EID Parry (India) Ltd — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss **One-line:** The thesis of "Sugar-to-FMCG" transition is being stress-tested by a severe policy mismatch (rising cane costs vs. flat ethanol prices) and internal distribution friction, though the aggressive move into value-added branded sugars (VAP) is successfully decoupling portions of the business from government quotas.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss	Revenue down 16% vs LY; CPG revenue fell 30% YoY in Q2 due to distribution rejig.	□
Earnings Quality	Low	Consol results aided by a □18 Cr one-time insurance claim; Standalone hit by □352 Cr Alimtec impairment.	□
Guidance Confidence	Neutral	Distillery utilization target of 95% is feasible, but CPG growth is paused for "channel correction."	□
Management Credibility	Neutral	High transparency on CPG distribution errors, but the refinery remains a volatile capital-dependent asset.	□
Business Quality Signal	Stable	Branded VAP sugar saliency rose to 13% (vs 7% LY), proving brand equity in a commodity space.	□
Key Q&A Exchange	Q# 4 - Pricing Trap	Management admitted the 3-year ethanol price freeze against annual FRP hikes is "concerning."	□
The Street's Primary Anxiety	Policy Paralysis	Stagnant Ethanol MSP and excess domestic sugar inventory (8 MMT) hurting standalone viability.	□
Capital Cycle Stage	Harvesting / Consolidation	No new distillery capex; focus is on sweating assets and distribution reach.	□
Margin Trajectory	Deteriorating	Karnataka's extra □50/MT cane cost and lower pulse realizations (down 30%) are hitting H2 margins.	□
Pricing Power	Fragmented	Strong in Branded Sugar/Jaggery; Zero in Ethanol (Price taker).	□
FCF Conversion & Quality	Distorted	Impacted by high inventory carrying costs for sugar/molasses and negative standalone PBT.	□
Competitive Moat Signals	Widening	Expanding into "Convenience Foods" and "Snacking" to leverage the Parry brand.	□
Balance Sheet Strength	Adequate	Borrowings remained stable at □1,153 Cr (Consol); PSRIPL net worth strengthened via infusion.	□
Working Capital Efficiency	Deteriorating	Lower release quotas are forcing higher sugar inventory holding periods.	□
Mgmt Guidance Track Record	Mixed	Delivered on distillery throughput but missed on CPG volume continuity.	□
Key Vulnerability	Policy Hostage	Standalone sugar cannot reach sustainable PBT without an MSP hike to □40+.	□
Management Tone	Realistic	Grounded in agri-realities but firm on the "FMCG exit decade" strategy.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The **Consumer Products Group (CPG)** is successfully premiumizing; Value-Added Product (VAP) saliency nearly doubled to 13% of volume. **Distillery operations** remain the profit engine, achieving 90%+ utilization with a 69% OMC allocation, despite industry-wide overcapacity. The **Refinery (PSRIPL)** turned a profit of $3.71M in H1 FY26, benefitting from improved white premiums ($80-$110 range). * **Negatives:** The **Sugar segment** remains fundamentally broken by policy; cane costs (FRP) are rising while ethanol prices remain frozen for three years. **CPG volumes** were hit by a necessary but disruptive "channel consolidation" (merging sweetener/staple sales teams) which will drag into Q3. In **Staples (Pulses)**, realizations crashed 30%+ due to government import policies on yellow peas, highlighting the commodity risk in the "non-sweetener" pivot. * **Street Concern:** Analysts are focused on the "FRP-Ethanol Squeeze." Management's admission that they have exhausted internal efficiencies and now require government price intervention is the primary overhang. * **Watchpoint:** Success of the CPG distribution merger by Feb 2026; if volumes don't rebound in Q4, the FMCG growth thesis will be materially de-rated.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures for H1 FY26; Concall for Q2 specific commentary.

Metric	Current Qtr (Q2 / H1)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Crushing Volume (LMT)	3.66 (Q2)	↓ 35%	↑ 73%	↓	Lower crushing in Q2 vs LY (5.62 LMT) due to seasonal shifts.
Recovery (%)	7.97%	↑ 37 bps	↓ 5 bps	↑	Recovery improved slightly YoY (7.60% LY) but remains seasonally low.
Sugar Realization (□/kg)	41.19 (Q2)	↑ 7.1%	↓ 1.6%	↑	Driven by focus on retail/institutional vs. trade. Q1 was □41.87.
Ethanol Volume (LL)	233 (Q2)	↓ 10.4%	↓ 10.4%	↓	Total H1 distillery volume 823 LL (up 2%). Realization improvement driven by mix.
Ethanol Realization (□/L)	67.50 (Q2)	↑ 4.7%	→	↑	Improvement vs LY (□64.45) despite no official OMC price hike.
Distillery Utilization (%)	90%+	→	→	→	Targeted at 95% for FY26; managing feedstock mix (Grain/Molasses).
EBITDA (Consol □ Cr)	Not Stated	N/A	N/A	□	PBT before Exceptional was (175) Cr for H1 Consol.
PAT (Consol □Cr)	(165) (H1)	↓ (More loss)	↓ (More loss)	↓	Impacted by Sugar losses and Nutra impairments.
Revenue (Consol □Cr)	3,651 (H1)	↓ 6.7%	↓ (Seasonal)	↓	Impacted by lower sugar release orders and CPG distribution rejig.
Net Debt / Equity (x)	1.34x (Consol)	↑ (from 1.2x)	↑	↓	External borrowings at □1,153 Cr vs □1,096 Cr LY.

2B. SEGMENT BREAKDOWN (H1 FY26)

Segment	Revenue (□ Cr)	YoY Growth	Margin (PBIT)	Trend	vs Co. Avg	Key Development
Sugar	2,789	↓ 10.3%	(0.4%)	↑	Above	PBIT loss narrowed to □10 Cr from □67 Cr LY.
Distillery	444	↑ 11.0%	69.1%	↑	Above	Revenue includes better ENA pricing; Grain-based mix at 60%.
CPG (Consumer)	338	↓ 11.0%	(13.0%)	↓	Below	Distribution merger hit volumes; Pulse prices fell 37%.
Nutraceuticals	94	↑ 54%	(3.2%)*	↑	Below	Consol revenue up but Indian operations still stabilizing.
Refinery (PSRIPL)	2,076	↓ 5.1%	1.4%	↑	Below	PBT of $3.71M (H1) vs loss ($0.21M) LY.

**Excluding one-off impairment.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distillery Vol	Target 17 Crore Litres in FY26.	Needs 8.8 Cr Litres in H2; current H1 is 8.2 Cr. Feasible.	On Track	Low
Guidance	CPG Strategy	"Exit the decade with a good EBITDA %."	Long-term target; requires significant scale in non-sweeteners.	Mixed	Medium
Strategy	CPG Rejig	Merge Sweetener & Staple sales teams by Feb 2026.	Short-term volume pain in Q3 expected.	New Target	Medium
Strategy	Refinery	Maintain breakeven at $115-120/MT White Premium.	Current premiums ($80-110) are below full-cost breakeven.	Missed	High
Macro	Policy	Industry lobbying for □40+ Sugar MSP.	Entirely dependent on GOI; no timeline provided.	Delayed	High
Balance	Debt	External debt to remain stable; no major Capex.	Standalone borrowings □1,100 Cr; primarily working capital.	On Track	Low

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	Vaishnavi / Craving Alpha	Ethanol Capacity	Business Overview	"How do we approach this challenge [oversupply]? Do we anticipate underutilization of our ethanol capacity?"	Management admitted the country has excess grain-based capacity but claimed EID is shielded by lower competition in TN/AP and its dual-feed (ENA/Ethanol) flexibility. This limits downside risk to distillery profits compared to pure-play grain competitors.	None	4.0	Clear and quantified
2	4.5	Vaishnavi / Craving Alpha	CPG Growth	Management Commentary	"Do we see the consumer business as our leading growth segment going ahead?"	Management confirmed CPG is the growth vehicle but cited Q2's 30% revenue drop as a temporary setback due to lower release quotas and crashing pulse prices. This reinforces the long-term pivot but flags near-term execution volatility.	Specific growth % number	3.0	Vague but consistent
3	4.5	Sanjay Manyal / DAM	Ethanol Allocation	Business Overview	"What allocation have we got? And will we be able to utilize our capacity to the full?"	EID secured 69% of its bid on the OMC side and is augmenting this with private sales (Nayara/ Reliance) to target 90%+ utilization. High utilization is critical to offset structural losses in the	None	5.0	Specific/ Quantified

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						sugar segment.			
4	5.0	Sanjay Manyal / DAM	Ethanol Margins	Financials	"Ethanol price hike has not come in the last 2 years... has it been too much of a strain?"	Management acknowledged that return on ethanol capital has been "significantly impacted" by the government price freeze despite rising FRP. This is a thesis-negative signal indicating margins are currently at the mercy of policy intervention.	None	4.0	Directional evidence
5	4.0	Gautam Dedhia / Nalanda	Channel Merger	Strategy	"Can you just elaborate on what is happening [with channel consolidation]?"	Management is merging the sweetener and non-sweetener sales teams to improve efficiency, leading to a temporary Q3 volume hit. This is a "clean-up" move that should improve long-term ROIC but creates a 1-2 quarter earnings overhang.	Specific cost savings	2.5	Defensive rejig
6	3.5	Gautam Dedhia / Nalanda	Refinery Breakeven	Financials	"What is our breakeven point... how does it translate from white premium to refinery spread?"	The refinery requires $115-$120/MT of white premium to breakeven on a full-cost basis, whereas current levels are $80-$110. This indicates	None	4.0	Quantified breakeven

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						the refinery will remain a marginal or loss-making drag until global supply tightens.			
7	4.0	Ritwik Sheth / One Up	Karnataka FRP	Macro	"What is the kind of crushing that we expect... [after] Karnataka government declared an additional price of 50?"	Management noted this 50/ MT surcharge is an "additional burden" on the 21-22 LMT crushed in Karnataka. This is a direct hit to standalone margins for the current sugar year.	None	4.0	Impact confirmed
8	4.0	Raja Banka / Individual	Retail Sales Drop	Business Overview	"Retail segment reduced by 34%. Why was that?"	Management attributed the drop to exiting non-value-added bulk retail and focusing on premium sugars (42/kg vs 39/kg LY). This signals a strategic shift from volume to margin in the branded business.	None	4.0	Specific strategy
9	3.0	Atul Rastogi / Individual	Nutra Gain	Financials	"Nutraceuticals segment... has shown a sharp turnaround... is this sustainable?"	Management clarified the turnaround was due to a one-off insurance claim from hurricane damage in Florida. This strips out the "beat" and shows Nutra	None	5.0	Stripped one-off

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						remains a work-in-progress.			
10	4.0	Rama Krishna Neti / ZEN	CPG Strategy	Strategy	"Please lay out the 3 to 5 year strategy of this group."	Management is moving beyond sweeteners into "Snacking" and "Convenience Foods" and expects to implementation the new strategy by H2 FY26. This expands the Parry brand's TAM significantly beyond the sugar cycle.	Specific product names	3.0	Qualitative

PATTERN FLAGS & SENTIMENT * **The "Policy Squeeze" Anxiety:** Analysts repeatedly questioned the sustainability of the Ethanol/Sugar model given the freeze on MSP. Management was visibly frustrated, noting that while they are 90%+ utilized, the "returns on capital" are being eroded by the FRP increases. * **CPG Distribution Skepticism:** The admission that Q2 revenue fell 30% due to a sales team merger raised eyebrows. Management's posture was one of "short-term pain for long-term efficiency," but the market remains skeptical of EID's ability to sell pulses (non-core) as effectively as sugar. * **Refinery Vulnerability:** With white premiums below breakeven ($115), the refinery's return to profit is seen as fragile. The analyst tone was cautious, viewing the refinery as a "black box" dependent on Brazilian crop quality.

Analyst Sentiment Verdict: Skeptical on standalone sugar/distillery returns but intrigued by the "premiumization" of the retail brand. The credibility of the CPG pivot will be tested in the next two quarters.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY26)	This Quarter (Q2 / H1 FY26)	Direction
Sugar Realization	₹41.87 / kg	₹41.19 / kg	↓
CPG Revenue	₹192 Cr	₹169 Cr	↓
Pulse Realization	₹89.19 / kg (H1 LY)	₹79.43 / kg	↓
Nutra Status	Operational Focus	Discontinued Alimtec; ₹36 Cr Impairment	↓
Cane Policy	FRP Basis	FRP + ₹50/MT (Karnataka)	↓
VAP Sugar Saliency	12%	13%	↑
Recovery Rate	8.02%	7.97%	↓
Refinery PBT	₹(99) Cr (H1 LY)	$3.71 Mn (₹31 Cr approx)	↑

INVESTOR NOTE: This quarter reveals the "Transformation" is getting expensive. The **CFO-to-PAT ratio** is significantly distorted by high inventory carry (due to low govt release orders) and rising interest costs on short-term debt (₹1,153 Cr). The **Forensic Trigger** is the ₹352 Cr impairment for Alimtec—it represents a final write-off of a failed international venture, cleaning the slate but confirming prior capital misallocation. The thesis now depends on whether the Parry brand can scale into snacking/convenience foods fast enough to offset the structural policy risks in bio-energy. Status: **Thesis Intact but Stalled.**