E.I.D. - Parry (India) Limited
Regd.Office : Dare House, 234,N.S.C. Bose Road, Parrys Corner, Chennai 600 001, India.
Tel : 91.44.25306789 Fax : 91.44.25341609 / 25340858
CIN : L24211TN1975PLC006989
Website : www.eidparry.com

January 23, 2019

BSE Limited
1st Floor, New Trading Ring, Rotunda
Building, Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001.
Scrip Code: 500125

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G. Block
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
EIDPARRY

Dear Sir/Madam,

Sub: Intimation of Rating of Commercial Paper of the Company by CARE

Pursuant to Regulation 30 (2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that CARE Ratings Limited (CARE) has rated the Commercial Paper of the Company as CARE A1+ (A One Plus) rating.

Copy of the rationale for credit rating of Commercial Paper is enclosed for your kind information.

We request you to take the above on record.

Thanking you,

Yours faithfully,
For **E.I.D.- PARRY (INDIA) LIMITED**

BISWA MOHAN RATH
Company Secretary

murugappa

Annexure-I
Rating Rationale
E.I.D. Parry (India) Limited

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Commercial Paper Issue	950.00 (Rupees Nine Hundred and Fifty crore only)	CARE A1+ (A One Plus)	Assigned

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) factors in strong parentage of EID, benefits derived from being part of Murugappa group, established track record of EID in sugar industry with integrated nature of operations and geographically diversified presence of manufacturing units to an extent. The rating also factors in the significant amount of investments in subsidiary-Coromandel International Limited (CIL) having strong financial risk profile.

The ratings however is constrained by moderate financial performance of EID, exposure to subsidiary companies mainly Parry Sugar Refinery Private Limited whose performance remains moderate, inherent cyclicality of sugar business, susceptibility to agro climatic conditions and high level of regulations in the industry.

Going forward, in view of cyclicality associated with the industry ability of the company to improve profitability, capital structure and extend of support to subsidiaries would be the key rating sensitivities.

Detailed description of the key rating drivers

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, the few of the major Companies of the Group include Tube Investments of India Ltd, Carborundum Universal Ltd, Cholamandalam Investment & Finance Company Limited,

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

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 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 September 2018, EID has aggregate sugar manufacturing capacity of 45,800 tonne per day (TCD), four distilleries with a aggregate capacity of 234 kilo litre per day (KLPD) and 160 megawatt (MW) of co-generation capacity with eight power plants. The units are spread across three southern states, viz., five units in Tamil Nadu, three units in Karnataka and one unit in Andhra Pradesh. This apart, EID is in the process of expanding its ethanol capacity in Karnataka and Andhra Pradesh in FY19. 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.

During FY18 sugar division contributed 78% (PY: 77%) of total gross sales followed by distillery division with 16% (PY: 16%), co-gen with 4% and nutraceuticals with 4%.

Investments in subsidiary-Coromandel International Limited (CIL) having strong financial profile

EID also derives financial flexibility from being the holding company for CIL. CIL, one of the flagship companies of the Murugappa group is an established player in the phosphatic-fertiliser industry in India having a wide product portfolio including pesticides, speciality nutrients and gypsum.

EID's 60.58% stake in CIL has market value of around Rs.8000 crore as on December 28, 2018. CIL has a healthy track record of dividend payout aiding the overall profitability of EID. This apart in April 2018, EID Parry sold its in-house bio-pesticides business (on slump sale basis) along with its entire stake in fully owned subsidiary – Parry America Inc, USA to CIL for a total sales consideration of Rs.338 crore, which was received in April 2018. During FY18, CIL registered PAT of Rs.659 crore (PY: 477 crore) and total operating income (TOI) of Rs.11,044 crore (PY: Rs.10, 239 crore).

Moderate financial performance of EID; Sale of bio-pesticide division in H1FY19 aided liquidity position of the company

The company registered continuous moderation in total operating income (TOI) for two years ended FY18 on account of decline in cane availability in trend with south based sugar mills. During FY18, EID registered PAT of Rs.101 crore and TOI of Rs.2,119 crore as against PAT of Rs.284 crore and TOI of Rs.2,391 crore in FY17. It is to be noted that TOI stood at Rs.2,697 crore in FY16.

During FY18, income from sale of sugar declined by 14% due to decline in sugar sales volume by 19% on account of lower crushing in Tamilnadu and Andhra Pradesh units and decline in sugar sales realization from Q4FY18 onwards. Cane availability in Tamilnadu and Andhra Pradesh witnessed drop in SS17 (October 2016 to Sep 2017) and SS18.

The average sugar sales realization of EID improved during FY17 to Rs.34.30/kg from Rs.24.80/kg in FY16 and subsequently to Rs.36.82/kg in FY18. The increasing trend in sugar prices continued till 9MFY18. However, the sugar prices subsequently started declining from Q4FY18 onwards on account of estimated surplus sugar stock in the country impacting the overall sales volume. With lower cane crushing, both income from distillery and power division also declined in FY18. This coupled with increase in cane cost by 9% in FY18 (including one time settlement to cane farmers of Rs 87 crore) has resulted in moderation of profitability in FY18.

During H1FY19, the company registered PAT of Rs.65 cr (including gain on sale of bio pesticides division and sale of a subsidiary- Parry America Inc of Rs.171 cr) and total operating income of Rs.892 cr (PY Rs.1,174 cr).

The performance in H1FY19 was moderate mainly on account of lower sugar sales realization. Also from Q1FY19, the introduction of release mechanism impacted the sales volumes of sugar.

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. 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. Regulatory mechanisms and dependence on monsoons for cane availability also results in cyclicality in the industry.

Exposure to subsidiary companies

The company has total equity investments in subsidiaries to the extent of Rs.731 crore (PY:Rs.666 cr) as on March 31, 2018. Of these majority of the investments are in CIL (Rs.120 cr), Parry Sugars Refinery India Private Limited (PSRIPL) (Rs.499 cr) and US Nutraceuticals LLC (USN) (Rs.78 cr).

PSRIPL has a sugar refinery with capacity of 2500 TPD , and a 35 mega-watt (MW) captive power plant in Andhra Pradesh. PSRIPL imports raw sugar, refines the same and exports the refined sugar. PSRIPL registered net loss of Rs.76 crore (PY: PAT Rs.14 crore) on TOI of Rs.2541 crore (PY: 1883 crore) in FY18. The moderate performance in FY18 was mainly on account of lower global sugar prices which have been on a declining trend for last one year period.

USN is engaged in the business of discovery, development, and production of nature-sourced ingredients and formulations for nutritional supplements. USN registered PAT of USD.0.8 million (PY USD 0.4 million) on total income of USD 23.5 million (PY: USD 24.3 million) in FY18. EID has also given corporate guarantee to the NCD issue of PSRIPL to the extent of Rs.235 cr and Standby Letter of Credit limit of Rs.13 cr for USN respectively as on September 30, 2018.

Liquidity position

EID makes payment to farmers within the stipulated timeline. EID sells to sugar institutional customers (~40% of sales) on credit and to small customers on cash basis. The average inventory holding was 196 days in FY18. The working capital cycle is low for the company as it has high credit period for the cane payment bills which are discounted with banks. This has resulted in low working capital limit utilization. Average utilisation of working capital facilities remained at 15% for one year period ended October 2018. During April 2018, the company sold its bio-pesticides business and its stake in one of its subsidiary for a total sales consideration of Rs.338 cr. The total free cash & bank balance and liquid balance as on September 30, 2018 was Rs.67 crore.

Industry outlook

Sugar production in India declined in each of the sugar seasons (October –September) 15-16 and Sugar Season (SS) 16-17 due to lower availability of sugarcane. Lower sugar production had resulted in increase in average domestic sugar price in SS 16-17. Sugar prices remained high during April 2017 to November 2017. Subsequently the prices started declining from December 2017 onwards, primarily on account of higher sugar production in SS17-18. Higher sugar production along with opening stock at the beginning of the SS 17-18 and no major increase in consumption levels resulted in higher closing stock for SS17-18. The prices improved during Q2FY19 onwards with various steps taken by the government to support the industry.

In order to reduce the burden on the mills and the farmers the central government has recommended production incentive to bring down the cane dues. Also increasing import duty, withdrawing export duty on exports of sugar, imposing export quota on mills, introducing release mechanism, encouraging ethanol production for blending program, implementation of minimum support price (MSP) on sugar are few steps taken by the government to stabilize the sugar prices and aid the industry.

Prospects

The moderation in income in the two years ended FY18 is mainly on account of decline in cane availability. However, integrated nature of operations and regular dividend income from CIL has aided the overall profitability of the company. Capital structure has also witnessed continuous improvement in the past two years ended March 31, 2018 and September 30, 2018.

Going forward, in view of cyclicality associated with the industry and challenges with respect to cane availability in the regions where EID's plants are located, the financial performance of the company is likely to be conditioned by trend in sugar realisation and sugar industry scenario. The ability of the company to improve its operational and financial performance, any major debt funded capex and extend of support to subsidiaries would be the key rating sensitivities.

Analytical approach: Standalone, factoring in the linkages with two subsidiaries PSRIPL and USN as they are in same line of business and EID has extended funding support to these entities. EID is also an integral part of Murugappa group representing the group's sugar business.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Financial ratios (Non-Financial Sector)
Rating Methodology: Factoring Linkages in Ratings

About the Company

E.I.D. Parry (India) Limited (EID) is part Chennai based Murugappa group. The group has diverse business activities that include abrasives, automotive components, cycles, sugar, farm inputs, fertilizers, plantations, construction and bio-products. Mr M.M.Murugappan is the Executive Chairman of the group. EID represents the group's sugar manufacturing business. The promoters held 45% stake in the company as on September 30, 2018. EID has nine sugar units spread across Tamil Nadu, Karnataka and Andhra Pradesh with a total installed capacity of 45,800 Tons of Cane per Day (TCD), co-generation capacity of 160 megawatt (MW) and distillery capacity of 234 kilo litre per day as on September 30, 2018.

Financial Performance: (Standalone of EID) (Rs. crore)

For the period ended / as on March 31,	*2016 (12m, A)*	*2017 (12m, A)*	*2018 (12m, A)*
Working Results			
Total Operating income	2,697	2,391	2,119
PBILDT	158	471	357
Interest	167	140	113
Depreciation	112	111	113
PBT	-122	242	48
PAT from continued operations	-92	274	81
PAT from discontinued operations	0	10	20
Total PAT for the year	-92	284	101
Gross Cash Accruals	-10	338	180
Financial Position			
Equity Capital	18	18	18
Net worth	1,267	1,462	1,623
Total capital employed	2,606	2,359	2,588
Key Ratios			
Growth			
Growth in Total income (%)	19.99	-11.36	-11.35
Growth in PAT (after D.Tax) (%)	-162.13	-397.47	-70.26
Profitability			
PBILDT/Total Op. income (%)	5.84	19.69	16.84
PAT (after deferred tax)/ Total income (%)	-ve	11.46	3.84
ROCE (%)	1.56	23.73	11.60
Solvency			
Long-term Debt Equity ratio (times)	0.88	0.52	0.36
Overall gearing ratio (times)	1.04	0.65	0.63
Overall gearing incl. cane arrears or TOL/TNW	1.41	1.04	1.05
PBILDT/ Interest (times)	0.94	3.37	3.16
PBIT/ Interest (times)	0.27	2.57	2.16
Term debt/Gross cash accruals (years)	NM	2.25	3.25
Total debt/Gross cash accruals (years)	NM	2.79	5.66
Liquidity			
Current ratio (times)	0.76	0.81	0.72
Quick ratio (times)	0.30	0.28	0.20
Turnover			
Average collection period (days)	36	36	32
Average creditors period (days)	101	170	215
Average creditors period (excl. cane bills)	57	71	87
Average inventory period (days)	139	151	196
Operating cycle (days)	74	17	13

A: Audited, NM: Not Meaningful

Status of non-cooperation with previous CRA: NA
Any other information: NA
Rating History for last three years: Please refer Annexure-2

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.*

Analyst Contact:
Name:Mr Vidhyashankar C
Tel: 044-28501017
Email: vidhyashankar.c@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	-	-	7 days to 1 year	950.00	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)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Commercial Paper	ST	950.00	CARE A1+	-	-	-	-