E.I.D. PARRY (INDIA) LIMITED
NOVEMBER 02, 2021

Rating

Facilities/Instruments	Amount (Rs. Crore)	Rating[1]	Rating Action
Commercial Paper	650	CARE A1+ (A One Plus)	Reaffirmed
Total Instruments	**650 (Rs. Six hundred fifty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the commercial paper (CP) issue of E.I.D. Parry (India) Limited (EID) continues to factor in benefits derived from being part of Murugappa group, established track record of EID in sugar industry with integrated nature of operations, geographically diversified presence of manufacturing units to an extent and significant value of investments held. The rating also takes note of significant reduction in debt levels during FY21 (refers to period from April 01 to March 31) supported by liquidation of minor stake in Coromandel International Ltd & receipt of significant dividends from its investments. The rating is however constrained by the susceptibility of the revenues and profitability to the demand-supply dynamics, cyclical and regulated nature of the industry and EID's exposure to Parry Sugar Refinery India Private Limited (a subsidiary) whose performance remains weak.

Key Rating Sensitivities

Positive Factors- Factors that could lead to positive rating action/upgrade

- Not Applicable

Negative Factors - Factors that could lead to negative rating action/ downgrade

- Deterioration in overall gearing beyond 0.50x
- Decrease in PBILDT margin below 8% on sustained basis

Detailed description of the key rating drivers

Key Rating Strengths

Strong parentage and benefits derived from being part of Murugappa group

EID is a part of the diversified Murugappa group, one of the India's leading conglomerates with focus towards various businesses including engineering, abrasives, finance, general insurance, cycles, sugar, farm inputs, fertilizers, plantations, bio-products and nutraceuticals. Headquartered in Chennai, few of the major companies of the group include Tube Investments of India Ltd, Carborundum Universal Ltd, Cholamandalam Investment & Finance Company Limited (rated 'CARE AA+; Stable'), Cholamandalam MS General Insurance Company Ltd, Coromandel International Ltd, Coromandel Engineering Company Ltd, E.I.D. Parry (India) Ltd, Parry Agro Industries Ltd., and Wendt (India) Ltd. EID, being a part of the Murugappa group, enjoys financial flexibility and benefits with respect to raising funds and has a brand attached within the farming community.

Established and long track record in sugar industry with integrated nature of operations and geographically diversified presence of manufacturing units

EID is an integrated player engaged in the manufacture of sugar, industrial alcohol, generation of power through sugar co-gen and nutraceuticals. As on March 2021, EID has aggregate sugar manufacturing capacity of 40,300 tonne per day (TCD) across six locations, four distilleries with a combined capacity of 297 kilo litre per day (KLPD) and 140 megawatt (MW) of co-generation capacity. The sugar units are spread across three southern states viz., two units in Tamil Nadu, three units in Karnataka and one unit in Andhra Pradesh. During the year, the company commenced activities for setting up of a 60 KLPD green field distillery at Bagalkot, Karnataka (KN). The plant was successfully commissioned on June 30, 2021. The distillery unit at Bagalkot will become fully operational during FY22, enhancing the company's distillery capacity by nearly 25%, adding to the company's ethanol manufacturing facility to take advantage of the Govt's ethanol blending policy.
Integrated nature of operations with revenue from power division, distillery division along with nutraceuticals aids the company to an extent to mitigate volatility associated with sugar prices.

Increase in total operating income and PBILDT margin during FY21

During FY21, total revenue was Rs. 2397 crore, an increase of 19% compared to Rs. 2013 crore of previous year. Out of the total revenue, 13% i.e. Rs. 305 crore was from the dividend income (PY-Rs. 62 crore). The sugar business which constitutes about 73% of the sales witnessed a growth of 9% on the back of increase in sales volume and realization. The

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

performance during the year has improved over the previous year despite the inherent challenges and risks associated with the sugar industry and the disruptions caused by the pandemic. The PBILDT margin stood at 22.66% in FY21 as against 11.16% in FY20 largely on account of healthy volume growth and improved sales realization from sugar and distillery, apart from the various cost optimization and process efficiencies measures undertaken by the company. Furthermore, during Q1FY22, the company reported 9% decrease in revenue vis-à-vis Q1FY21 due to lower sales from sugar and distillery business.

Comfortable financial risk profile
Capital structure of EID continues to remain comfortable with overall gearing of 0.23x as on March 31, 2021 (0.64x as on March 31, 2020). The debt structure as on March 31, 2021 comprised of working capital borrowings (59%), finance lease liability (8%) and term debt (33%). The debt coverage indicators, interest coverage ratio and total debt/GCA stood comfortable at 5.86x (PY-1.66x) and 0.51x (PY-10.85x) respectively during FY21 due to significant increase in profitability and cash accruals. Moreover, in April 2021, the company has repaid the NCD of Rs. 100 crore, further bringing down the debt levels. The financial risk profile is expected to remain comfortable in FY22.

Investments in subsidiary-Coromandel International Limited (CIL) providing regular dividend inflow; stake sale in FY21 helped to lower debt levels of EID substantially
EID derives financial flexibility from being the holding company for CIL. CIL has a healthy track record of dividend payout. For FY21, EID received dividend income of Rs. 305 crore from CIL. In Q1FY21, it had sold 2% stake held in CIL in the open market at a price of Rs. 629.191 per share aggregating to a value of Rs.366.76 crore. Later in Q3FY21, another 2% stake was sold in the open market at Rs. 800.7 per share, aggregating to a value of Rs. 468.41 crore. The gain recognised from the two stake sale were Rs. 362.81 crore and Rs. 464.44 crore respectively. The proceeds from the stake sale and dividend income was used to bring down the debt of the company, for general corporate purposes and to support Parry Sugar Refinery India Private Limited by way of Inter-corporate loan.

Stable Industry Outlook
The growth in international sugar prices have definitely augured well for Indian sugar exports amid glut situation in the domestic market. As per the Indian Sugar Mills Association's (ISMA) mid-May 2021 press release, about 5.7 million tonnes of contracts for sugar exports have already been entered so far. Tight sugar supply situation in the global market has pushed up the international sugar prices to 4-year high. The firmness in international prices is expected to continue for the next 3-4 months unless sugar output from the other major sugar producing and exporting nations starts coming in for the next season 2021-22. The recent announcement of cut in export subsidy from Rs.5.8 per kg to Rs.4 per kg gives an indication of an expectation that the sugar exports from India may not go beyond 6 million tonnes during the current SS 2020-21. However, any increase in exports above 6 million tonnes would mean reducing the closing stock substantially for SS 2020-21 to result in sharp improvement in domestic sugar prices going forward.

Key Rating Weaknesses
Exposure to subsidiary companies mainly Parry Sugar Refinery India Private Limited (PSRIPL) which is yet to operationally stabilize
The company has total equity investments in subsidiaries/JV's to the extent of Rs.824 crore (PY: Rs.827 crore) as on March 31, 2021. Of these, majority of the investments are in CIL (Rs.112 cr), PSRIPL (Rs.584 cr) and US Nutraceuticals Inc. (USN-Rs.82 cr). Also, the company has given inter-corporate loan of Rs. 400 crore to PSRIPL in FY21. This apart, EID has also given financial guarantee to the NCD issue and term debt of PSRIPL (O/s Rs.110 cr as on March 31, 2021) and Standby Letter of Credit limit of Rs.73 cr for USN and Rs.7 cr for Alimtec S.A as on March 31, 2021. Although PSRIPL has repaid the guaranteed debt of Rs. 110 crore in Q1FY22, the financial performance of PSRPL remains weak as the company has been incurring losses since past three years. Improvement in performance of PSRPL would result in restricting EID's financial support to the company.

Susceptibility of the revenues and profitability to the demand-supply dynamics with cyclical and regulated nature of sugar industry
Sugar industry is highly regulated industry. This coupled with cyclical nature of sugar industry and volatility in prices results in significant impact on operating performance of sugar companies. While the input prices are driven by the government, sugar prices are volatile and based on open market prices. However, with introduction of monthly release mechanism in June 2018 and MSP, volatility in sugar prices have declined since then. Regulatory mechanisms and dependence on monsoons for cane availability have also rendered the sugar industry cyclical.

Liquidity : Adequate
The liquidity profile of the company is adequate. The company has been generating sufficient cash accruals vis-à-vis repayment obligations. The company makes payment to farmers within the stipulated time and sells to sugar institutional customers on 30-35 days credit and to small customers on cash basis. The farmers usually discount the cane bill dues with

banks where the cane payment is assured by EID Parry to banks subsequently. The banks give usance period of one year for discounted bills and gets benefit of priority sector lending. This is reflected in high creditor period for EID and low working capital utilization. The average working capital utilization has been low at 22% for the last 12-month period ended September 30, 2021.
Furthermore, EID had liquid funds to the tune of Rs. 28 crore as on as on March 31, 2021 and the total scheduled debt repayment in FY22 is Rs. 120.35 crore, out of which the company has already met Rs. 100 crore towards NCD redemption in April 2021. Considering the cushion available in form of unutilized working capital limits and strong parentage being part of Murugappa Group, it is expected that the debt obligations could be met comfortably.

Analytical approach: Standalone; factoring in support from the Murugappa group, since EID Parry is an integral part of the Murugappa group representing the group's presence in sugar industry. The group is also expected to extend financial support in case of exigencies. The analytical approach also factors in the support extended by EID Parry to its subsidiaries.

Applicable Criteria
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
Criteria for Short Term Instruments
Rating Methodology- Manufacturing Companies
Rating Methodology - Sugar Sector
Factoring Linkages Parent Sub JV Group

About the Company
E.I.D Parry India Limited (EIL) is part of Chennai based Murugappa group. The group has diverse business activities that include abrasives, automotive components, cycles, sugar, farm inputs, fertilizers, construction, power systems, NBFC and bio-products. EIL is into sugar manufacturing with capacity of 40,300 Tons of Cane per Day (TCD) spread across six units in Tamil Nadu, Karnataka and Andhra Pradesh. The company also has co-generation capacity of 140 megawatt (MW) and distillery capacity of 297 kilo litre per day as on June 30, 2021.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	30-06-2021 (UA)
Total operating income	2,013	2,397	462
PBILDT	225	543	-4
PAT	2	865	-33
Overall gearing (times)	0.64	0.23	-
Interest coverage (times)	1.66	5.86	NM

A: Audited; UA: Unaudited; NM-Non meaningful

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Annexure 2
Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/ facilities is given in Annexure-3*
Complexity level of various instruments rated for this company: Annexure 4
Annexure-1: Details of Instruments/Facilities

Name of the Instrument / Bank Facilities	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Rating assigned along with Rating Outlook
Commercial Paper (Standalone)	-	-	-	7 days to 364 days	650.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Commercial Paper (Standalone)	ST	650.00	CARE A1+	-	1) CARE A1+ (12-Nov-20)	1)CARE A1+ (14-Feb-20)	1)CARE A1+ (22-Jan-19)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument / Bank Facilities	Complexity Level
1	Commercial Paper (Standalone)	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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