EID Parry (India) Ltd — Nov 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** A sharp turnaround in the Refinery subsidiary and significant debt reduction stabilize the consolidated entity, offsetting the lack of sugar exports and persistent certification hurdles in Nutraceuticals.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Consolidated refinery PBT of 13.59 Cr vs a catastrophic 96.5 Cr loss in the prior quarter.	□
Earnings Quality	Moderate	PAT includes a 20 Cr one-off insurance claim in the US Nutraceuticals business (Valensa).	□
Guidance Confidence	Neutral	Distillery expansion remains on track, but ethanol price hikes and Nutra re-certification are outside mgmt control.	□
Management Credibility	Strong	Proactive debt reduction (Refinery ST debt down from 327 Cr to 34 Cr) and clear execution on branded sugar.	□
Business Quality Signal	Improving	Branded sugar now accounts for 40% of sales volume; pivoting to higher-margin "Value Added Sweeteners."	□
Key Q&A Exchange	Q#10 (FMCG Scale)	Management confirmed a 1-2 premium on branded sugar and a target to move 25-30% of sales to value-added.	□
The Street's Primary Anxiety	Refinery Viability	Analysts questioned the sustainability of refinery profits; mgmt cited locked-in premiums and efficiency.	□
Capital Cycle Stage	Consolidation	Focusing on debt repayment and low-capex FMCG growth after a period of distillery expansion.	□
Margin / Return Ratio Trajectory	Improving	Refinery turned PBT positive; Distillery realizations improved to 60.61/L (up 4% YoY).	□
Pricing Power	Expanding	Brand "Parry" fetching premiums; Jaggery/Low-GI sugar pricing significantly higher than base.	□
FCF Conversion & Quality	Strong	Massive reduction in refinery short-term debt indicates strong working capital release/cash generation.	□
Competitive Moat Signals	Stable	1 lakh+ retail outlet reach and Murugappa group pedigree provide a formidable FMCG launchpad.	□
Balance Sheet Strength	Strong	Significant deleveraging at the subsidiary level; long-term debt remains stable/low.	□
Working Capital Efficiency	Improving	Inventory and trade desk margin releases led to a ~293 Cr reduction in refinery short-term borrowing.	□
Mgmt Guidance Track Record	Mixed	Strong execution on distillery/deleveraging; Nutra turnaround delayed by regulatory factors.	□
Key Vulnerability / Red Flag	Regulatory/Export	Total absence of sugar export permission and uncertainty over ethanol price revisions vs FRP hikes.	□
Management Tone	Confident & Brand-focused	High focus on building "Parry" as a kitchen staple brand rather than just a sugar producer.	□

Sentiment: □Positive

Key Takeaways: * **Refinery Turnaround:** The Kakinada refinery returned to profitability (₹13.59 Cr PBT) after a disastrous Q1, driven by locked-in white premiums and world-class operational efficiencies. Crucially, short-term debt in this segment was slashed from ₹327 Cr to ₹34 Cr. * **Branded Sugar Pivot:** The FMCG transformation is gaining traction, with branded sugar reaching 1.4 lakh tons annually (40% of total volume). Management is aggressively pushing "Value Added Sweeteners" (Low GI, Jaggery, Brown Sugar) to expand the current ₹1-2/kg premium. * **Distillery Momentum:** Sales volumes rose 32% YoY (304 lakh liters) as expansion projects yielded results. Realizations improved to ₹60.61/L, though a further OMC price hike is needed to offset the FRP increase. * **Nutraceuticals Drag:** The segment remains the "problem child" due to European certification issues. While a ₹20 Cr insurance claim masked operational weakness, true recovery is deferred to Q4 FY24. * **Forward-Looking Watchpoint:** The successful launch of non-sugar staples (millets, pulses) in Q3/Q4 will determine if EID Parry can successfully re-rate from a cyclical sugar mill to a structural FMCG player.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

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

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Volume (Lakh MT)	8.54	↑ 1.9%	↑ 112.9%	↑	Stable crushing at Nellikuppam and Pugalur units.
Recovery (%)	8.22%	↓ 64 bps	↓ 83 bps	↓	Lower recovery vs 8.86% last year; weather-related impact.
Sugar Realization (₹/kg)	37.57	↑ 4.4%	↑ 3.5%	↑	Better domestic realizations offsetting export loss.
Ethanol Volume (Lakh L)	304	↑ 31.6%	↑ 36.9%	↑	Growth from expansion; 160L liters ethanol, 144L ENA.
Ethanol Realization (₹/L)	60.61	↑ 3.8%	↓ 0.8%	→	Realization improved YoY; awaiting OMC price hikes.
Distillery Utilization (%)	Not stated	-	-	-	Volume sold significantly higher YoY.
Revenue (Standalone ₹ Cr)	726	↑ 12.7%	↑ 4.0%	↑	Driven by domestic sugar volumes and distillery.
PAT (Standalone ₹ Cr)	86	↑ 1.2%	↑ 115.0%	↑	Domestic volume (+0.37L MT) offset export ban.
CFO-to-PAT Ratio	Not stated	-	-	-	Debt reduction implies high cash generation.
Refinery PBT (₹ Cr)	13.59	↑ 109.2%	↑ 114.1%	↑	Massive turnaround vs ₹148 Cr loss YoY and Q1.
Branded Sugar Reach	1 Lakh+	↑ 30%	→	↑	Direct/indirect outlets growing at 30% YoY.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Sugar	507	↑ 9.3%	Stable	↑	In-line	Domestic volume up 0.37L MT; realization ₹37.57.
Distillery	190	↑ 34.8%	Improving	↑	Outperform	Volume sold 304L liters; expansion paying off.
Cogen	32	↑ 14.3%	Stable	→	Underperform	730 lakh units generated; realization ₹4.59/unit.
Nutra (Consol)	57.77	↓ 21.1%	Weak*	↓	Underperform	Hit by EU certification ban; US B2B sustainable.
Refinery (Sub)	1296	↑ 122.7%	Positive	↑	Turnaround	Refined 2.44L MT; Sold 2.66L MT; Debt slashed.
Nutra EBITDA includes ₹20 Cr one-off insurance claim.						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distillery Capacity	21 Cr liters total ENA/Ethanol capacity by FY25.	On track with Nellikuppam/ Karnataka expansions.	Reliable	Low
Guidance	Nutra Recovery	Billing to Europe to resume from Q4 FY24.	Requires new certification body approval by Dec-Jan.	Mixed	High
Strategy	FMCG Saliency	Value-added sweeteners to reach 25-30% of sales.	Currently at 5%; needs massive scale-up in retail SKUs.	New Target	Moderate
Strategy	Brand Reach	Retail outlets to grow at 30% year-on-year.	Achieved 1 lakh outlets from 7k five years ago.	Reliable	Low
Strategy	Refinery Model	Evaluating strategic partners to augment trade capability.	No timeline given; partnership search ongoing for >1 yr.	Delayed	High
Strategy	Food Staples	Launching Millets/Dals after successful pilots.	Launch expected in 2-3 months in commercial scale.	New	Moderate
Macro	Policy	Hoping for upward ethanol price revision from OMCs.	Essential to neutralize ₹150/MT FRP hike.	External	High

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	Sanjay Shah / KSA Shares	Nutra Performance	Financials	"What is the reason for high profitability in Nutra despite lower revenue?"	Management clarified that the profit was boosted by a ₹20 Cr insurance claim in the US (Valensa), while top-line was hit by EU certification issues. This indicates that core Nutra operations remain stressed and the current profit is non-recurring.	Timing of EU certification resolution	5.0	Clear and quantified
2	4.5	Sanjay Shah / KSA Shares	Refinery Strategy	Strategy	"What is the long-term plan for the refinery given past losses; will it be shut down?"	Management stated that operational performance has reached an all-time high and they are actively seeking strategic partners to add value. This suggests the segment will remain a subsidiary but with a shifted risk profile through partnership.	Specific timeline for partner onboarding	3.0	Deflected
3	3.5	Gautam Dedhia / Nalanda	Crushing Outlook	Business Overview	"What is the crushing expectation for the year given the monsoon challenges?"	Management expects overall crushing to be in-line with the previous year, with	None	4.0	Directional with evidence

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						marginal increases in Tamil Nadu offsetting other states. This provides comfort on raw material availability despite El Nino concerns.			
4	4.5	Gautam Dedhia / Nalanda	Branded Sugar	Business Overview	"What are the branded sugar volumes compared to last year?"	Branded sales grew to 33,000 tons this quarter from 23,000 tons YoY, representing a significant shift toward the retail channel. This confirms the FMCG pivot is materially impacting the volume mix.	None	5.0	Specific, quantified
5	3.5	Vismay Bhatt / Shree Securities	Geographic Expansion	Strategy	"Does the company have plans to expand to North India (UP) for higher recovery?"	Management explicitly stated they have no plans to expand beyond South India for new factories. This indicates a focus on maximizing sweating of existing regional assets.	None	5.0	Specific
6	4.0	Vismay Bhatt / Shree Securities	FMCG Distribution	Strategy	"How many retail outlets is the company present in	The company is in ~1 lakh outlets currently, targeting	None	4.5	Directional with evidence

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
					currently and what is the growth?"	30% annual growth in distribution reach. This scale is the foundation for the upcoming launch of staples like millets and dals.			
7	3.0	Vismay Bhatt / Shree Securities	Ad Spend	Financials	"What is the advertising expenditure and will it increase?"	Management currently spends ~15-16 Cr (roughly 3% of sales) and expects this to rise as they launch more products into the FMCG channel. Increased brand building will likely cap near-term retail margins.	None	4.0	Specific
8	4.0	Naushad Chaudhary / ABSL	Branded Profitability	Financials	"What is the potential to increase EBITDA/kg as the branded business grows?"	Management noted a Re.1 net premium on branded base sugar, with much higher deltas in value-added products like Low GI and Brown sugar. Success in the FMCG segment is dependent on shifting the mix toward these high-margin	Specific margin per SKU	3.5	Vague but consistent

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						SKUs (currently 5% of mix).			
9	4.5	Kashyap / Broadview	Refinery Debt	Financials	"Why has short-term debt in the refinery decreased so sharply to 34 Crores?"	Management attributed this to the release of trade desk margin money and strong cash flow from selling 2.4 lakh MT of refined sugar. This deleveraging significantly derisks the consolidated balance sheet.	None	5.0	Specific, quantified
10	4.0	Kashyap / Broadview	Branded Saliency	Business Overview	"What is the total branded sugar sales as a percentage of volume?"	Branded sugar now accounts for ~1.4 lakh tons out of ~3.6 lakh tons total (approx 40%), up from negligible levels five years ago. This illustrates a profound structural shift in the business model.	None	5.0	Specific, quantified
11	3.5	Karan Mehta / Individual	Competitive Margins	Financials	"Why are margins lower compared to competitors like Bannari Amman?"	Management cited the wide spectrum of recovery across their plants (8.5% to 12.5%) and different levels of	None	3.0	Directional

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						integrated distillery operations. Recovery is the primary driver of cost differences in the sugar business.			
12	4.0	Aman Shah / Jeetay Inv	Refinery Outlook	Management Commentary	"For how much period have we locked the white premiums for the refinery?"	Management has locked premiums for the remainder of FY24, ensuring a profitable H2, and is waiting for market opportunities for FY25. This visibility reduces the risk of FX or global price volatility for the next two quarters.	None	4.5	Specific

PATTERN FLAGS & SENTIMENT

Theme Cluster 1: The FMCG Pivot (Sugar to Staples): Analysts were deeply focused on the mechanics of the branded business—distribution reach, premiums, and the launch of non-sugar staples (millets/dals). Management appeared highly confident, leveraging the "Murugappa/Parry" brand trust to move away from commodity cycles. The shift to a 40% branded mix was well-received, though analysts remain watchful of the ad-spend "slow burn" impact on near-term margins.

Theme Cluster 2: Refinery De-risking: After heavy losses in the prior quarter, the refinery turnaround was the highlight. Management's aggressive reduction of short-term debt (90% reduction) and the locking of white premiums for H2 FY24 addressed the "stop-loss" concerns raised by analysts previously. While the long-term "locational disadvantage" (raised in Q1) remains, the segment is no longer an immediate drain on consolidated cash.

Analyst Sentiment Verdict: The sentiment has shifted from **anxious/hostile** (in the prior quarter) to **constructively curious**. Management's transparency regarding the Nutra insurance claim and the specific deleveraging metrics in the refinery restored credibility. The primary friction point remains the timing of EU Nutra re-certification and the sustainability of distillery margins if OMC price hikes don't materialize.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening / Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Nutra Profitability	Segment turned profitable.	PBT was supported by a 20 Cr one-off insurance claim.	Core Nutra operations are still loss-making on a standalone basis.	Moderate: Pushes back operational turnaround.
Refinery Strategy	Seeking strategic partners.	Still in the "evaluating" phase with no timeline.	Partnership is not imminent; turnaround is currently purely operational.	Moderate: Locational issues remain unresolved.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Refinery Profitability	96.5 Cr PBT Loss	13.59 Cr PBT Profit	↑
Refinery Leverage	327 Cr Short-term Debt	34 Cr Short-term Debt	↑
Branded Mix	Focused on base sugar	Pushing Value-Added Sweeteners (5% of mix)	↑
Nutra Status	European ban impact starting	Insurance claim (20 Cr) offsets EU revenue loss	□
Sugar Recovery	8.86% (YoY)	8.22% (YoY)	↓
FMCG Portfolio	Sweeteners only	Commercial launch of millets/dals imminent	↑
Export Opportunity	Partially open	Completely closed for SY 2023-24	↓
Distillery Realization	58.38/L (YoY)	60.61/L (YoY)	↑
Refinery Premiums	Volatile/unlocked	Locked for H2 FY24	↑