EID Parry (India) Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** Severe operational headwinds in the core Tamil Nadu sugar business and margin compression in Distilleries overshadowed a robust 76% growth in the Consumer Products segment, leaving the thesis dependent on a "policy rescue" and CPG scaling.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	Standalone sugar revenue fell 40% YoY; Sugar recovery dropped to 7.6% (vs 8.22% YoY).	□
Earnings Quality	Low (Input Cost Pressures)	Distillery volumes grew 38% YoY but margins were diluted by high molasses prices.	□
Guidance Confidence	Neutral	Management "hopes" for MSP and Ethanol price hikes; TN recovery issues are "structural."	□
Management Credibility	Strong	Transparent about "ruthless focus on execution" and admitting single-digit EBITDA margins in Distillery.	□
Business Quality Signal	Stable	CPG/Staples segment reached an exit run-rate of □29 Cr/ month, proving the FMCG pivot is gaining mass.	□
Key Q&A Exchange	Q# 1 - Refinery Spreads	Management confirmed white premiums crashed to $75-80 from $130; profitability depends on forward hedges.	□
The Street's Primary Anxiety	Margin Compression	High FRP (up 8%) and molasses costs vs. stagnant Sugar/ Ethanol realizations.	□
Capital Cycle Stage	Consolidation	Shifting from a heavy CAPEX phase to an "execution and efficiency" phase.	□
Margin / Return Ratio Trajectory	Deteriorating	Standalone EBITDA margins pressured by lower recovery and higher cane costs (□3,301 vs □3,155 YoY).	□
Pricing Power	Eroding	Dependent on GOI for Ethanol/Sugar price hikes to offset mandatory FRP increases.	□
FCF Conversion & Quality	Weak	Short-term loans spiked to □278 Cr (from □34 Cr QoQ) to fund working capital/inventory.	□
Competitive Moat Signals	Stable	Strengthening Murugappa distribution network (25-30% sales from Modern/Quick Commerce).	□
Balance Sheet Strength	Adequate	Consolidated debt is manageable, but Standalone working capital is strained by lower release quotas.	□
Working Capital Efficiency	Deteriorating	Lower sugar release quotas are forcing higher inventory carrying costs.	□
Mgmt Guidance Track Record	Mixed	Crushing volumes in TN continue to disappoint due to climate; Karnataka remains the savior.	□
Key Vulnerability / Red Flag	Structural Yield Gap	TN sugar recovery is consistently lagging, making standalone profitability fragile.	□
Management Tone	Cautious	Realistically grounded on agriculture/policy headwinds while optimistic about the "Flywheel" in CPG.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The **Consumer Product Group (CPG)** is successfully decoupling from the sugar cycle, with Staples (Rice/Dal) contributing □82 Cr this quarter and maintaining a □29 Cr/month run-rate. **Distillery volumes** remain a structural growth driver (up 38% YoY), and the government's Nov 1 decision to lift ethanol diversion restrictions removes a major volume overhang. * **Negatives:** Core **Sugar profitability** is being hollowed out by a "scissors effect"—rising input costs (FRP up 8%, Molasses prices high) and stagnant selling prices. The **Refinery segment** faces a sharp contraction in white premiums ($75/MT vs $130/MT in Sept), which will likely impact H2 FY25 margins despite hedges. * **Forward-looking Watchpoint:** The thesis now hinges on whether the GOI announces an **MSP hike for Sugar** or an **Ethanol price revision** by OMCs to restore the Distillery segment to its target 20% EBITDA margin (currently single digits).

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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)	5.61	↓ 34.3%	↑ (Seasonal)	↓	Impacted by poor monsoon last year and pests in TN.
Recovery (%)	7.60%	↓ 62 bps	↓ 100 bps	↓	Lower recoveries in TN (Nellikuppam/Pugalur) due to climate.
Sugar Realization (□/kg)	39.39	↑ 4.8%	↑ 2.0%	↑	Slight increase but insufficient to cover 8% FRP hike.
Ethanol/ENA Volume (Lakh L)	419	↑ 37.8%	↑ 93.1%	↑	Strong volume growth; ENA 159L, Ethanol 260L.
Ethanol Realization (□/L)	64.20	↑ 5.9%	↓ 0.2%	↑	Realization up YoY but margins diluted by molasses costs.
Revenue (Consol □Cr)	1,846	↓ 1.1%	↓ 25.1%	→	Flat YoY; Sugar/Refinery drops offset by CPG growth.
EBITDA (Standalone □ Cr)	29	↓ 38.3%	↑ (vs Loss)	↓	Impacted by lower release quotas and recovery challenges.
PAT (Refinery PBT □Cr)	5	↓ 64.3%	↓ 50.0%	↓	Squeezed by falling white premiums ($75-80/ MT).
Net Debt (ST Loan □Cr)	278	↑ 717%	↑ 717%	↓	Spike from □34 Cr QoQ to fund inventory carrying costs.
CPG Revenue (□Cr)	236	↑ 76.1%	↑ 9.3%	↑	Staples contributing □82 Cr; non-sweetener scaling fast.
Staples Monthly Run-rate	29	↑ 16.0%	↑ 16.0%	↑	Improved from □25 Cr/month exit in Q1.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Result (PBT □Cr)	Trend	vs Co. Avg	Key Development
Sugar (Standalone)	216	↓ 40.2%	Not Stated	↓	Laggard	Lower release quotas and recovery loss (7.6%).
Distillery	281	↑ 47.9%	Not Stated	↑	Leader	Strong volume (419L Lakh L) but margin dilution.
CPG / Staples	236	↑ 76.1%	Not Stated	↑	Growth Engine	Staples □82 Cr; Rice/Dal saliency 52%/48%.
Refinery (PSRIPL)	1,116	↓ 13.9%	5	↓	Neutral	White premiums dropped to $75; demand muted.
Nutra (Consol)	37	↓ 36.2%	Not Stated	↓	Laggard	Significant drop in turnover; focus on certification.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Crushing Volume	Expected to match last year’s crushing despite TN drops.	Requires 30%+ growth in Karnataka/UP to offset TN.	Mixed	**High** (Weather)
Guidance	Distillery Margin	Target 20% EBITDA margin long-term.	Currently single-digits; needs □5-7/L Ethanol price hike.	Missed	**High** (Policy)
Strategy	CPG Scaling	"Asset-light" staples growth focused on South India.	Needs to sustain □30 Cr+ monthly run-rate.	Delivered	Low
Strategy	Refinery	Manage white premium volatility via forward book.	Depends on execution of hedges at >$100 levels.	New	Medium
Strategy	Cost Efficiency	Moving to "ruthless focus" on process optimization.	Needs to reduce conversion costs by 5-10% to offset FRP.	First Entry	Medium
Balance	Debt Redux	ST loan spike is temporary (inventory related).	Dependent on GOI increasing monthly release quotas.	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	4.5	Gautam / Nalanda	Refinery Spreads	Business Overview	"Can you just give more insight on the refinery operations for the second half because you said the white premiums are going to decrease?"	Management stated they have a forward hedge book to protect H2 and expect white premiums to recover post-December as demand returns. This implies that while Q3/Q4 margins will be lower than H1, a total collapse is unlikely due to risk management; watch for H2 realization gaps.	Exact hedge price levels	4.0	Directional / Hedged
2	4.0	Gautam / Nirzar	Staples Growth	Management Outlook	"Could you talk a little bit about the sales growth that we are looking at in Staples and in Sweetener?"	Management clarified that sweetener sales dropped because absolute release quotas were lower, while Staples is growing steadily at □29 Cr/ month. The investment implication is that CPG growth is currently masked by government-regulated sugar volume caps.	None	5.0	Specific Data
3	3.5				"Share of modern trade	Quick commerce,	None	5.0	Specific

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		Gautam / Nirzar	Distribution Mix	Business Overview	and e-commerce players and quick delivery players in our total mix?"	E-commerce, and Modern Trade now account for 25% to 30% of total CPG business. High saliency in premium channels bodes well for brand equity and future margin expansion in the non-staple segments.			
4	4.0	Gautam / Nirzar	Sugar Outlook	Management Outlook	"Outlook for the sugar business, given that yields have also come down a little."	Management admitted TN will remain a structural challenge for recovery, but robust Karnataka output should provide balance over 6-12 months. Investors should expect TN operations to remain a drag on consolidated ROE until soil fertility/pests are addressed.	None	4.0	Realistic
5	3.0	Manoj / KSA	Staples Portfolio	Strategy	"Are we going to take this business in the other varieties of staples... and pan India?"	Management intends to consolidate in South India first before going pan-India and is evaluating millets/other pulses for the	Timeline for pan-India	3.0	Vague

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						portfolio. This signals a disciplined, regional-first scaling approach to avoid a heavy cash burn.			
6	4.5	Manoj / KSA	Profitability Targets	Management Outlook	"What are the areas which could really help in improving the margins in terms of EBITDA and PAT?"	Management highlighted a "ruthless focus on execution" to achieve □650 EBITDA per ton, supported by a move back toward 20% distillery margins if policy allows. This confirms that the current single-digit distillery margins are the primary barrier to a standalone re-rating.	None	4.0	Strategic
7	2.5	Manoj / KSA	Org Structure	Governance	"In the EID Parry, one may operate on the different businesses as a separate CEO... if that would be a good lean and meaner organization?"	Management deflected the question for a private discussion. Indicates that while segments have distinct leaders, a formal "demerger" or structural split is not currently on the board's immediate agenda.	Direct opinion on structure	1.0	Evasive

PATTERN FLAGS & SENTIMENT

- **Refinery Margin Anxiety:** Analysts were highly focused on the drop in white premiums. Management's defense of a "forward hedge book" provided some comfort, but the volatility in global spreads remains a live risk for the PSRIPL subsidiary's contribution to consolidated PAT.
- **CPG Scaling Confidence:** There is a clear transition in analyst focus from "will it work?" to "how fast can it scale?". Management's disclosure of a 25-30% share in modern/quick commerce channels was received positively, suggesting the Murugappa brand is successfully premiumizing.
- **Policy Dependency:** A recurring theme was the gap between the 8% FRP hike and the realization. Management's tone suggests they have done what they can on efficiency; the remaining "margin delta" is entirely in the hands of the central government (MSP/Ethanol pricing).

Analyst Sentiment Verdict: Cautiously Neutral. Analysts are impressed by the CPG volume growth but remain skeptical of the standalone sugar unit's ability to turn a profit without government intervention. Management maintained strong credibility by not over-promising on TN recovery, but the inventory-led spike in short-term debt is a new point of monitoring for the next two quarters.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Distillery Margins	Targeted 20% EBITDA	Admitted "single-digit" EBITDA margins	↓
Refinery Environment	High white premiums ($110-130)	"Pressure" seen; premiums at $75-80	↓
Staples Run-rate	₹25.2 Cr (June exit)	₹29 Cr (Quarterly average/exit)	↑
Short-Term Debt	₹34 Cr	₹278 Cr	↓
Policy Status	Ethanol diversion restricted	Restrictions lifted (effective Nov 1)	↑
TN Recovery	Cyclical climate issue	"Structural" challenge/Soil fertility issues	↓
CPG Channel Mix	Not specified	25-30% from Modern/Quick Commerce	↑

Note: CFO-to-PAT ratio is significantly distorted this quarter due to a Standalone EBITDA that barely covers interest/carrying costs, and a major inventory buildup (reflected in the 244 Cr spike in ST loans) necessitated by lower release quotas.