

EID Parry (India) Ltd — Nov 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Standalone) / Miss (Consolidated) **One-line:** The structural transition to an Ethanol-first model is accelerating with a new 120 KLPD Capex announcement, though consolidated earnings were severely marred by operational failures in the refinery subsidiary.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat (Standalone)	Standalone Revenue grew 47% YoY; EBITDA up to ₹125 Cr from ₹115 Cr.	☐
Earnings Quality	Low (Consolidated)	₹148 Cr loss in Refinery due to fatal accidents, demurrages, and MTM.	☐
Guidance Confidence	Strong	Sankili 120 KLPD on track for Q4; Haliyal 120 KLPD expansion announced.	☐
Management Credibility	Neutral	Transparent on accidents, but refinery volatility remains an "uncontrollable" drag.	☐
Business Quality Signal	Improving	Pivot toward a fixed-price Ethanol/Institutional Sugar mix reduces commodity cyclicality.	☐
Key Q&A Exchange	Q#7 — Distillery Breakeven	Refinery breakeven is \$40–45/MT spread; current accidents wiped out the \$50/MT reality.	☐
The Street's Primary Anxiety	Refinery Volatility	Analysts pressed on why the best refining environment didn't translate to profits.	☐
Capital Cycle Stage	Investment	Significant Capex (₹181 Cr for Haliyal) in high-recovery Karnataka.	☐
Margin / Return Ratio Trajectory	Improving (Core)	Higher power tariffs (₹4.46) and sugar realizations (₹35.99) lifting core margins.	☐
Pricing Power	Stable	Realizations grew 3.5% YoY; "Parry's" brand retail growth allows premium over trade.	☐
FCF Conversion & Quality	Strong	Standalone CFO/PAT at 90% for H1; Short-term debt reduced by ₹21 Cr YoY.	☐
Competitive Moat Signals	Widening	Massive distillery capacity (targeting 18 Cr liters) creates a regional ethanol oligopoly.	☐
Balance Sheet Strength	Adequate	Consolidated external borrowing reduced to ₹1,187 Cr from ₹1,311 Cr in Mar-22.	☐
Working Capital Efficiency	Improving	"Zero cane dues" status; inventory release mechanism functioning well.	☐
Mgmt Guidance Track Record	Reliable	Project timelines for Sankili and Retail distribution reach are being met.	☐
Key Vulnerability / Red Flag	Operational Risk	Fatal accidents at the refinery highlight potential safety/maintenance lapses.	☐
Management Tone	Resilient	Optimistic on core sugar/ethanol; contrite regarding refinery setbacks.	☐

Sentiment: ☐Positive (Core) | ☐Negative (Subsidiaries)

Key Takeaways: Positives: * **Ethanol Acceleration:** Management announced a second 120 KLPD distillery at Haliyal (₹181 Cr), which will bring total capacity to ~537 KLPD by FY24. This shifts the mix toward high-margin, stable-price ethanol. * **Core Sugar Recovery:** Crushing volumes grew 27% YoY (8.38 LMT) with better recovery (8.86% vs 8.71%). Sugar realizations improved to ₹35.99/kg. * **Balance Sheet De-leveraging:** Standalone short-term debt was slashed nearly in half YoY (₹27 Cr vs ₹648 Cr), significantly reducing interest costs (down 30% YoY). * **Retail Pivot:** Retail sales grew 34% YoY in H1; management is targeting 1 lakh outlets by FY25, moving the sugar business from a bulk commodity to a CPG model.

Negatives: * **Refinery Disaster:** Two fatal accidents led to a 1-month plant stoppage. This resulted in \$9M in demurrages and a total PBT loss of ₹148 Cr for the subsidiary, masking core performance. * **Nutraceutical Burn:** The B2C venture (Flomomentum) remains in "burn mode" with an ARR of only \$1M. Management admits consolidated Nutra will remain EBIT negative as they fund marketing. * **Cost Headwinds:** Higher fuel/coal costs impacted distillery profitability despite better realizations.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT primary source; Concall used for commentary.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Vol (lakh MT)	8.38	↑ 26.9%	↑ 211%	↑	Volume driven by better cane availability in TN (Nellikuppam/Pugalur).
Recovery (%)	8.86%	↑ 15 bps	↓ 49 bps	↑	YoY improvement due to better weather; QoQ lower due to seasonality.
Sugar Realization (₹/kg)	35.99	↑ 3.5%	↑ 2.3%	↑	Pricing remains strong; domestic quota release was lower in Q2.
Ethanol Volume (lakh L)	170.0	↑ 65.0%	↑ 49%	↑	Intentional shift from ENA to Ethanol to capture EBP opportunity.
Ethanol Realiz. (₹/L)	58.38	↑ 7.0%	↑ 1.0%	↑	Realization up; includes higher-priced B-heavy and Syrup ethanol.
Distillery Utiliz. (%)	92.0%	→	→	→	Running flat out on existing 297 KLPD capacity.
Revenue (Standalone) (₹Cr)	646.0	↑ 47.5%	↓ 10.5%	↑	Growth driven by volume (Sugar up 49%, Distillery up 52%).
EBITDA (Standalone) (₹Cr)	125.0	↑ 8.7%	↑ 12.6%	↑	Profitability hit by higher fuel costs in distillery and cane prices.
PAT (Standalone) (₹Cr)	85.0	↑ 16.4%	↑ 545.0%	↑	Boosted by strong sugar/power realizations and lower interest.
CFO-to-PAT (H1)	0.90	N/A	N/A	→	Standalone OCF ₹88 Cr vs PAT ₹98 Cr; healthy conversion.
Net Debt/Equity (Consol)	0.44	↓	↓	↑	Significant deleveraging; Net Debt down to ₹1,187 Cr.
Power Realiz. (₹/unit)	4.46	↑ 33.5%	↓ 35.6%	↑	YoY surge due to exchange prices; QoQ drop from Q1 peak (₹6.93).

2B. SEGMENT BREAKDOWN (Consolidated PBIT)

Segment	Revenue (₹ Cr)	YoY Growth	PBIT Margin	Trend	vs Co. Avg	Key Development
Sugar (Standalone)	466	↑ 48.9%	-2.1%	↑	Underperform	Loss narrowed from ₹87 Cr to ₹10 Cr in H1.
Distillery	140	↑ 52.2%	22.8%	↓	Outperform	Margins squeezed by fuel costs; revenue up on volume.
Cogen	28	↑ 55.6%	-107%	↓	Underperform	Seasonal PBIT loss; revenue up on higher export tariffs.
Nutraceuticals	73	↑ 17.7%	-4.1%	→	Underperform	Burn mode for B2C; Flomomentum ARR at \$1M.
Refinery	582	↑ 66.3%	-25.4%	↓	Underperform	Major accident-led loss; Demurrages wiped out EBITDA.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Ethanol Capacity	Reach 17–18 Cr liters annually by FY24.	Needs Haliyal + Sankili to add ~6.5 Cr liters to base.	On track (Sankili starting Q4).	Low
Guidance	Retail Reach	1 lakh outlets by FY25.	Needs to add ~40k outlets in 2.5 years (~4k per quarter).	Delivering (FY22: 58k outlets).	Low
Strategy	Refinery Spread	Breakeven at \$40–45/MT spread.	Requires plant availability >90%; currently \$50/MT available.	Miss (Accidents).	High
Strategy	Nutra B2C	Scale Flomomentum science equity.	ARR \$1M is negligible; needs 10x scale to hit PBIT breakeven.	Lagging.	Moderate
Capex	Haliyal Expansion	₹181 Cr for 120 KLPD.	Commissioning Q4 FY24; funding from internal accruals.	New announcement.	Low
Macro	Cane Availability	Higher volumes in TN/ Karnataka.	Monsoon has been supportive; 27% crush growth in Q2 supports this.	Delivering.	Low

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	Devang Shah / Investsavvy	Capacity	Capex	Is the 90-95% utilization based on the 297 KLPD or the new 417 KLPD?	Management confirmed utilization is on the current 297 KLPD capacity and the new 120 KLPD plant will start in Q4 FY23. This implies a significant volume jump (approx. 40%) will hit the P&L from Feb-Mar 2023 onwards.	None	5.0	Specific & Quantified
2	3.5	Rajesh Mujumdar / B&K	Cash Flow	Financials	Why did CFO fall from ₹305 Cr to ₹88 Cr while receivables jumped?	CFO Sridhar explained that the company repaid agri-financing loans and saw a spike in September sales (receivables) backed by LCs. Higher H1 sales volume inherently tied up more capital, but the "Zero Cane Dues" status validates the liquidity position.	None	4.0	Directional with evidence
3	4.5	Rajesh Mujumdar / B&K	Refinery	Business Overview	Why did the refinery miss the "white premium" boom seen globally?	Suresh Kannan admitted the accidents and subsequent 1-month closure	None	4.0	Clear & quantified

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						wiped out the benefit of strong white premiums. This confirms the loss was an operational failure rather than a market-driven one, implying a recovery is likely once safety audits are cleared.			
4	3.0	Ritwik Sheth / One-Up	Ethanol	Business Overview	What is the peak ethanol volume after all expansions?	Management projects a rise to 17–18 Crore liters per annum by the end of FY24. This provides a clear roadmap for the segment to become the dominant EBIT contributor within 24 months.	None	5.0	Specific timeline
5	4.0	Anushree / Alpha Invesco	Refinery	Financials	What are the current refinery spreads and breakeven levels?	Current spreads are ~\$50/MT, while the breakeven is \$40–45/MT. This indicates that under normal operations (barring accidents), the refinery should be generating a positive EBITDA of	None	4.5	Quantified

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						\$5–10 per ton.			
6	4.0	Nitin Awasthi / Incred	Farmer Relations	Management Commentary	What is the status of the farmer agitation and the SAP demand in Karnataka?	Management stated that while there were agitations, the Haliyal mill is now running and no official SAP notification has been received. This indicates potential cost inflation risk if Karnataka deviates from FRP, though current operations are stable.	None	3.0	Vague but consistent
7	3.5	Rajakumar V.	Organic Growth	Strategy	Is the company looking at inorganic growth in Tamil Nadu given the sector distress?	Management firmly stated they are not looking at inorganic opportunities in TN, preferring to sweat existing assets which can still crush much higher volumes. This signals a disciplined capital allocation approach focused on ROI rather than just scale.	None	4.5	Specific stance
8	4.0	Rajesh Mujumdar / B&K	Volume Balance	Strategy	How will you balance increased	Management intends to divert more	None	4.0	Directional

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
					ethanol volumes without adding milling capacity?	sugar (sacrificing trade volumes) rather than adding crushing capacity. This is a margin-accretive move, favoring higher-profit ethanol over bulk sugar exports.			

PATTERN FLAGS & SENTIMENT * Refinery Reliability: Analysts were visibly frustrated that the refinery failed to capitalize on the best global spreads in years. Management's tone was defensive but transparent, focusing on "special events" (accidents) to explain the loss. While the concern is resolved (production resumed), the incident adds a "safety risk" discount to the stock. * **Ethanol Pivot Confidence:** There was a clear thematic focus on the 120 KLPD expansion roadmap. Analysts are now underwriting EID Parry as an Energy/CPG play rather than a sugar mill. Management appeared most confident here, especially regarding the Haliyal dual-feed decision.

Analyst Sentiment Verdict: Skeptical on subsidiaries, Bullish on the core. The friction point remains the Refinery's erratic performance and the slow ramp-up of the Nutraceutical B2C business. Management's credibility on project execution (Sankili) remains high, but they are on "safety watch" regarding subsidiary operations.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Refinery Profitability | "Move up the value chain" strategy. | Accidents and demurrages caused a massive ₹148 Cr loss. | Strategy is sound but execution/safety was a failure this quarter. | High (Operational risk) | | Nutra Breakeven | Expanding B2C reach. | Consolidated Nutra will stay in "burn mode" for the foreseeable future. | Near-term profitability is being sacrificed for ARR growth. | Low |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY23)	This Quarter (Q2 FY23)	Direction
Refinery PBT	₹(5) Crore (approx)	₹(148) Crore	↓
Ethanol Capacity Plan	417 KLPD (Sankili focus)	537 KLPD (Haliyal addition)	↑
Short Term Debt	₹1,035 Crore (Mar-22)	₹327 Crore (Standalone)	↑
Power Realization	₹6.93 / unit	₹4.46 / unit	↓
Dividend	None	₹5.50 interim dividend	↑
Crushing Volume	2.69 LMT	8.38 LMT	↑
Nutra Status	Revenue hurdles (Weather)	B2C Marketing focus (Burn mode)	→

Note: Direction arrows for Debt: ↑ indicates improvement (reduction in debt).