EID Parry (India) Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** A "scissors effect" of rising statutory cane costs (FRP) and stagnant sugar/ethanol prices has hollowed out standalone profitability, leaving the thesis entirely dependent on the scaling velocity of the Consumer Products segment and a much-needed policy rescue from the government.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss	Standalone Loss of □146 Cr (incl. impairment); Sugar segment results fell to a □49 Cr loss vs □14 Cr loss YoY.	□
Earnings Quality	Low	Impacted by □76.83 Cr impairment of subsidiary; core Sugar margins compressed by 10% FRP hike.	□
Guidance Confidence	Weak	Management "hopeful" on Ethanol price revisions/Sugar MSP hikes, but lacks visibility on timelines.	□
Management Credibility	Neutral	Admitted structural challenges in Tamil Nadu (pests/soil) and strategic rethink on Nutraceuticals value discovery.	□
Business Quality Signal	Deteriorating	Core Sugar business is structurally negative in TN; Distillery margins diluted by high input costs.	□
Key Q&A Exchange	Q# 1 - Dividends	Analysts pressed on why Coromandel dividends aren't passed through; Mgmt cited Standalone losses as the barrier.	□
The Street's Primary Anxiety	Capital Allocation	Why hold a 56% stake in a massive profit engine (Coromandel) if the parent (EID) remains a cash-burn entity?	□
Capital Cycle Stage	Consolidation	Shifting focus from Capex (Distillery expansions) to OpEx/Brand building (CPG/Staples).	□
Margin Trajectory	Deteriorating	Standalone Sugar margins hit by lower cane volume (12.7 LMT vs 17.8 LMT) and higher costs (□3,899 vs □3,543/MT).	□
Pricing Power	Eroding	Entirely dependent on GOI for pricing of Sugar (MSP) and Ethanol (OMC prices).	□
FCF Conversion	Distorted	Impacted by inventory carrying costs and lower domestic release quotas.	□
Competitive Moat	Stable	The "Parry's" brand remains a leader in South India; CPG presence reached 2 Lakh+ outlets.	□
Balance Sheet Strength	Adequate	Consolidated debt is manageable, helped by the Coromandel cash cow.	□
Working Capital	Deteriorating	Inventory days increasing due to restrictive domestic sales quotas.	□
Mgmt Guidance Track	Mixed	Volume targets in TN missed due to pest/weather; CPG scaling targets (□29 Cr/mo run-rate) met.	□
Key Vulnerability	Structural Yield Gap	TN planting acreage is on a downward trend due to competitive pressure from other crops.	□
Management Tone	Realistic	Grounded on agricultural headwinds; cautious on refinery spreads.	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives): * **Positives:** The **Consumer Products Group (CPG)** is the sole bright spot, growing 72% YoY to ₹236 Cr. Within this, the non-sweetener (Staples) business has reached a ₹29 Cr/month run-rate, showing the Murugappa brand can move beyond sugar. **Distillery volumes** grew 55% YoY, proving the 582 KLPD capacity expansion is operational, though profitability is currently sacrificed. * **Negatives:** The **Sugar business** is caught in a trap: raw material costs (FRP) rose 8-10% while realizations fell or remained flat (₹38.31/kg). **Tamil Nadu operations** are suffering from structural yield decline and acreage loss. The **Refinery business** (PSRIPL) flipped from a ₹17 Cr profit to an ₹18 Cr loss due to a global collapse in white sugar premiums ($75/MT vs $130/MT previously). * **Forward-looking Watchpoint:** The market is looking for two catalysts: (1) A GOI hike in Sugar MSP/Ethanol prices to restore Distillery margins to >15% (currently near zero), and (2) The successful sale of the Indian Potash Ltd (IPL) stake, expected to bring in ~₹180 Cr.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Volume (Lakh MT)	12.70	↓ 28.7%	↑ (Seasonal)	↓	Impacted by delayed TN harvest and lower yields.
Recovery (%)	10.78%	↑ 64 bps	↑ 121 bps	↑	Karnataka recovery robust; TN results still in early stages.
Sugar Realization (₹/kg)	38.31	↓ 1.0%	↑ 0.8%	↓	Prices under pressure due to release quota constraints.
Ethanol Volume (Lakh L)	304	↑ 91.2%	↑ 26.5%	↑	Massive volume push from newly expanded distilleries.
Ethanol Realization (₹/L)	65.83	↑ 4.8%	↓ 1.3%	↑	Higher YoY realization but margins hit by input costs.
Revenue (Consol ₹Cr)	8,720.35	↑ 12.2%	↓ 6.5%	↑	Driven by CPG growth and Nutrient segment.
EBITDA (Consol ₹Cr)	811	↑ 79.0%	↓ 22.1%	↑	Strong performance from Nutrient division offsets Sugar.
PAT (Owners ₹Cr)	194.87	↑ 64.8%	↓ 36.2%	↑	Includes ₹76.83 Cr Standalone impairment loss.
CPG Revenue (₹Cr)	236.27	↑ 72.6%	↑ 0.1%	↑	Staples (Rice/Dal) contributing ₹87 Cr.
Net Debt/Equity (x)	0.30	↑ (vs 0.10)	↑ (vs 0.16)	↓	Debt up for working capital and distillery expansion.

2B. SEGMENT BREAKDOWN (CONSOLIDATED)

Segment	Revenue (₹ Cr)	YoY Growth	PBIT Margin	Trend	vs Co. Avg	Key Development
Nutrient & Allied	6,367.37	↑ 29.9%	9.8%	↑	Above	The primary profit driver (Coromandel Intl).
Sugar	1,297.61	↓ 36.2%	(4.0%)	↓	Below	Hit by lower release quota and refinery losses.
Distillery	289.55	↑ 64.0%	(0.3%)	↓	Below	High volume growth but near-zero PBIT margin.
Consumer Products	236.27	↑ 72.6%	(7.0%)	↓	Below	Scaling fast but marketing spend keeps it in red.
Nutraceuticals	42.92	↓ 9.6%	(11.3%)	↓	Below	Revenue decline; management rethinking strategy.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	CPG Growth	Exit decade with high single-digit EBITDA % and much larger scale.	Needs sustained 40%+ CAGR; currently loss-making due to brand ads.	Delivered (on Rev)	Medium
Strategy	Capital Allocation	Selling 6.37 lakh shares in Indian Potash Ltd (IPL).	Expected inflow ~₹180 Cr based on concall commentary.	On track	Low
Strategy	Distillery	Move toward "multi-feed" (Grain + Molasses) capability.	120 KLPD Haliyal is now multi-feed; others under evaluation.	Delivered	Low
Macro	Policy	Anticipating increase in B-heavy/Juice ethanol prices.	Entirely dependent on OMCs; zero visibility on timeline.	Missed	**High**
Macro	Cane Supply	Yield improvement in TN by 1.5–2 tons/acre.	Challenging due to planting acreage dip in competitive crops.	Unreliable	**High**
Balance	Debt	External borrowing at ₹532 Cr in Refinery unit.	High inventory carry (₹1,478 Cr standalone liabilities) is a drag.	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	5.0	Manish Beria	Dividend Policy	Capex and Allocation	"Why is Coromandel dividend not passed through fully to EID shareholders?"	Management explained that when the standalone sugar business is loss-making, dividends must be retained to support operations and interest payments. This confirms that until Standalone Sugar is cash-positive, EID is essentially a tax/leakage layer for Coromandel investors.	None	4.0	Clear barrier
2	4.5	Manish Beria	Stake Sale	Capex and Allocation	"Is there any chance to cut down more stake in Coromandel International?"	Management stated they have no comment on future stake sales, noting prior sales were for refinery issues and are "group-level calls." This non-committal stance maintains the overhang of potential "forced" stake sales to fund sugar deficits.	Future stake intentions	2.0	Evasive
3	4.0	Rajesh Majumdar	Strategic Review	Capex and Allocation	"Is there any development on the reallocation of capital for refinery/ nutraceuticals?"	Management admitted that the Nutraceuticals strategic review showed they need to do "more work to discover right value" and the Refinery needs "partnerships"	Timelines for partnerships	3.0	Rethink signal

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						due to business complexity. This signals a stall in the divestment/ monetization of non-core underperforming assets.			
4	4.0	Sanjay Manyal	CPG Margins	Financials	"Size of the business and what kind of EBITDA margin can you generate in the branded business?"	Management is targeting double-digit EBITDA margins long-term, but currently margins are in the single digits due to early-stage scaling. This implies CPG will not be a profit contributor for at least 12-18 months despite revenue growth.	Specific target year	4.0	Directional
5	3.5	Rajesh Majumdar	Asset Sale	Financials	"What is the approximate value of the Indian Potash Limited share sale?"	Management indicated the transaction value would be approximately □180 Crores, though the process is still ongoing. This is a significant liquidity injection that could reduce standalone short-term debt.	None	5.0	Specific
6	3.5	Somnath Saha	Multi-feed	Capex and Allocation	"What portion of total distillery capacity is multi-feed?"	Currently 120 KLPD out of 582 KLPD is multi-feed (Grain/ Molasses), with plans to convert more existing plants due to molasses	Conversion timeline	4.0	Strategic

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						shortages. This flexibility is critical to hedge against seasonal feedstock volatility.			
7	3.0	Rajkumar V.	TN Recovery	Business Overview	"Can we expect better sugar yield and performance for TN mills in the upcoming year?"	Management was cautious, noting that while recovery might improve by 1.5-2 tons/acre, planting acreage is dropping because farmers are switching to more competitive crops. Investors should discount TN as a growth engine; it is now a cost-containment exercise.	None	4.0	Realistic

PATTERN FLAGS & SENTIMENT * **Asset Monetization Stagnation:** Analysts were looking for updates on the "Strategic Review" mentioned in previous quarters (divesting Nutra or Refinery). Management's response suggests they couldn't find buyers at current valuations, shifting back to "improving value" themselves. * **Dividend Friction:** There is growing frustration regarding EID being a "value trap" where Coromandel’s massive cash flows are consumed by sugar losses. Management was defensive, essentially stating the sugar business isn't strong enough yet to stand on its own feet. * **Policy Dependency Posture:** On every margin question (Ethanol/Sugar), the management pointed toward the Central Government. This reinforces that EID Parry is currently a "policy play" rather than an operational efficiency play.

Analyst Sentiment Verdict: Skeptical and frustrated. While the CPG growth is admired, the continued bleed in Standalone Sugar and the "strategic rethink" on non-core asset sales suggest the turnaround is taking longer than anticipated. Management's refusal to comment on Coromandel stake sales remains an overhang.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Refinery Profitability	□17 Cr Profit (Q3FY24)	□18 Cr Loss	↓
Cane Cost (Landed)	□3,543 / MT	□3,899 / MT	↓
Distillery Volume	273 Lakh Litres	422 Lakh Litres	↑
IPL Stake Status	Intention to sell	Valuation quantified at ~□180 Cr	↑
Nutra Strategy	Active strategic review/sale	"Business as usual" - need more value discovery	↓
Staples Contribution	□25 Cr/month exit run-rate	□29 Cr/month average run-rate	↑
Sugar Recovery	10.14%	10.78% (Consolidated avg)	↑
Refinery External Borrowing	□9 Cr	□532 Cr	↓

INVESTOR NOTE: The CFO-to-PAT ratio is significantly distorted by the Standalone loss and high working capital requirements in the Sugar segment (Segment liabilities up □50 Cr). The □278 Cr spike in Standalone short-term debt (from negligible levels) to fund inventory carrying costs is the primary red flag for liquidity this quarter, though the expected □180 Cr from the IPL share sale should mitigate this in Q4.