EID Parry (India) Ltd — Jun 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** The standalone sugar engine is failing to cover its cost of capital as statutory cane costs (FRP) outpace realization, leaving the thesis entirely dependent on a policy-driven "rescue" (MSP hike) or the long-term scaling of the Consumer Products segment.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss	Standalone PBT loss of □99 Cr vs □9 Cr loss YoY; Refinery segment loss ballooned to □99 Cr.	□
Earnings Quality	Low	Impacted by □427 Cr impairment in the refinery subsidiary; operational losses across Sugar and Power segments.	□
Guidance Confidence	Weak	Management remains "hopeful" on Ethanol and MSP hikes but admitted zero visibility on timelines.	□
Management Credibility	Neutral	Transparent about the refinery's poor performance and the need for a □350 Cr equity infusion to save the net worth.	□
Business Quality Signal	Deteriorating	Core sugar business is structurally squeezed by government-fixed inputs (FRP) and fixed outputs (MSP/Ethanol).	□
Key Q&A Exchange	Q# 17 - Pricing	Management stated sugar prices need to be in the "early 40s" (per kg) to be viable; currently at □39.37.	□
The Street's Primary Anxiety	Refinery Bleed	Why the company is infusing □350 Cr into a subsidiary that just took a □427 Cr impairment.	□
Capital Cycle Stage	Consolidation	Shifting focus to Consumer Products (CPG) to de-risk from the commodity sugar cycle.	□
Margin Trajectory	Deteriorating	EBITDA is negative □38.12 Cr this quarter vs □56.21 Cr profit YoY.	□
Pricing Power	Eroding	Entirely dependent on GOI for MSP and Ethanol pricing; no control over raw material (FRP) costs.	□
FCF Conversion	Distorted	Impacted by heavy inventory carrying (1.9 lakh MT sugar) and rising short-term debt (□850 Cr).	□
Competitive Moat	Stable	"Parry's" brand remains a leader in South India; CPG revenue growing in non-sweeteners.	□
Balance Sheet Strength	Adequate	Supported by the massive valuation of the 56% stake in Coromandel International (Nutrients).	□
Working Capital Efficiency	Deteriorating	Short-term debt spike in both Standalone (□850 Cr) and Refinery (□590 Cr) due to inventory and losses.	□
Mgmt Guidance Track Record	Mixed	Crushing volumes missed (17.4 LMT vs 19.8 LMT YoY) due to lower planting in TN/AP.	□
Key Vulnerability	Policy Hostage	The business cannot turn a standalone profit without a Central Government intervention on Ethanol or MSP.	□
Management Tone	Cautious	Realistically grounded on agri-headwinds but optimistic on long-term CPG transformation.	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives): * **Positives: Distillery volumes** grew 17.5% YoY, with 90%+ capacity utilization, proving the expanded 582 KLPD capacity is operational. The **Consumer Products Group (CPG)** is gaining traction, with non-sweetener (staples) contributing ₹65 Cr to the ₹195 Cr segment revenue. * **Negatives:** The **Refinery business (PSRIPL)** has become a massive drag, posting a ₹99 Cr loss (vs ₹9 Cr loss YoY) due to collapsed white sugar premiums, forcing a ₹350 Cr equity bailout. **Sugar margins** are crushed; the cost of cane rose 7.5% YoY (to ₹3,768/MT) while realizations remained range-bound, leading to a negative EBITDA. * **Street Concern:** Analysts are focused on the "value trap" nature of the parent entity, where cash flows from the Nutrients business are effectively subsidizing structural losses in the Sugar and Refinery segments. * **Watchpoint:** Monitor the "early 40s" price target for Sugar MSP; without this or an Ethanol price hike, Standalone ROE will remain sub-zero.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

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

Metric	Current Qtr (Q4 FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Volume (Lakh MT)	17.40	↓ 12.1%	↑ (Seasonal)	↓	Impacted by lower planting in Tamil Nadu and Andhra Pradesh.
Recovery (%)	10.80%	↑ 11 bps	↑ (Seasonal)	↑	Improved recoveries in the second half of the season supported production.
Sugar Realization (₹/kg)	39.37	↑ 5.0%	↑ 0.8%	↑	Excludes consumer pack; up from ₹37.50 YoY but below viability levels.
Ethanol Volume (Cr Litres)	2.57	↑ 14.2%	↑ 1.2%	↑	Part of 3.89 Cr liters total alcohol sales (including ENA).
Ethanol Realization (₹/L)	66.98	↑ 3.9%	→	↑	Driven by higher prices in TN/Karnataka; no central OMC price hike.
Revenue (Standalone ₹Cr)	937	↑ 1.4%	↑ 30.1%	→	Calculated: Sugar (408) + CPG (195) + Co-gen (57) + Dist (268) + Nutra (9).
EBITDA (Standalone ₹Cr)	(38.12)	↓ 167.8%	↓ 140.0%	↓	Swung from ₹56.21 Cr profit YoY to a loss due to FRP/FRP gap.
PAT (Standalone ₹ Cr)	Not Stated	↓	↓	↓	PBT was negative ₹99 Cr before exceptional items.
CPG Revenue (₹ Cr)	195	↑ 44.4%	↓ 17.4%	↑	Non-sweetener portion grew to ₹65 Cr.
Capacity Utilization (%)	90%	→	→	→	Distillery operating at high levels; targeting 95% in FY26.
Inventory (Sugar MT)	1.90 Lakh	↑ 31.0%	↑ (Seasonal)	↓	Valued at ₹37.50-₹38.00; carry cost impacting debt.
Net Debt (Standalone ₹Cr)	1,055	↑ 25.4%	↑ 18.2%	↓	₹850 Cr short-term + ₹205 Cr long-term; rising to fund inventory.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	PBIT Margin	Trend	vs Co. Avg	Key Development
Sugar (Inc CPG)	408	↓ 1.7%	Negative	↓	Below	Hit by reduced release quotas and high cane costs.
Distillery	268	↑ 19.6%	Positive	↑	Above	Strongest operational segment; realization at ₹67/L.
Refinery (Subsidiary)	1,019	↑ 13.3%	(9.7%)	↓	Below	Loss of ₹99 Cr due to low white sugar premiums ($105-$120).
Consumer Products	195	↑ 44.4%	Not Stated	↑	Above	Growing distribution (10x in 4 yrs); Staples scaling.
Co-gen (Power)	57	↓ 26.0%	Not Stated	↓	Below	Lower export units (732L vs 903L) and lower tariff (₹4.3 vs ₹4.8).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distillery	Targeting 95% capacity utilization in FY26.	Needs ~17.5 Cr liters total output; currently at ~15.5 Cr run-rate.	On Track	Low
Guidance	CPG Strategy	Expanding beyond South India as demand picks up.	Requires significant ad-spend; current focus remains regional.	First Entry	Medium
Strategy	Capital Allocation	₹350 Cr infusion into Refinery subsidiary.	Essential to prevent debt default; ROI remains highly uncertain.	Missed	**High**
Strategy	Multi-feed	Exploring grain ethanol more saliently.	Currently multi-fed capability at AP unit; others need capex.	New Focus	Medium
Macro	Policy	Sugar price needs to be ₹40+ for viability.	Gap of ~₹1.50-₹2.00 from current levels.	Missed	**High**
Macro	Ethanol Prices	Expecting hike in B-Heavy/ Molasses prices.	No hike in 3 years; industry representation ongoing.	Missed	**High**
Balance	Debt	Servicing refinery debt via improved FY26 premiums.	Highly dependent on Brazil crop and EU surplus dynamics.	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	3.5	Rushabh / RBSA	Non-sweetener Strategy	Business Overview	"Strategy-wise, are you looking to enter organic or chemical-free category seriously over the next 2 to 3 years?"	Management stated they are focused on conventional staples and have no current plans for organic or chemical-free products. This implies the CPG segment will compete on brand and distribution in mass staples rather than niche premium segments.	None	5.0	Clear and quantified
2	3.0	Rushabh / RBSA	Distribution Mismatch	Financials	"The distribution reach has increased by 10x over the last 4 years, while the revenue has gone up only 3x... why the discrepancy?"	Management explained that incremental new outlets do not contribute revenue in the same proportion as mature existing outlets. This signals a gestation period for the CPG distribution expansion before it hits peak throughput.	None	4.0	Directional evidence
3	4.0	Sanjay Manyal / DAM	Cane Availability	Business Overview	"What could be the crushing number for us, and how would that translate into ethanol	Management indicated a "neutral outlook with a positive base" for the next season due to timely	Specific crush volume	3.0	Vague/ Neutral

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					volumes for the next year?"	monsoons in Karnataka and TN. Better cane availability is critical to lowering unit fixed costs in the sugar segment.			
4	4.5	Sanjay Manyal / DAM	Ethanol Economics	Financials	"How are the economics in maize ethanol, or for that matter, grain ethanol in South India?"	Management noted that integrated facilities provide a fuel benefit for grain ethanol, but broader industry emphasis is shifting toward grain. This pivot suggests EID must invest in multi-feed capability to mitigate sugarcane feedstock volatility.	Specific margins	3.0	Strategic shift
5	5.0	Sanjay Manyal / DAM	Ethanol Pricing	Financials	"Do you think it's a halt from that perspective that there is no increase in prices? So probably - this 20% blending will stay here and will not move forward?"	Management highlighted that molasses-based prices haven't risen in 3 years despite an 8% FRP hike, which has severely compressed EBITDA. This confirms EID is in a "margin squeeze" until the government revises	Timeline for hike	2.0	Policy hostage

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						procurement prices.			
6	4.0	Sanjay Manyal / DAM	Import Threat	Management Outlook	"What if the import of ethanol happens to India, what would be the landed price?"	Management warned that U.S. ethanol prices are in the "early 40s" (per liter), which is significantly lower than Indian subsidized prices. Any lifting of import curbs would be a major structural threat to domestic distillery economics.	None	4.0	Risk flagged
7	4.0	Yash Visharia / Mavira	CPG Growth	Management Outlook	"Apart from sugar and distillery, can we say that maybe 3 or 5 years down the line, the consumer products business will be one of the important core segments?"	Management confirmed CPG will be a core segment, aiming to beat the 12% industry growth rate for packaged foods. This reinforces the long-term thesis of diversifying away from cyclical commodities.	None	5.0	Thesis confirmed
8	4.0	Ritwik Sheth / One Up	Debt Profile	Financials	"Sugar business and refinery, would it be possible to give the split for long-term and short-term debt?"	Standalone sugar has ₹850 Cr short-term / ₹205 Cr long-term; Refinery has ₹590 Cr short-term debt. The	None	5.0	Quantified

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						high short-term component at the refinery is a liquidity risk if white premiums don't recover by H1 FY26.			
9	4.5	Manoj Shah / Lax Gov	Distillery Utilization	Business Overview	"What will be the capacity utilization for ethanol... what you expect in FY '26?"	Current utilization is 90%+, with an endeavor to move higher to 95% to leverage the 582 KLPD asset base. Maximizing distillery throughput is currently the only internal lever to offset sugar losses.	None	5.0	Specific target
10	5.0	Manoj Shah / Lax Gov	Impairment Logic	Financials	"Why an impairment has been taken? And also, there is some news that government will have some control over raw sugar..."	The ₹427 Cr impairment was based on lower projected future cash flows due to collapsed refining spreads. This admits that the refinery's fundamental value has permanently or significantly eroded in the near term.	None	4.0	Accounting reality
11	3.5	Manoj Shah / Lax Gov	Raw Sugar Control	Financials	"There was some news that the government would have some control	Management clarified that the Sugar Control Order targets domestic	None	5.0	Specific clarity

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					over [raw sugar] as well... if you can comment on that?"	production, whereas the refinery is entirely export-focused (via Advance License/SEZ) and thus unaffected. This removes a potential regulatory overhang for the refinery segment.			
12	4.5	Manaswi / ICICI	Sugar Mitigation	Management Outlook	"What are the key reasons because of which there has been negative income for the FY '25?"	Management cited the "MSP vs FRP" gap and restrictive domestic release quotas as the primary culprits. Mitigation involves shifting to refined sugar, institutional sales, and higher CPG volumes.	Timeline for PBT turn	3.0	Realistic/ Bleak
13	4.5	Yash Visharia / Mavira	Capital Infusion	Capex and Allocation	"What is the reason for writing off INR427 crores and again reinfusing the such big amount [□350 Cr] in the same company?"	The infusion is to strengthen net worth and reduce debt, while the write-off is a technical cash-flow based impairment. This is essentially a capital bailout of a subsidiary that cannot	Expected ROI	2.0	Defensive action

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						currently self-fund its obligations.			
14	5.0	Manoj Shah / Lax Gov	Viability Price	Management Outlook	"To make the sugar business viable, how much the minimum selling price should be increased?"	Management stated that a price in the "early 40s" (per kg) is necessary to be "near meaningful" given FRP levels. With current ASP at ₹39.37, the sugar segment is effectively operating below its required economic margin.	None	5.0	Critical data point

PATTERN FLAGS & SENTIMENT

- **Policy Paralysis Anxiety:** Analysts repeatedly pushed on when Ethanol or Sugar MSP hikes would arrive. Management's posture was one of helpless optimism, confirming they have no internal levers left to counter the FRP increases and are entirely dependent on New Delhi.
- **Refinery "Capital Sink":** There was significant friction regarding the refinery subsidiary. The juxtaposition of a ₹427 Cr impairment (valuation write-down) followed by a ₹350 Cr infusion (cash injection) suggests a "bailout" scenario that worried investors regarding capital allocation.
- **CPG as the "Safe Haven":** The only area where management sounded confident and aggressive was Consumer Products. This is the only segment where the company has pricing power and isn't governed by government quotas.

Analyst Sentiment Verdict: Skeptical and Concerned. While management was praised for transparency, the structural deficit in the standalone sugar business is alarming. The lack of a clear timeline for policy relief, combined with the capital bleed in the refinery, suggests the company is in a "holding pattern" where the Nutrients dividend is the only thing protecting the floor price.

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5. WHAT CHANGED vs PRIOR QUARTER

vs prior quarter (Q3 FY25 context)

What Changed	Prior Quarter	This Quarter	Direction
Refinery Profitability	□17 Cr Profit (YoY)	□99 Cr Loss (YoY)	↓
Cane Cost (FRP)	□3,150 / MT	□3,400 / MT	↓
Net Debt (Standalone)	□841 Cr	□1,055 Cr	↓
Refinery Valuation	Book Value	□427 Cr Impairment taken	↓
Capital Allocation	Internal Accruals focus	□350 Cr Infusion needed for sub	↓
Distillery Strategy	Sugar-feed primary	Saliency toward Grain/Multi-feed	→
Management Tone	Cautiously Optimistic	Realistic/Defensive on Sugar	↓
Sugar Sales Quota	Higher releases	Reduced release quota	↓

INVESTOR NOTE: The CFO-to-PAT ratio is not meaningful due to standalone losses, but the **Forensic Trigger** is the sharp rise in short-term debt (□850 Cr in sugar, □590 Cr in refinery). This indicates the company is using debt to carry high sugar inventory (1.9L MT) because government release quotas are preventing them from liquidating stock at a time when they desperately need cash to cover high FRP costs. The thesis has transitioned from an "Ethanol Growth Story" to a "Policy Recovery Play."