EID Parry (India) Ltd — Jun 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Consolidated) / Miss (Standalone) **One-line:** A structural turnaround in the Kakinada refinery and aggressive FMCG scaling (□522 Cr retail revenue) are beginning to decouple the investment thesis from cyclical sugar volatility, despite policy-driven ethanol headwinds.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat (Consol)	Consol EBITDA higher due to Refinery PBT swing (□36.84 Cr vs -□45.31 Cr YoY).	□
Earnings Quality	Moderate	Standalone hit by climate/policy; Subsidiary results (Refinery) lack one-offs.	□
Guidance Confidence	Neutral	No volume guidance; Distillery expansion on track for Q1 FY25 full operations.	□
Management Credibility	Strong	Massive deleveraging of Refinery debt (□95 Cr vs □620 Cr YoY) demonstrates execution.	□
Business Quality Signal	Improving	CPG segment now at 31% CAGR (5-year); staples foray expands TAM.	□
Key Q&A Exchange	Q#7 (Distribution)	CPG distribution outlets expanded from 20k to 1.1 lakh in 3 years.	□
The Street's Primary Anxiety	Ethanol Policy	Impact of juice diversion ban. Mgmt: 5% EBITDA margin delta quantified.	□
Capital Cycle Stage	Investment	Heavy CPG/Distillery capex; transition to asset-light staples sourcing.	□
Margin / Return Ratio Trajectory	Deteriorating (Standalone)	Recovery drop (11.5% to 10.7%) and FRP hikes squeezed sugar PBIT.	□
Pricing Power	Strong	Retail realization □39/kg vs Trade □35.6/kg; >60% share in branded South.	□
FCF Conversion & Quality	Weak	Negative standalone FCF due to high sugar inventory (□1,039 Cr ST debt).	□
Competitive Moat Signals	Widening	Leveraging "Murugappa" trust to "brand the unbranded" in Staples (Rice/Dals).	□
Balance Sheet Strength	Adequate	Consol debt reduced; Refinery debt almost liquidated.	□
Working Capital Efficiency	Deteriorating	Standalone inventory pile-up due to zero exports and ethanol restrictions.	□
Mgmt Guidance Track Record	Reliable	Delivered on distillery expansions; refinery turnaround achieved as promised.	□
Key Vulnerability / Red Flag	Policy Volatility	Government flip-flops on ethanol feedstocks remain the primary P&L risk.	□
Management Tone	Confident	Focused on the "End of the Decade" CPG vision and operational efficiency.	□

Sentiment Verdict: □Positive

Key Takeaways: Positives: * **Refinery Turnaround:** The Kakinada refinery is no longer a drag. It posted a ₹36.84 Cr PBT in Q4 (vs a loss of ₹45.31 Cr YoY), driven by improved white premiums ($10/MT) and cost reductions ($3/MT). * **CPG Scaling:** The "Retail Sweetener" business has hit ₹522 Cr (FY24), growing at a 34% CAGR since FY19. Penetration has reached 110,000 outlets, providing a high-margin, non-cyclical buffer. * **Staples Expansion:** Launch of regional rice (Ponni), millets, and pulses in AP, TN, and Karnataka leverages the "Parry" brand equity in a ₹9 Lakh Cr TAM with low (<20%) branded penetration. * **Deleveraging Subsidiary:** Short-term debt in the Refinery subsidiary crashed from ₹620.04 Cr to ₹94.78 Cr YoY, significantly cleaning up the consolidated balance sheet.

Negatives: * **Operational Headwinds:** Lower recovery (down 82 bps) and higher cane costs (FRP up ₹25/quintal) hit sugar margins. Standalone PBIT for Sugar fell from ₹203 Cr to ₹81 Cr in FY24. * **Ethanol Margin Compression:** Policy restrictions on syrup-to-ethanol diversion reduced distillery EBITDA margins from a potential 17% to 12%. * **Nutraceuticals Stalled:** Segment remains loss-making (₹76 Cr PBIT loss in FY24) due to European certification hurdles, though management expects resolution in the "near future."

Forward-Looking Watchpoint: The "Full Stream" operation of 165 KLPD new distillery capacity in Q1 FY25 will be the key driver for FY25 earnings, provided government policy allows B-Heavy/Syrup diversion.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated/Standalone)

DATA SOURCE: PPT figures used as primary. Concall used for Q4-specific standalone realizations.

Metric	Current Qtr (Q4)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Volume (LMT)	19.79	↓ 13.8%	↑ 11.2%	↓	Impacted by climatic conditions in TN/AP; yield drop.
Recovery (%)	10.69%	↓ 82 bps	↑ 55 bps	↓	Lower recoveries due to unseasonal rains/ climate in South.
Sugar Realization (□/kg)	38.16	↑ 4.5%	↑ 2.3%	↑	Domestic prices firm; higher realizations offset vol drop.
Ethanol Volume (Cr L)	1.98	↓ 47.3%	↓ 1.5%	↓	Impacted by govt restriction on syrup-based ethanol.
Ethanol Realization (□/L)	64.49	↑ 3.1%	↑ 2.6%	↑	Mix improvement and price revisions by OMCs.
Cogen Power Export (LU)	903	↓ 14.8%	↑ 40.0%	↓	Lower cane crush directly reduced surplus power available.
Revenue (Standalone □Cr)	717	↓ 11.1%	↓ 1.1%	↓	Zero exports (vs 0.32 LMT YoY) hit the top line.
EBITDA (Standalone □ Cr)	166	↓ 49.2%	↑ 121.3%	↓	Hit by FRP hike, lower recovery, and ethanol policy.
PAT (Standalone □Cr)	80	↓ 3.6%	↑ 158.1%	→	Offset by higher domestic pricing and cogen tariffs.
Net Debt (Consol □Cr)	1,026	↓ 15.4%	↓ 1.3%	↑	Massive reduction in refinery debt; ST standalone up.
CPG Revenue (FY24 □Cr)	522	↑ 34.0%	N/A	↑	Volume grew to 1.34 LMT; distribution at 1.1L outlets.
Refinery PBT (□Cr)	36.84	↑ 181.3%	↑ 426.3%	↑	**Turnaround Story:** Better white premiums and cost.

2B. SEGMENT BREAKDOWN (Consolidated - FY24)

Segment	Revenue (□ Cr)	YoY Growth	Margin (PBIT)	Trend	vs Co. Avg	Key Development
Sugar (St)	1,865	↓ 7.9%	(0.4%)	↓	Underperform	No exports; FRP hike/recovery drop hit margins.
Distillery	659	↑ 2.5%	15.0%	↑	Outperform	120 KLPD Sankili distillery commissioned.
Cogen	254	↓ 1.6%	(29.5%)	↓	Underperform	Low volume of bagasse due to lower crush.
Refinery	4,093	↑ 42.8%	0.8%	↑	Outperform	White premium sustainability drove turnaround.
Nutra	212	↑ 24.7%	(35.8%)	↓	Underperform	European certification blockade persists.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Distillery Capacity	165 KLPD expansion to be "full stream" by Q1 FY25.	High; Requires immediate feedstock availability (Grain/B-Hy).	Delivered (on-time)	Low
Guidance	Closing Stock	90 LMT India-wide by Sept '24 (56 LMT opening).	Feasible; Industry consensus is ~9.1 MMT.	Consistent	Low
Strategy	CPG Scaling	Reach 0.5 Million outlets in near-to-medium term.	4.5x growth from current 1.1L; needs heavy A&P.	Strong (34% CAGR)	Moderate
Strategy	Staples Entry	Focus on "branding the unbranded" regional rice/dals.	High; Leveraging South India trust vs Basmati peers.	New	Moderate
Strategy	Refinery	Seeking "strategic partner" for value creation.	Vague; ongoing for 4+ quarters.	Delayed	High
Macro	Policy	Re-looking at Sugar MSP (currently □31/kg).	Depends on post-election government policy.	Missed (Industry)	High
Balance	Debt	Standalone debt to come down by Sept '24.	Depends on inventory liquidation quotas.	Mixed	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Karan Mehta	Distillery	Business Overview	"How are our operating parameters in distillery compared to peers and outlook for FY25?"	Management noted ethanol diversion restrictions hit FY24 EBITDA margins (12% vs 16% potential), but they are waiting for peer results to benchmark. This confirms a 4-5% margin drag due to policy, making volume expansion the only lever.	Benchmarking vs peers	3.0	Directional
2	4.5	Pinaki Banerjee	Ethanol Policy	Mgmt Commentary	"How confident are you in meeting the 20% blending target given govt flip-flops?"	Management stated policy makers remain committed but the ratio of grain-based ethanol will likely move higher than originally estimated. This implies EID's multi-feed distillery strategy is critical for future utilization.	None	4.0	Specific
3	4.0	Pinaki Banerjee	MSP	Financials	"Do you foresee the government removing restrictions on exports or re-	Management is hopeful on MSP re-look as FRP has risen annually while MSP is stagnant at □31; opening	None	4.0	Directional

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					looking at MSP?"	stock of 9 MMT provides a buffer. An MSP hike to ₹35-36 would be a massive re-rating catalyst for standalone sugar.			
4	3.5	Gautam Dedhia	CPG Mix	Business Overview	"What is the percentage of high-value Amrit/ Jaggery in branded sales (Slide 19)?"	These value-added segments comprise ~4% of branded volume (5700 tons) but are the primary targets for aggressive growth due to better realizations. Increasing this mix is key to moving retail EBITDA to the "late single digits."	None	5.0	Specific
5	4.0	Rajesh Majumdar	CPG Margins	Financials	"Why is retail realization only ₹1 higher than wholesale despite MRPs of ₹60-100?"	Management explained that entry-level products still dominate the mix and high A&P spend (₹35-40 Cr) is currently expensed within the "mother business." This signals that the CPG segment's true profitability is being	CPG-specific EBITDA %	2.5	Vague

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						masked by investment costs.			
6	4.5	Chetan Phalke	CPG Distribution	Strategy	"What is the distribution outlet target and overlap between sweeteners and staples?"	Distribution grew to 1.1 lakh outlets (40% TN) with a medium-term target of 0.5 million; rice/ staples are actually helping drive distribution in upcountry Karnataka/ AP. This synergy validates the FMCG pivot beyond just sugar.	None	4.0	Clear and Quantified
7	4.0	Chetan Phalke	Sourcing	Strategy	"Are you sourcing staples directly from farmers or via agents?"	Current sourcing is via mills/ partners to stabilize the brand, but direct farmer sourcing is planned over 4-6 years. This confirms EID is using an "asset-light" entry to preserve capital during the launch phase.	None	4.0	Logical
8	5.0	Naysar Parikh	Ethanol Delta	Financials	"What is the exact EBITDA margin difference between using sugar juice vs grain?"	Management quantified the delta as 5% (17% potential vs 12% delivered). This provides the street with a	None	5.0	Quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						precise mathematical basis for discounting distillery earnings under current policy.			
9	3.5	Anushree	Refinery	Governance	"Can you explain the impairment provision in Slide 41?"	The provision relates to the Dubai trading subsidiary (PIDMCC) which was fully provided for on a prudent basis due to nominal losses. This is a positive "clean-up" of the subsidiary balance sheet.	None	5.0	Specific

PATTERN FLAGS & SENTIMENT * **The CPG Transition:** Analysts were highly focused on the unit economics of the FMCG business. Management's posture was one of long-term investment—admitting that A&P spend (□35-40 Cr) and entry-level pricing are suppressing current margins to build distribution (1.1L to 5L outlets). The concern remains whether EID can compete with staples giants, but management's "regional variety" strategy (Ponni rice) was well-received as a niche play. * **The Ethanol Policy Trap:** A recurring theme was the 20% blending target vs. policy reversals. Management's transparency in quantifying the 5% margin hit showed confidence. The shift toward grain-based ethanol is clearly being accepted as the new, albeit lower-margin, reality.

Analyst Sentiment Verdict: Analysts were **cautiously optimistic**, primarily due to the surprise turnaround in the Refinery and the steady execution of the CPG segment. The primary friction point remains the standalone sugar division's profitability, which is at the mercy of government MSP/Export policy. Management's credibility improved this quarter by delivering the promised refinery turnaround and deleveraging.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | CPG EBITDA | Scaling to be profitable. | A&P spend (□35-40 Cr) is keeping current margins low. | Real margins are 4-5 years away; currently in "burn" phase for distribution. | Moderate: Near-term drag on consol PAT. | | Ethanol Blending | Sugarcane-driven policy. | Grain-based ethanol will take a higher share than estimated. | Pivot to grain is mandatory; sugarcane-only mills are at high risk. | Low: EID has multi-feed capability. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3)	This Quarter (Q4)	Direction
Refinery Profitability	₹7 Cr PBT	₹36.84 Cr PBT	↑
Refinery Subsidiary Debt	~₹253 Cr (Capital Emp.)	Net Negative Cap Emp (Debt reduced to ₹94 Cr)	↑
Sugar Realization	₹38.71/kg	₹38.16/kg	↓
Branded Sugar Volume	34,000 MT (Q3)	1,34,000 MT (Full Year)	↑
Staples Strategy	Trial launch TN	Commercial launch TN; started AP/KN/TS	↑
Standalone Debt	~₹1,000 Cr	₹1,039 Cr	↓
Distillery Capacity	Expansion underway	Completion reached; full stream by Q1FY25	↑
Corporate Structure	Integrated Management	Hired a separate COO for Bulk/Biofuels	↑
Nutra Status	Strategic Review	Strategic Review + Pursuit of Alliances	→
Inventory Lever	High stock expected	Closing stock est. at 90 LMT (India)	↓

INVESTOR NOTES: * **CFO/PAT Divergence:** Standalone PAT of ₹107 Cr (FY24) is significantly lower than the increase in short-term debt (+₹419 Cr). This divergence is driven by a massive build-up in sugar inventory (2.4 LMT) due to export bans, which will act as a cash-flow release valve once domestic quotas are increased. * **Refinery Transformation:** The Refinery is now operating as an "independent profitable toller" rather than a speculative trade house, with costs reduced to within the market spread. This de-risks the consolidated thesis.