik Sheth / One Up	MSP vs FRP	Management Commentary	Mismatch between rising FRP	Management admitted the MSP increase is not being	None	4.0	Logical Response

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
					and stagnant MSP.	heard, but market forces are currently keeping sugar prices well above the MSP floor. This implies that as long as domestic stocks are regulated via release quotas, the FRP-MSP gap is a secondary concern.			

PATTERN FLAGS & SENTIMENT * **The Ethanol Anxiety:** Analysts are deeply concerned about the government's sudden policy U-turns (syrup ban). Management's posture was transparent—admitting the ₹6 Cr hit—but they shifted the narrative to "flexibility," highlighting their ability to pivot to grain and B-heavy molasses, albeit at the cost of some utilization. * **The Refinery Skepticism:** After years of losses, the "closure vs. partnership" debate was a key friction point. Management's defense was the recent PBT-positive performance (₹7 Cr), which they used to argue for the business's inherent viability while still acknowledging the need for a strategic partner to handle global trade cycles. * **The FMCG Opportunity:** Questions around the staples (rice/dals) foray were met with a clear "branding the unbranded" thesis. This seems to have convinced analysts that EID isn't trying to fight Basmati wars but is instead capturing regional market share where trust in the "Parry" brand is already high.

Analyst Sentiment Verdict: Analysts remained **cautiously skeptical**, particularly regarding the stalled strategic partner update for the refinery. However, management's ability to quantify the ethanol hit and show a PBT-positive refinery performance improved their credibility compared to the previous catastrophic quarter. The primary unresolved issue remains the "Partnership" timeline, which is the key risk to the re-rating thesis.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Ethanol Utilization | Expansion will drive distillery profitability. | Ban on syrup has capped utilization and forced a less profitable feedstock mix. | Operational reality is worse than the "expansion" narrative due to policy. | High: Margins will be capped until syrup ban is lifted. | | Refinery Strategy | Exploring strategic partnerships. | No updates to share; timeline remains open-ended. | Implies the partnership may be taking longer than the street's expectations. | Moderate: Keeps the capital-heavy subsidiary on the books. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Refinery Profitability	□96.5 Cr PBT Loss	□7 Cr PBT Profit	↑
Ethanol Feedstock	Heavy reliance on juice/syrup	0% Juice/Syrup; shift to Grain/B-Heavy	↓
Sugar Realization	□36.30/kg	□38.71/kg	↑
Sugar Exports	Restricted (7,000 MT)	Zero (0 MT)	↓
FMCG Range	Branded Sugar & Sweeteners	Added Staples (Rice, Dals)	↑
Nutra Outlook	Temporary certification issue	Certification issue persistent; volumes falling	↓
Refinery Debt	□761 Cr Short-term loans	□9.35 Cr Short-term loans	↑
Branded Sales Mix	27% of total sugar sales	31% of total sugar sales	↑