E.I.D. Parry (India) Limited

June 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Commercial Paper	650.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in short- term rating assigned to the Commercial Paper (CP) issue of E.I.D. Parry (India) Limited (EID) continues to derive strength from the benefits derived from being a part of the reputed Murugappa group and financial flexibility emanating from the significant investment valuation of more than Rs. 24,000 crores and regular dividend inflow from its key operating subsidiary Coromandel International Limited (CIL). The rating also derives comfort from the forward integrated sugar business of the company, with significant cogeneration and ethanol capacities. The company also enjoys a comfortable financial risk profile of the company characterized by healthy scale of operations, strong net worth against low long-term debt and healthy leverage and coverage indicators in FY24 (refers to period April 01 to March 31).

These rating strengths are, however, partially offset by the significant exposure of company towards the group entities in form of unsecured loan, corporate guarantee/SBLC and letter of comfort reflecting through adjusted gearing of 1.59 times as on March 31, 2024 (PY: 1.14 times). The rating also continues to remain constrained by the working capital-intensive operations of the company, exposure towards cyclical and seasonal sugar industry and geographical location of plants being in southern India having low cane yield and recovery rates. CARE also takes note of the moderation in cane crushing, recovery rate, dividend income and overall profitability during the year.

Going forward, CARE Ratings will closely monitor the regularity and quantum of dividend from CIL supporting the cash flows of the company along with improvement in operational metrics of its sugar business. Further, any significant increase in exposure flowing towards the group entities may adversely impact the financial risk profile of EID. CARE however draws comfort from the adequate liquidity buffer available with the company in absence of any large debt funded capex plans in near future.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors- NA

Negative factors

- Decrease in the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin below 8% on a sustained basis.
- Deterioration in overall gearing beyond 0.50x.
- Any significant decline in equity holding and dividend from subsidiary Coromandel International Limited adversely impacting the financial flexibility of the company.

Analytical approach: Standalone, factoring in support emanating from being a part of the south based Murugappa group and financial flexibility derived from significant equity investment (market value of more than Rs. 24,000 crores) in Coromandel International Limited. CARE also factors in the support extended by EID to its subsidiaries & JVs.

Outlook: Not applicable

Detailed description of the key rating drivers:

Key strengths

Part of south based reputed Murugappa group

EID is a part of the the INR 742 billion (74,220 Crores) Murugappa Group; one of India's leading business conglomerates. EID represents sugar business of the group The Group has over 29 businesses including ten listed Companies traded in NSE & BSE having presence in diversified businesses. The major Companies of the Group include Tube Investments of India Ltd., Cholamandalam MS General Insurance Company Ltd., Coromandel International Ltd., Coromandel Engineering Company Ltd., Parry Agro Industries Ltd., Cholamandalam Investment and Finance Company Ltd (rated CARE AA+; stable/ A1+) and Wendt (India) Ltd among others. All these entities have strong credit risk profile marked by sizeable market cap and robust financial performance in their respective business domains. EID being a part of Murugappa group, enjoys financial flexibility and benefits with respect to raising funds and at attractive rates, demonstrated by tapping the bond/CP markets in the past and also has a brand attached within the farming community.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Financial flexibility emanating from significant investment valuation and regular dividend inflow from CIL
EID enjoys financial flexibility emanating from 56.19% equity holding in CIL carrying market value of more than Rs. 24,000 crores as on June 2024 against book value of Rs. 112 crores as on March 31, 2024 and may also act as a major potential liquidity driver for the company, which can significantly contribute to its financial stability and cash flows, if required. CIL having business interest in phosphatic fertilisers, specialty nutrients and organic fertilisers.
CIL has a long-term track record of dividend payout and in past 6 years, EID has received cumulative dividend income of near about Rs. 986 crores from CIL aiding the overall revenues and profitability of the company. EID received dividend income of around Rs. 204.61 crores in FY23 and Rs. 100.26 crores in FY24 from CIL. Going forward, any significant reduction in market value of investment and irregularity of dividend inflow may adversely impact the financial risk profile of EID and shall remain monitorable from credit perspective.

Forward integrated operations of EID
EID's operations are well integrated with presence in sugar manufacturing of 40,800 TCD, bagasse-based cogeneration power having aggregated installed capacity of 40,800 TCD, 140 MW and 417 KLPD (multi feed) across 6 units (2 in Tamil Nadu, 1 in Andhra Pradesh and 3 in Karnataka) and 1 standalone distillery in Sivagangai Tamil Nadu generating revenue from alternate streams and acts as a cushion against the cyclicality inherent in core sugar business to a large extent. The company also has two nutraceuticals factory and four R & D centres located at Tamil Nadu. During FY24, sugar division contributed around 66% of the revenue (PY: ~70%) followed by distillery and power divisions which contributed 28% and 4% of the total revenue while remaining 1-2% comes from nutraceuticals segment.
In SS 2023-24, Govt restricted the diversion of sugar syrup and B-heavy molasses towards ethanol production, however, to compensate the adverse impact, realization of c-heavy ethanol increased by Rs. 6.87 from Rs. 49.41 per litre to Rs. 56.28 per litre for ESY 2024-25, which helped the sugar companies to sustain their profitability in ongoing sugar season. Going forward, the operational metrics across all the segments are expected to remain healthy, which shall also remain a key monitorable from credit perspective.

Comfortable financial risk profile marked with strong net worth base and nominal long-term debt
Financial risk profile of EID continues to remain healthy marked with strong net worth base of Rs. 2,918.71 crores against nominal long-term debt of Rs. 328.96 crores as on March 31, 2024 (PY: Rs. 194.16 crores) represented through comfortable overall gearing of 0.37 times slightly moderated from 0.19 times as on March 31, 2023. TOL/TNW stood at 0.54 times as on March 31, 2024 (PY: 0.33 times) while other coverage indicators including TD/GCA and interest cover stands moderated from 1.70 times to 4.30 times and 13.11 times to 5.20 times respectively during the year. The slight moderation in fin risk profile during the year under consideration is primarily on account of increase in WC utilization at year end led by higher inventory holding in line with industry scenario which is a regular phenomenon across the sugar industry and is expected to be normalised from FY25 and onwards with gradual relaxation of govt restrictions.

Further, the company has been maintaining healthy scale of operations with TOI of Rs. 2,910.05 crores in FY24 marginally declined from Rs. 3,100.09 crores in FY23 which is mainly led by the reduction in dividend income from Rs. 204.61 crores in FY23 to Rs. 100.26 crores in FY24 from CIL. Furthermore, company's plants being located in southern India have also encountered low sugarcane availability and crushing and low recovery rates during FY24, however operational metrics of the company is supported by the improving realization of sugar and ethanol which has increased from Rs. 35.97 per kg and Rs. 60.39 per litre in FY23 to Rs. 37.63 per kg and Rs. 62.20 per litre in FY24 respectively.

CARE believes that with the govt relaxing the restriction on sugar export and diversion towards ethanol for ongoing marketing year and forthcoming sugar season may aid to improving operational performance of sugar mills and further with the availability of enhanced distillery capacity in FY25 and increased sugar and ethanol prices would drive the growth in FY25 also.

Key weaknesses
Exposure towards group entities
EID holds 100% stake in one of its key subsidiaries namely Parry Sugar Refinery India Private Limited (PSRIPL), which is engaged in the business of sugar refinery with an installed capacity of 3,000 TPD melting rate (utilization is around 2,900 TPD) and 35 MW captive power plant at Kakinada, Andhra Pradesh. EID has equity investment of Rs. 478 crores in PSRIPL as on March 31, 2024 (PY: Rs. 478 crores) while total aggregate investments in all subsidiaries and JVs combined stands at close to Rs. 680 crores as on March 31, 2024, thus PSRIPL represents more than 85% of group investments. Apart from the equity investment, EID also has exposure in form of interest-bearing loans and advances of Rs. 200 crores towards PSRIPL, letter of comfort (o/s Rs. 1,501 crores as on March 31, 2024 compared to Rs. 1,591 crores in FY23) and corporate guarantee/SBLC (o/s Rs. 671 crores as on March 31, 2024 increased from Rs. 127 crores in FY23) to banks for working capital facilities availed by its subsidiaries PSRIPL, CIL and US Nutraceuticals. Adjusted overall gearing slightly moderated from 1.14 times as on March 31, 2023 to 1.59 times as on March 31, 2024 owing to increased group support extended by EID.

Working capital intensive nature of operations
The sugar industry being seasonal in nature has high working capital requirements during the peak season which is from November to April. The companies have high working capital requirements during the peak season to procure their primary raw material, i.e., sugarcane and manufacture sugar during this period. However, the company is planning to de-risk its model by reducing dependence on sugar. The average working capital utilisation at maximum level for the 12 months period ended April 30, 2024 stood at 29.50% against total sanctioned limit of Rs. 1507 crores leaving adequate buffer in form of unutilised limits to

absorb any fluctuation in demand and prices. EID has closing sugar inventory of 2.38 LMT valued at Rs. 330.09 per ton which is equals to more than 6 months of sales.

Low sugar recovery trends for southern states
South Indian states including like Karnataka, Tamil Nadu and Andhra Pradesh etc. being the tropical regions faces impact of low cane production and cane yield while sub-tropical states in northern India like Uttar Pradesh, Uttarakhand, Haryana, Punjab, etc have relatively high sugarcane yield. Average recovery rates for EID's south based mills also have been falling since last 2 years from 11-12% to now 8-9% due to unfavourable climatic conditions. Further, during FY24, on account of drought like situation both in Tamil Nadu and Karnataka, the sugar cane production and crushing was low.
Low cane yield and recovery rates directly impacts the overall profitability and cash flows of the mills. EID's plant locations being in southern region are also exposed to aforesaid limitations and any continued adverse climatic condition may adversely impact the operational and financial risk profile of the company.

Cyclical & regulated nature of sugar industry
The industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various regulations like fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies. EID's profitability, along with other sugar mills, continues to remain vulnerable to the state government's policy on cane prices. Thus, the company's performance can be impacted by disproportionate increase in cane price in any particular year. Furthermore, the profitability remains vulnerable to the Government's policies on exports, MSP and remunerative ethanol prices. In addition, the cyclicality in sugar production results in volatility in sugar prices. However, the sharp contraction in the sugar prices is curtailed after the introduction of MSP by the Central Government in June 2018. Furthermore, healthy exports and higher diversion of sucrose towards ethanol in the recent years resulted in favourable demand-supply dynamics in the country, thus resulting in improved realisations currently. Over the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar juice by the industry is expected to help in curtailing the excess supply of sugar, resulting in lower volatility in sugar prices and cash flows from the sugar business.

Liquidity: Adequate
Liquidity profile of EID is marked adequate with buffer available of more than Rs. 100 crores on a sustained basis between expected GCA above Rs. 300 crores against debt repayments of Rs. around Rs. 95 crores in FY25, Rs. 83 crores in FY26 and Rs. 64 crores in FY27 respectively. Further, the liquidity comfort is drawn from being part of Murugappa group and having ease of access to bank finance and support from other established group entities having strong credit risk profile. EID has sanctioned working capital limit of Rs. 1,507 crores which has average maximum utilization for trailing twelve ending with April 30, 2024 of nominal 29.50% leaving sufficient liquidity cushion to meet any future exigencies and incremental WC requirement of the company in near to medium term. Furthermore, CARE Ratings also take note of the investment (other than subsidiary and JVs) in quoted shares of Rs. 7.19 crores and unquoted shares of Rs. 386.65 crores as on March 31, 2024.

Environment, social, and governance (ESG) risks: The major ESG risk factors and the mitigation efforts taken by the company are listed below:
Environmental: 1. Water usage: Autonomous irrigation systems were installed on a pilot-scale basis in farmers fields and recorded irrigation water saving up to 60% in sugarcane cultivation. The company also invested resources in a new method of gravimetric drip irrigation to save the water with cutting-edge technology, particularly for high water scarcity areas. Nellikuppam facility is Zero Liquid Discharge plant and uses treated sugar condensate and recycled water for sugar production and distillery, there is no freshwater requirement in Nellikuppam except in cogeneration plant. 2. Energy conservation: Various energy conservation projects which have been carried out across the plants like: Steam saving project in Pugalur, efficient heat transfer in multiple facilities, Bagasse drying system at Haliyal facility. As per general industry trends, the power required is 35 kw / ton of cane whereas all manufacturing units of EID operate between 24 to 30 kw / ton of cane. 3. Valorisation of wastes: EID is working upon several value-added projects to create wealth from waste. For example, the company is working on developing value-added products from excess bagasse.

Social: 1. Negative health impacts of sugar like obesity, diabetes: The company has been introducing new variants of sugar which are low- glycemic index products, which does not spike the blood sugar levels when ingested, with 30% lesser glucose load. 2. Employee safety: The Company has institutionalized an architecture to ensure employee wellbeing across the organization by effective deployment of a Business Continuity Manual, investing in management of employee wellbeing and creating a sustainable ecosystem at workplace. The Company contributes to the medical insurance of its employees and also organizes health checkups for employees.

Governance: The company has adequate internal controls. Though the company is a family managed entity, there is a team of well-qualified personnel who assist them in decision making. The promoters have been in the business for more than 20 years. Given that Sugar industry is amount the highly regulated one in India, EID also ensures timely compliance with the various state and central government rules in a timely manner.

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Manufacturing Companies]
[Sugar]
[Financial Ratios – Non financial Sector]
[Short Term Instruments]

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Sugar

E.I.D Parry India Limited (EID) incorporated in year 1975 is part of INR 742 Billion Chennai based Murugappa group. EID is a sugar manufacturing company based at Southern India (3 in Tamil Nadu, 3 in Karnataka and 1 in Andra Pradesh) with installed capacity of 40,800 TCD and forward integration into cogeneration 140 MW and distillery 417 KLPD as on March 31, 2024. EID also has presence into the nutraceutical ingredients segment. EID holds 56.19% stake in key subsidiary 'Coromandel International Limited' and 100% stake in Parry Sugars Refinery India Pvt Ltd.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	3,100.09	2,910.05
PBILDT	472.51	229.03
PAT	196.82	107.09
Overall gearing (times)	0.19	0.37
Interest coverage (times)	13.11	5.20

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Standalone)*	-	-	-	-	650.00	CARE A1+

*Proposed

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial Paper-Commercial Paper (Standalone)	ST*	650.00	CARE A1+	-	1)CARE A1+ (05-Jul-23)	1)CARE A1+ (06-Jul-22)	1)CARE A1+ (02-Nov-21)

*ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not applicable

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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