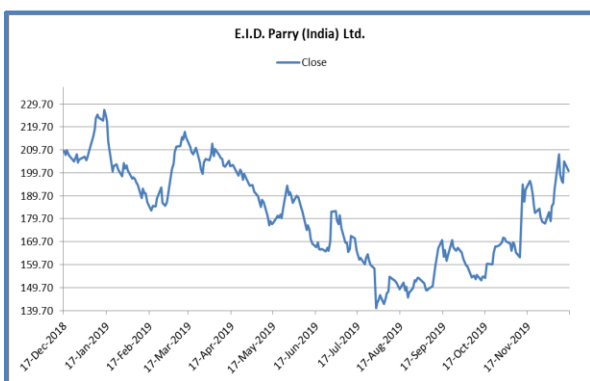


**EID Parry (India) Ltd.**

Industry	Sugar
No. of Shares (Crore)	17.70
Face value (Rs)	1.00
Mkt. Cap (Rs. Crore)	3549.63
Price (24/12/2019)	200.55
Book Value (Rs)	185.52
P/BV	1.08
BSE Code	500125
NSE Code	EIDPARRY
Bloomberg	EID IN
Reuters	EIDP.BO
Avg. Monthly Volume	215,062
52 W H/L (Rs)	232.25 / 134.40
<b>Shareholding Pattern</b>	<b>%</b>
Indian Promoters	44.76
Foreign Promoters	0.01
Institutions	3.93
FPI	6.01
Non - Institutions	37.43
Bodies Corporate	7.86
<b>Total</b>	<b>100</b>

**(As on September 30, 2019)**
**Recommendation**
**BUY**

**Company Background**

EID Parry (EID), incorporated in 1975 is a significant player in sugar with interests in promising areas of Nutraceuticals business. Headquartered in Chennai, India, the Company is a part of the Rs. 369 Billion Murugappa Group, one of India's leading business conglomerates. It is one of the oldest companies in India that has been in business for more than 225 years. It has many firsts to its credit, including the manufacturing of fertilizers (1906) for the first time in the Indian subcontinent. The company is one of South India's leading suppliers of sugar to the institutional as well as retail segment. Along with Sugar the Company is also focused on Co-generation (Power), Distillery (Spirits), and Nutraceuticals business segments.

**Investment Rationale**

- It is one of the top five sugar producers in the country. EID has eight sugar factories spread across South India with a total sugarcane crushing capacity of 43,800 Tonnes of Cane per day, co-generation capacity of 160 MW of power and four distilleries having a capacity of 234 KLPD.
- The company has a significant presence in Farm Inputs business through its subsidiary, Coromandel International Ltd.. Crop Protection business registered a revenue growth of 8%, driven by higher exports and domestic formulation performance.
- EID holds 60.55% of shares of the value of ~Rs. 9,200 crore as on date in listed Coromandel International Ltd, India's one of the largest Phosphatic fertilizer player.
- In the Nutraceuticals business (focuses on the business of human wellness through Health Supplements and Functional Foods by offering high quality products backed by Science, addressing the global markets), is a pioneer and world leader in organic spirulina and micro algal products with all major global certifications. 'Parrys Spirulina' is sold in more than 40 countries across the globe with manufacturing units in U.S.A and Chile.
- EID Parry has a 100% stake in Parry Sugars Refinery India Private Ltd. and US Nutraceuticals Inc, USA.
- For the period of FY14-19, its topline and bottomline grew at a CAGR of ~7% and ~15% respectively. In Q2FY20 its standalone sales grew by 26% but PAT declined to Rs. 6 crore as compared to Rs. 11 crore in Q2FY19 due to muted sugar prices on account of higher sugar inventory and release order mechanism. On consolidated basis its topline declined a bit but bottomline grew robustly by 71%.
- On standalone basis, the Company has drastically reduced its debt from Rs. 1,977 crore in FY14 to Rs. 832 crore in FY19 by focused cost management and fiscal prudence.
- Parrys White Label, Parrys Refined Pure and Amrit are EID's portfolio of branded sugar for the retail market. Its Amrit brand sugar offers 100% natural cane sugar with 10 times more nutrients.
- The Government of India has been taking various supportive measures in order to provide stability to the sugar prices, in the form of Buffer Stock mechanism, Minimum Support price for Sugar, Export quota and related subsidy and upward revision of Ethanol price including ethanol supply from 'B' Heavy molasses and cane juice. The sugar prices also improved compared to the previous quarter due to floods in Karnataka & Maharashtra which affected the movement of sugar stocks from these states to other states, thereby benefitting the company.
- India is the largest producer of sugar in the world displacing Brazil and is also the largest consumer. Indian Sugar industry is showing signs of complete turnaround with two consecutive years of record sugar production. In 2018-19, India produced an all-time high 33.16 million tonnes of sugar but for the first time since 2016-17, the country will produce less sugar than the year before at about 26 million tonnes, lower by 21.5% for the ongoing marketing year considering possible fall in cane acreage in Maharashtra and Karnataka as well as diversion to ethanol manufacturing, according to industry body Indian Sugar Mills Association (ISMA).
- Sugar industry is poised to break its own export record this year due to flurry of overseas sales in the past few months, prompted by attractive global prices.

**Recommendation** - With a growing shift towards natural and organic products, the Company has positioned itself strongly in the field of human health and wellness. EID is the first and amongst few with a dedicated R&D wing and cane breeding program. Its innovative programs in sugarcane cultivation methods have set industry benchmarks in yield and recovery. At the CMP of Rs. 200.55, the stock trades at ~6 times FY21 EPS of Rs. 34. **Hence, we recommend a BUY on the stock with a Target Price of Rs. 272 with an upside potential of ~36% from the current level with an investment horizon of 9-12 months.**

Particulars	Q2FY20	Q2FY19	Var%	H1FY20	H1FY19	Var%	FY19	FY18
<b>Net Sales</b>	5676.51	5838.39	-2.77	8802.95	9201.01	-4.33	16565.39	15372.77
<b>Operating Profit</b>	680.74	612.66	11.11	868.32	695.60	24.83	1557.41	1542.20
<b>Consolidated Net Profit</b>	181.57	106.11	71.11	153.87	-88.99	-	153.49	255.82
<b>PBIDTM%</b>	11.99	10.49	14.28	9.86	7.56	30.48	9.40	10.03
<b>PATM%</b>	3.20	1.82	75.82	1.75	-0.97	-	0.93	1.66
<b>EPS (Rs.)</b>	10.26	5.99	71.11	21.36	5.18	312.33	8.67	14.45

Numbers are Consolidated

Source: Company, Ace Equity, AUM Research

## Financials

Consolidated Quarterly Results (Value in Rs. Crs)						
Particulars	Q2FY20	Q2FY19	Var%	H1FY20	H1FY19	Var%
Net Sales	5676.51	5838.39	-2.77	8802.95	9201.01	-4.33
Total Expenditure	5016.80	5234.80	-4.16	7982.58	8522.39	-6.33
PBIDT (Excl OI)	659.71	603.59	9.30	820.37	678.62	20.89
Other Income	21.03	9.07	131.86	47.95	16.98	182.39
Operating Profit	680.74	612.66	11.11	868.32	695.60	24.83
Interest	115.05	109.68	4.90	243.88	219.17	11.27
PBDT	565.69	483.25	17.06	624.44	456.70	36.73
Depreciation	81.16	64.40	26.02	150.31	127.35	18.03
PBT	484.53	418.85	15.68	474.13	329.35	43.96
Tax	104.05	168.06	-38.09	96.11	237.67	-59.56
Profit After Tax	380.48	250.79	51.71	378.02	91.68	312.33
Minority Interest	-198.79	-144.11	-37.94	-223.42	-179.67	-24.35
Shares of Associates	-0.12	-0.57	78.95	-0.12	-0.57	78.95
Consolidated Net Profit	181.57	106.11	71.11	153.87	-88.99	272.91
EPS (Rs.)	10.26	5.99	71.11	21.36	5.18	312.33

Consolidated Income Statement (Value in Rs. Crs)						
Particulars	FY19	FY18	FY17	FY16	FY15	FY14
Net Sales	16565.39	15372.77	14391.25	15357.73	13952.64	12114.14
Total Expenditure	15110.44	14067.70	12965.14	14516.76	12944.66	11214.74
PBIDT (Excl OI)	1454.95	1305.07	1426.11	840.97	1007.98	899.40
Other Income	102.46	237.13	158.59	155.33	115.08	108.93
Operating Profit	1557.41	1542.20	1584.70	996.30	1123.06	1008.33
Interest	424.51	335.51	417.32	451.20	419.74	465.34
PBDT	1132.90	1206.69	1167.38	545.10	703.32	542.99
Depreciation	272.33	251.30	248.04	249.61	244.10	226.14
PBT	836.72	868.20	919.34	320.49	455.28	315.47
Tax	399.30	350.72	211.35	143.67	178.93	96.86
Profit After Tax	437.42	517.48	707.99	176.82	276.35	218.61
Minority Interest	-284.16	-261.61	-187.44	-140.71	-159.56	-140.64
Shares of Associates	0.23	-0.05	0.26	-1.60	0.00	0.00
Consolidated Net Profit	153.49	255.82	520.81	34.51	116.79	77.97
EPS (Rs.)	8.67	14.45	29.61	1.96	6.64	4.44

Consolidated Balance Sheet (Value in Rs. Crs)						
Particulars	FY19	FY18	FY17	FY16	FY15	FY14
<b>EQUITY AND LIABILITIES</b>						
Share Capital	17.70	17.70	17.59	17.58	17.58	17.58
Share Warrants & Outstandings	12.28	7.28	2.08	0.84	0.00	0.00
Total Reserves	3097.92	2944.96	2730.64	2368.91	2209.42	2399.27
<b>Shareholder's Funds</b>	<b>3127.90</b>	<b>2969.94</b>	<b>2750.31</b>	<b>2387.33</b>	<b>2227.00</b>	<b>2416.85</b>
Minority Interest	1324.56	1266.48	1137.69	1039.51	896.55	931.42
<b>Long-Term Borrowings</b>						
Secured Loans	433.60	391.56	722.57	906.37	1104.54	1531.54
Unsecured Loans	18.46	18.41	120.08	120.32	32.81	32.57
Deferred Tax Assets / Liabilities	51.93	57.93	86.89	169.44	243.83	259.12
Other Long Term Liabilities	9.95	10.83	11.17	12.61	0.84	0.98
<b>Long Term Trade Payables</b>						
Long Term Provisions	22.25	22.03	19.32	18.25	16.92	17.38
<b>Total Non-Current Liabilities</b>	<b>536.19</b>	<b>500.76</b>	<b>960.03</b>	<b>1226.99</b>	<b>1398.94</b>	<b>1841.59</b>
<b>Current Liabilities</b>						
Trade Payables	4859.05	4641.98	4204.45	4227.34	3886.36	3108.41
Other Current Liabilities	1558.50	1495.33	1439.18	1578.12	1170.96	953.87
Short Term Borrowings	4432.55	3614.38	2829.59	3609.92	3255.04	2347.40
Short Term Provisions	62.33	38.80	42.52	61.81	64.51	59.13
<b>Total Current Liabilities</b>	<b>10912.43</b>	<b>9790.49</b>	<b>8515.74</b>	<b>9477.19</b>	<b>8376.87</b>	<b>6468.81</b>
<b>Total Liabilities</b>	<b>15901.08</b>	<b>14527.67</b>	<b>13363.77</b>	<b>14131.02</b>	<b>12899.36</b>	<b>11658.67</b>
<b>ASSETS</b>						
Gross Block	4868.92	4761.58	4648.25	4516.27	5545.38	5658.04
Less: Accumulated Depreciation	1814.30	1590.11	1377.42	1172.87	2068.89	1870.24
Net Block	3054.62	3171.47	3270.83	3343.40	3476.49	3787.80
Capital Work in Progress	186.55	43.50	30.33	66.07	67.47	163.03
Intangible assets under development	16.61	10.62	8.25	10.77	7.89	
Non-Current Investments	415.95	414.58	501.29	630.84	357.99	347.60
Long Term Loans & Advances	184.66	174.86	63.08	80.35	244.14	242.89
Other Non-Current Assets	39.60	40.59	30.26	49.63	7.43	0.63
<b>Total Non-Current Assets</b>	<b>3897.99</b>	<b>3855.62</b>	<b>3904.04</b>	<b>4181.06</b>	<b>4161.41</b>	<b>4541.95</b>
Currents Investments	24.60	40.74	93.70	57.60	10.85	10.19
Inventories	5743.42	4095.88	3572.01	4013.76	3963.02	3001.10
Sundry Debtors	2071.87	1828.83	1850.22	2047.51	1713.76	1730.95
Cash and Bank	281.30	663.69	257.16	332.59	376.37	551.64
Other Current Assets	2579.98	2741.61	2837.71	2711.84	25.33	1136.95
Short Term Loans and Advances	1301.92	1301.30	848.93	786.66	2648.62	685.89
<b>Total Current Assets</b>	<b>12003.09</b>	<b>10672.05</b>	<b>9459.73</b>	<b>9949.96</b>	<b>8737.95</b>	<b>7116.72</b>
Net Current Assets (Including Current Invest.)	1090.66	881.56	943.99	472.77	361.08	647.91
Total Current Assets (Excluding Current Invest.)	11978.49	10631.31	9366.03	9892.36	8727.10	7106.53
<b>Total Assets</b>	<b>15901.08</b>	<b>14527.67</b>	<b>13363.77</b>	<b>14131.02</b>	<b>12899.36</b>	<b>11658.67</b>
Contingent Liabilities	313.42	968.51	1390.19	391.93	766.45	878.46
Total Debt (Long Term Plus Short Term)	5124.62	4469.94	3922.69	5143.60	4823.27	4288.15
<b>Book Value</b>	<b>176.02</b>	<b>167.38</b>	<b>156.24</b>	<b>135.75</b>	<b>126.39</b>	<b>137.19</b>

Key Ratios						
Particulars	FY19	FY18	FY17	FY16	FY15	FY14
Debt to Equity(x)	1.64	1.51	1.43	2.16	2.17	1.78
Current Ratio(x)	1.10	1.09	1.11	1.05	1.04	1.10
ROCE (%)	16.07	17.06	18.82	10.59	12.73	10.90
RONW (%)	14.39	18.12	27.58	7.67	11.93	9.03
Equity Dividend %	300.00	300.00	400.00	151.00	592.00	0.00
Dividend Yield %	1.46	1.09	1.41	0.69	3.37	0.00

Peer Group Comparison - Consolidated (Value in Rs. Crs)					
Company Name	Balrampur Chini Mill	Dalmia Bharat Sugar	Dhampur Sugar Mills	E.I.D. Parry (I)	Triveni Engg. & Inds
Year End	201903	201903	201903	201903	201903
Net Sales	4285.78	2018.51	2954.06	16565.39	3151.74
PBIDT	731.82	311.73	494.03	1557.41	372.52
PAT	569.07	175.15	250.92	437.42	196.05
Adj. EPS(Rs)	25.21	21.64	37.82	8.67	8.38
ROCE%	19.69	10.73	15.39	16.07	12.60
ROE%	30.47	11.54	22.55	14.39	18.81
TTM Ratios	17-Dec-2019	17-Dec-2019	17-Dec-2019	17-Dec-2019	17-Dec-2019
CMP (Rs.)	170.10	83.70	205.50	201.55	63.60
Latest EPS (Rs)	26.17	21.64	37.86	22.39	12.07
Latest Book Value (Rs)	98.77	193.28	190.14	185.52	47.98
TTM PE (x)	6.50	3.87	5.42	8.98	5.28
Price/BV(x)	1.72	0.43	1.08	1.08	1.33
Dividend Yield%	1.47	1.91	3.17	1.49	1.10

Revenue Generation (2018-19)	
Business Segment	%
Sugar	72.9
Cogen	6.6
Distillery	16.7
Nutraceuticals	3.7
Others	0.2
<b>Total</b>	<b>100</b>

### Sugar Products



### Nutra Products



Source: Company, Ace Equity, AUM Research

**Aum Capital RESEARCH DESK**

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