E.I.D. Parry (India) Ltd.

ISIN :INE126A01031 | NSE :EIDPARRY

Price: 796
Recommendation: Buy
Industry: Fertilizers
Sector: Commodities
Report Date: 03-Apr-2025

E.I.D.- Parry (India) Limited is strategically enhancing its operations and market presence. The company focuses on the Ethanol Blended Programme, achieving a 14.6% blending rate, and diversifying revenue streams beyond sugar production. Investments in the Consumer Product Group have led to a 70% turnover growth. The company is expanding its distillery operations to be multi-feed and multi-product, aiming to boost ethanol production and profitability.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3071 Cr	Operating Profit(Year)	21.4 Cr	Operating Profit Margin	0.70 %
Previous Year	2895 Cr	Operating Profit(Quarter)	-34.2 Cr	EBITDA Margin	9.25 %
Current Quarter	848 Cr	PAT (Year)	87.2 Cr	Net Profit Margin	3.11 %
Previous Quarter	755 Cr	PAT (Quarter)	-69.4 Cr	EPS	-6.55
Revenue (QYoY)	668 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E		Sales Growth	5.93 %	Sales Growth	12.32 %
PEG Ratio		PAT Growth	-68.86 %	Sales Growth QYoY	26.95 %
EV/EBITDA	77.0	EPS Growth	-208.62 %	PAT Growth	-346.1 %
P/B	4.86	Dividend Yield	0.50	PAT Growth QYoY	410.29 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	3.01 %	Promoter	41.7 %	Debt/Equity	0.26
RoA	2.02 %	FII	12.6 %	Debt	754 Cr
RoCE	3.69 %	DII	13.3 %	Market Cap	14162 Cr
RoIC	4.68 %	Public	32.4 %	Enterprise value	14893 Cr
		No of Shares	17.8 Cr	Cash Equivalents	22.6 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

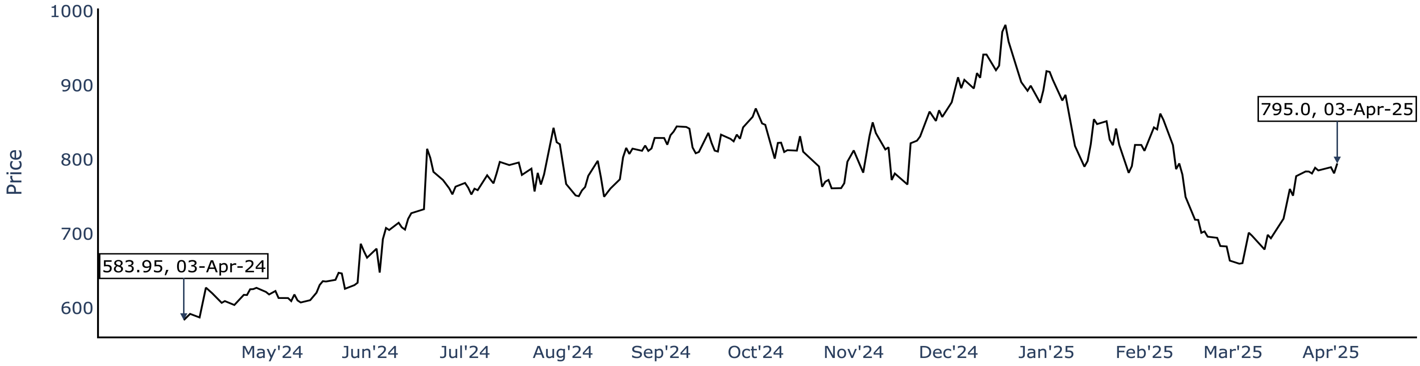
In the recent earnings call, E.I.D.- Parry (India) Limited outlined several strategic initiatives and business strategies aimed at enhancing operational efficiency and expanding market presence. The company emphasized its focus on the Ethanol Blended Programme (EBP), which has seen a significant increase in ethanol blending to over 670 crore litres, achieving a blending percentage of approximately 14.6%. This initiative is part of a broader strategy to diversify revenue streams and reduce dependency on traditional sugar production. The company is also investing in its Consumer Product Group (CPG), which registered a growth of over 70% in turnover, highlighting a strategic shift towards branded staple businesses.

The company is actively pursuing diversification schemes, particularly in its distillery operations. It plans to make its distillery business multi-feed and multi-product, allowing for flexibility in production based on market conditions. This includes the potential use of grain-based options in its facilities, which would enable the company to adapt to challenges in molasses availability. Additionally, E.I.D.- Parry is exploring opportunities to expand its ethanol production capacity, which is currently at 582 KLPD, with 120 KLPD being multi-feed capable. This strategic move is aimed at capitalizing on the growing demand for ethanol and enhancing profitability.

Looking ahead, E.I.D.- Parry is optimistic about its growth and scaling prospects. The company is hopeful for a more sustainable policy framework that links cane prices to sugar prices, which would stabilize the standalone business. The management is also focused on improving operational efficiencies in its mills and distilleries, with an emphasis on running these segments profitably. The company is also exploring export opportunities, leveraging government export quotas to enhance revenue streams. The management remains positive about the future, anticipating improved recovery rates and better yields in Tamil Nadu, which could contribute to overall growth.

While the company has made significant strides, there are areas for improvement. The margins in the distillery segment have dipped, and the company is hopeful that policymakers will adopt a long-term view to support the industry. The management acknowledges the challenges posed by competitive crop scenarios in Tamil Nadu, which could impact planting acreage. However, they are confident that ongoing efforts to improve agricultural practices and varietal development will yield positive results. The company is also working on unlocking value in its branded business by expanding distribution and moving into premium product segments, which could enhance profitability in the long term.

EIDPARRY Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Triven.Engg.Ind.	8363.00	38.83	14.21%	-14.93%	-3.27%	321.72%	-69.02%
Sh.Renuka Sugar	6172.43			1.44%	-14.79%	-813.00%	-18.58%
Bannari Amm.Sug.	4722.46	51.70	9.36%	-11.04%	-45.14%	-15.93%	-57.68%
Dalmia Bharat	3179.45	11.70	8.52%	-9.19%	44.15%	-10.08%	-8.33%
Bajaj Hindusthan	2503.60		-1.90%	27.26%	-15.22%	-34.54%	-604.18%

Aspect	Commentary
Revenue	The company shows a steady increase in revenue, with a year-over-year growth of 5.93% and a quarter-over-quarter growth of 12.32%. This indicates a positive trend in sales performance, suggesting effective market strategies and potential for continued growth in the upcoming periods.
Profit & Loss	Despite a positive annual PAT of 87.2 Cr, the quarterly figures show a loss, indicating potential seasonal fluctuations or one-time expenses. The negative operating profit for the quarter suggests challenges in cost management or revenue generation during this period.
Profitability Matrix	The company maintains a modest operating profit margin of 0.70% and a net profit margin of 3.11%. The EBITDA margin at 9.25% suggests room for improvement in operational efficiency to enhance profitability. EPS is negative, indicating a need for strategic adjustments.
Valuation Matrix	The EV/EBITDA ratio of 77.0 and P/B ratio of 4.86 suggest the company is valued at a premium, possibly due to growth expectations. However, the absence of a trailing P/E and PEG ratio indicates a need for further analysis to assess valuation comprehensively.
Growth (YoY)	Year-over-year growth shows a mixed picture with sales increasing by 5.93% but PAT declining by 68.86%. The significant drop in EPS by 208.62% highlights challenges in maintaining profitability, necessitating strategic interventions to stabilize earnings.
Growth (QoQ)	Quarter-over-quarter growth is robust with sales up by 12.32% and a remarkable PAT growth of 410.29% QYoQ. However, the negative PAT growth of 346.1% QoQ suggests volatility, requiring careful management to sustain positive momentum.
Capital Allocation	The company exhibits moderate returns with RoE at 3.01% and RoA at 2.02%. RoCE and RoIC are slightly higher, indicating efficient capital use. However, these figures suggest potential for optimizing capital allocation to enhance shareholder value.
Holdings	Promoter holding is strong at 41.7%, indicating confidence in the company's prospects. Institutional investors hold a significant portion, with FII at 12.6% and DII at 13.3%, reflecting institutional interest and potential stability in the shareholder base.
Leverage	The company maintains a conservative leverage position with a debt/equity ratio of 0.26, indicating prudent financial management. The manageable debt level of 754 Cr against a market cap of 14162 Cr suggests a stable financial structure with room for growth.

Analyst viewpoint: E.I.D.- Parry (India) Limited is demonstrating robust short to mid-term potential fueled by strategic initiatives and exemplary execution in their market strategies. The company boasts a commendable quarterly sales growth of 12.32%, highlighting an effective response to market dynamics, with an even more impressive PAT growth of 410.29% year-over-year, showcasing its resilience and ability to capitalize on market opportunities. E.I.D.- Parry's commitment to diversifying revenue streams, notably through the Ethanol Blended Programme and a significant turnover growth of over 70% in the Consumer Product Group, lays a solid foundation for enhanced profitability. The company's forward-thinking approach in expanding its distillery operations to be multi-feed and multi-product further underscores its adaptive strategy to meet fluctuating market demands. With a strong promoter holding at 41.7% and the company's active pursuit of expanding its ethanol production capacity, optimism around its growth trajectory is well-founded.

From a valuation perspective, E.I.D.- Parry remains attractive with an EV/EBITDA ratio of 77.0 and a price-to-book ratio of 4.86, indicating growth expectations are priced in, yet there's room for expansion in operational efficiency. The firm's conservative debt/equity ratio of 0.26 emphasizes sound financial management, positioning it well for strategic investments and growth capitalizations. Comparing E.I.D.- Parry's performance to its peers, the company's push into branded product segments presents a competitive edge. Notwithstanding these positive aspects, it is worth noting that short-term challenges exist, with pressure on margins in the distillery segment and seasonal impacts potentially varying profitability. Nonetheless, the overall strategic moves position E.I.D.- Parry as a compelling buy for investors, aspiring for significant gains as the company harnesses its diversified growth avenues.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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