EID Parry (India) Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss **One-line:** The "Sugar-to-FMCG" transition has hit a friction point as structural policy headwinds (FRP-Ethanol squeeze) and internal distribution "corrections" in the Staples business offset improved operational recovery rates.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	CPG revenue fell 40% YoY (□143 Cr vs □236 Cr); Standalone loss widened on distillery input costs.	□
Earnings Quality	Low (Impairment heavy)	Standalone PAT hit by □354 Cr non-cash impairment of PSRIPL; Consol PAT aided by Coromandel.	□
Guidance Confidence	Neutral	Management deferring the "New Growth Narrative" to May 2026; execution on CPG "correction" is pending.	□
Management Credibility	Neutral	Transparent about distribution errors in staples but reliant on government policy for bio-energy margins.	□
Business Quality Signal	Deteriorating	Standalone sugar/distillery operations are currently "policy hostages," losing money despite high utilization.	□
Key Q&A Exchange	Q# 1 - Ethanol/ Sugar Trap	Mgmt admitted the 3-year ethanol price freeze against annual FRP hikes requires "policy support" to move the needle.	□
The Street's Primary Anxiety	FMCG Scale-back	Why did non-sweetener (staples) revenue de-grow so sharply (down 35%)? Mgmt cited "channel correction."	□
Capital Cycle Stage	Consolidation	Pausing CPG growth for 2 quarters to fix the "economic model"; borrowings stable at □1,041 Cr (ex-CIL).	□
Margin Trajectory	Deteriorating	Distillery segment loss of □15 Cr (vs □1 Cr LY) due to higher molasses/grain costs.	□
Pricing Power	Fragmented	Strong in Branded Sugar (□44.5/kg realization); Zero in Ethanol (Fixed price taker).	□
FCF Conversion & Quality	Distorted	Inventory high (□800 Cr Standalone) due to lower release quotas; CFO being used to fund working capital.	□
Competitive Moat Signals	Stable	55% market share in South India branded sweeteners; expansion into pulses/grains is being re-evaluated for profitability.	□
Balance Sheet Strength	Adequate	Borrowings at PSRIPL significantly reduced via equity infusion; consol leverage remains healthy.	□
Working Capital Efficiency	Deteriorating	Inventory days increasing due to government-restricted sugar release quotas.	□
Mgmt Guidance Track Record	Mixed	Delivered on refinery turnaround but missed on CPG volume continuity.	□
Key Vulnerability	Policy Hostage	Standalone sugar/biofuel cannot reach sustainable PBT without an MSP hike or ethanol price revision.	□
Management Tone	Realistic	Grounded in agri-realities but firm on the "Inorganic Growth" signal for the FMCG segment.	□

Sentiment: □Neutral

Key Takeaways: * **Positives: Operational Efficiency** is at a multi-year high; sugar recovery rates jumped to 11.19% (vs 7.78% LY) due to better cane aging and procurement. **Branded Sugar (VAP)** continues to command a premium (□44.49/kg realization), successfully shielding ~13% of volume from commodity trade cycles. **Refinery (PSRIPL)** has successfully deleveraged, with external debt falling from $61M to $8.6M. * **Negatives:** The **Consumer Products Group (CPG)** is in a "strategic time-out." Revenue crashed 40% YoY as management merged sales teams and exited low-margin distribution channels. **Bio-energy (Distillery)** margins are being crushed; the segment reported a loss of □15 Cr as feedstock costs (molasses/grain) rose while ethanol offtake prices remained frozen for the third consecutive year. * **Street Concern:** Analysts are focused on the **CPG de-growth**. Management's response that they are "fixing the economic model" and will announce "New Categories" in May suggests the current Staples (Pulses) strategy has underdelivered on ROCE. * **Watchpoint:** The May 2026 Concall. Management has promised a reveal of new categories (Convenience/Snacking) and potential inorganic acquisitions to jumpstart the FMCG pivot.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Volume (LMT)	15.31	↑ 20.5%	↑ 318%	↑	Volume increase driven by better season start in Karnataka.
Recovery (%)	11.19%	↑ 341 bps	↑ 322 bps	↑	Significant improvement vs prior quarter (7.97%) due to seasonal peak.
Sugar Realization (□/kg)	40.00	↑ 6.1%	↓ 2.9%	↑	Improvement YoY (□37.7) but slightly down vs Q2 (□41.19).
Ethanol Volume (LL)	192	↓ 54%	↓ 17.6%	↓	Lower allocation toward ethanol vs ENA in current mix.
Ethanol Realization (□/L)	67.91	↑ 3.2%	↑ 0.6%	↑	Realization marginally up despite no official OMC price hike.
Distillery Utilization (%)	90%+	→	→	→	Maintained high utilization via grain feedstock flexibility.
Revenue (Consol □ Cr)	10,315.58	↑ 18.3%	↓ 11.3%	↑	Growth driven primarily by Nutrient/CIL business.
EBITDA (Consol □ Cr)	895.00	↑ 10.3%	↓ 20.3%	↑	Margin compression in sugar/bio-energy offset by Nutrient gains.
PAT (Owner □Cr)	232.15	↑ 19.1%	↓ 45.3%	↑	Impacted byStandalone impairments and seasonal sugar losses.
Net Debt / Equity (x)	1.34	→	→	→	Borrowings stable; Standalone debt at □750 Cr (working capital).
Cash Flow (OCF □ Cr)	Not Stated	N/A	N/A	□	OCF likely negative due to □800 Cr standalone inventory build.
Working Capital (□ Cr)	720.00	↓ 1.1%	↓ (Seasonal)	→	Payables at □250 Cr vs Receivables at □170 Cr.

2B. SEGMENT BREAKDOWN (Consol)

Segment	Revenue (□ Cr)	YoY Growth	Margin (PBIT)	Trend	vs Co. Avg	Key Development
Nutrient & Allied	7,761.77	↑ 21.9%	7.8%	↑	Above	Main driver of consol profits (Coromandel).
Sugar	1,103.22	↓ 15.0%	(1.6%)	↓	Below	Narrowed loss YoY but still PBIT negative.
Distillery	289.05	→	(5.1%)	↓	Below	Hit by high input costs and frozen ethanol prices.
CPG (Consumer)	143.03	↓ 39.5%	(22.0%)	↓	Below	Distribution rejig and pulse price crash (down 35%).
Nutraceuticals	61.91	↑ 44.2%	(3.2%)	↑	Below	Consol growth strong; US operations stabilizing.
Refinery (PSRIPL)	714.00	↓ 21.9%	(0.6%)	↑	Below	Loss narrowed to □4.5 Cr from □17.5 Cr LY.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distillery	Target 90-95% utilization.	Feasible via grain-based route (120 KLPD in AP).	Delivered	Low
Guidance	FMCG Scaling	"Back at a better clip in Q1 FY27" for staples.	Requires successful completion of sales team merger.	Missed (Q3)	Medium
Strategy	CPG Rejig	Correcting distribution for better Working Capital.	Already took □10 Cr impairment in Q3.	New Target	Medium
Strategy	Capital Allocation	"Enabling resolution" to sell 0.51% of Coromandel.	Worth ~□85 Cr; likely for FMCG inorganic funding.	New Target	Low
Strategy	New Categories	Announcing Snacking/ Convenience categories in May.	Pivot moves Parry beyond staples into high-margin FMCG.	Pending	High
Macro	Policy	Lobbying for Sugar MSP of □40+.	Entirely dependent on GOI intervention.	Delayed	High
Balance	Debt	PSRIPL to stay external-debt light.	Repaid ICDs; external debt now only □78 Cr.	Delivered	Low

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	Vaishnavi / Craving Alpha	Ethanol Pricing	Management Commentary	"Sugar and distillery business... apparently facing challenges... How are we planning to overcome this?"	Management indicated they are focusing on efficiency and cost work while awaiting policy relief on MSP and ethanol offtake prices. Stagnant revenue in a rising cost environment implies EID is hitting a profitability ceiling in bio-energy without govt intervention.	None	4.0	Realistic but cautious
2	5.0	Vaishnavi / Craving Alpha	CPG De-growth	Business Overview	"Consumer product has not been growing... what is the future outlook?"	Management explained a "conscious correction" in distribution that will last two quarters, shifting focus from bulk retail to profitable PACK SKUs. This confirms a 6-month hiatus in the growth thesis for the FMCG segment to fix ROIC.	Specific growth % numbers	3.0	Defensive rejig
3	3.5	Vaishnavi / Craving Alpha	FMCG Moat	Strategy	"What are our competitive advantages in this [CPG] segment?"	Management cited the 55% market share in branded sweeteners and vertical integration in pulses (own processing plant) as key moats. Strengthening	None	4.0	Brand-led strategy

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						the "Parry" brand equity is the primary lever for the upcoming "Convenience Food" pivot.			
4	4.0	Prashant / Investor	Balance Sheet	Financials	"What is the number for inventory receivable and payable?"	Inventory stands at □800 Cr vs Payables of □250 Cr, showing a massive working capital lock-up. High inventory reflects the impact of restricted government sugar release quotas, hurting FCF.	None	5.0	Clear and quantified
5	4.0	Somnath / 360 ONE	CIL Stake Sale	Capex and Allocation	"When is the timeline for that [Coromandel] sales deal?"	Management clarified it is an "enabling resolution" and they will determine the timeline based on future fund requirements. This signals a war chest is being prepared for potential FMCG acquisitions.	Specific timeline	2.5	Signal for M&A
6	4.5	Somnath / 360 ONE	Distillery Feedstock	Business Overview	"Give the breakup of your grain routes ethanol... and current ENA pricing?"	Grain facility is 120 KLPD (AP), with ENA pricing under pressure in Karnataka (□58-60) but better in TN	None	5.0	Granular data provided

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						(□72). Regional price variation and allocation issues in Karnataka are currently a drag on distillery EBITDA.			
7	4.5	Atul Rastogi / Investor	Refinery Costs	Financials	"Do you think that cost of $41 per MT [Refinery] is sustainable?"	Management confirmed that energy efficiency projects implemented last year make the lower cost sustainable. However, they warned that white premiums ($80-110) are currently under pressure due to global surplus.	None	4.0	Cost-efficiency lead
8	4.0	Atul Rastogi / Investor	Refinery WC	Financials	"Net working capital in this business is hugely negative... $55 million."	Management noted negative working capital jumped as external borrowings fell, aided by long credit periods from suppliers. This indicates high supplier leverage but may not be sustainable in a tightening sugar market.	Normal state reflection	3.0	Unusual liquidity signal
9	4.0	Ajit / Nirzar	CPG Segments	Business Overview	"Why did our non-sugar	Degrowth was driven by	None	4.0	Corrective posture

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					branded business degrow?"	a 35% drop in pulse prices and a shift toward "profitable SKUs" rather than volume chasing. This validates that the "Non-Sweetener" pivot is currently more commodity-sensitive than the Sugar business.			
10	4.5	Rushabh / RBSA	FMCG Learnings	Strategy	"What have been the learnings [in CPG]... how have we changed the strategy?"	Management admitted to learning "cyclicality and seasonality" of staples and is moving toward deeper backward integration in dals. The pivot toward "Convenience Foods" suggests they found staples too commodity-linked to build a high-PE FMCG business.	None	3.5	Pivot within a pivot
11	4.0	Gautam / Nalanda	Inorganic Growth	Capex and Allocation	"What would be typical product category or size of business [for inorganic]?"	Management is open to inorganic opportunities in food FMCG segments outside sweeteners/ staples. This is a major	Size/Deal value	2.5	M&A intent clear

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						change in tone, suggesting EID will use Coromandel proceeds to "buy" its way into high-margin categories.			

PATTERN FLAGS & SENTIMENT * **The "Economic Model" Pivot:** There is palpable analyst anxiety regarding the CPG segment. Management's posture was one of "controlled correction"—they admitted the staples business needed fixing (distribution and margins) and are effectively resetting the narrative. The resolution of this concern is deferred to the May call. * **Policy Frustration:** Multiple questions on the "challenges" in distillery and sugar highlight that efficiency alone is no longer enough. Analysts are skeptical of a re-rating if the government doesn't hike ethanol prices. Management appeared firm but acknowledged they are "price takers" in this segment. * **Analyst Sentiment Verdict:** Analysts were **skeptical** of the CPG volume drop but **impressed** by the refinery's debt reduction and the standalone sugar recovery rates. The primary friction point was the "non-sweetener" de-growth. Management's credibility is stable but "on watch" until the May strategic update. The greatest risk is a prolonged stagnation in ethanol prices, which traps Standalone EID in a low-ROCE cycle.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (H1 FY26)	This Quarter (Q3 FY26)	Direction
CPG Growth Narrative	Scaling Staples (Pulses/Rice)	Distribution "Correction" / De-growth	↓
Distillery Margins	69% OMC Allocation focus	Segment PBIT Loss (□15 Cr)	↓
Sugar Recovery	7.97% (Seasonal Low)	11.19% (Seasonal Peak)	↑
Refinery Leverage	$61M External Debt	$8.6M External Debt	↑
Inorganic Intent	Focus on organic staples	Actively seeking M&A / CIL stake sale	↑
Standalone Valuation	Impacted by PSRIPL ICDs	□354 Cr Impairment (Accounting Cleanup)	↓
CPG Distribution	Separate Sweetener/Staple teams	Merged sales team (Feb '26 completion)	□

INVESTOR NOTES: * **The "May Catalyst":** The thesis has shifted from a "linear scale-up" of staples to a "strategic repositioning." Management's intent to sell a stake in Coromandel (CIL) to fund FMCG acquisitions marks a definitive transition toward the "Harvesting" phase of its CIL investment to seed a high-margin consumer business. * **CFO-to-PAT Divergence:** Standalone OCF is being severely constrained by high inventory (□800 Cr). Management is holding sugar stocks waiting for release quotas, leading to higher interest costs on working capital debt (□750 Cr). * **Forensic Trigger:** The □354 Cr impairment of PSRIPL in standalone books is a "clean-up" move. While non-cash, it reflects a historic capital misallocation that management is now correcting by infusing equity and reducing external leverage. * **Thesis Verdict: Intact but Stalled.** The structural improvement in sugar recovery (up 340 bps) provides a cushion, but the FMCG growth story is on a 2-quarter "maintenance break." Wait for the May announcement on new categories before adding exposure.