



UNLOCKING VALUE DELIVERING PERFORMANCE



E.I.D.- Parry (India) Limited
Investor Presentation | December 2019



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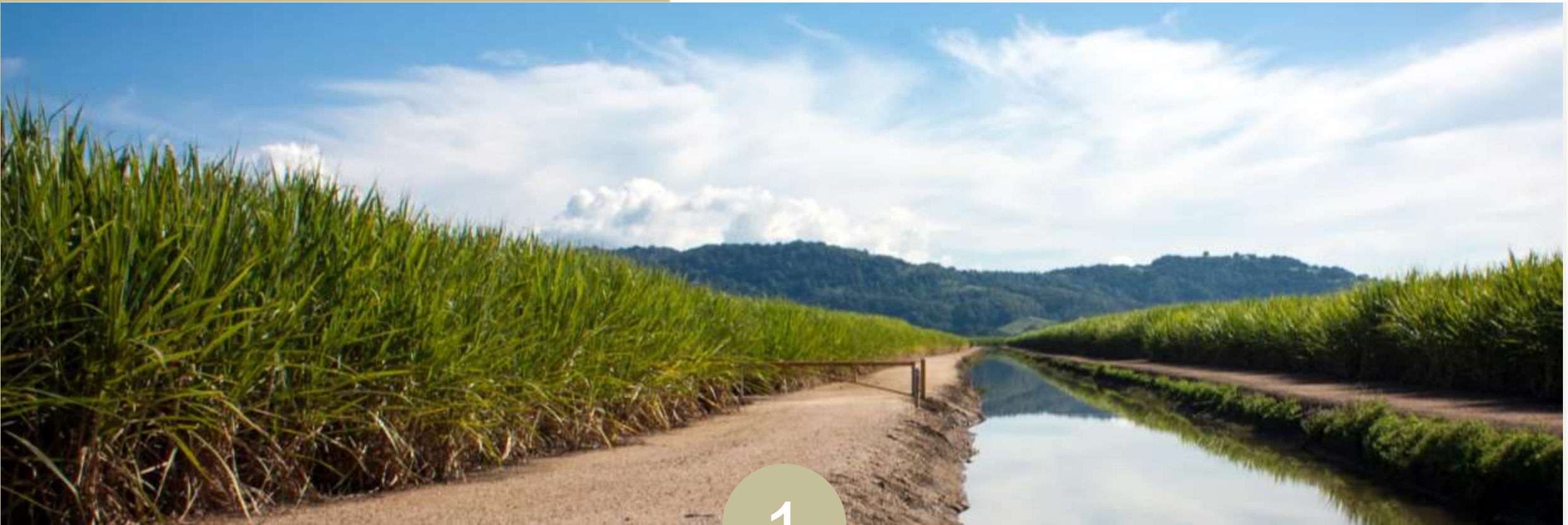
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Flow of Presentation

- Overview of E.I.D.- Parry (India) Limited
- Global Sugar Scenario
- Indian Sugar Scenario
- EID Sugar Business
- Sugar Refinery
- Nutraceuticals Division
- Historical Financials



1

OVERVIEW


As pure as it gets

EID, South India's largest sugar producers, adheres to the highest standards of quality and specifications, bringing customers the finest quality of sugar

Vision & Mission

"Enriching and Energizing by creating value added products from agriculture"



*Make the brand  the most preferred choice to achieve
Sustainable and Profitable growth*

Business overview – EID Parry India

Sugar, Co-gen & Distillery

- ❖ Leading Sugar producer in South India
- ❖ **8 sugar factories** and a standalone distillery spread across South India



Port-based sugar refinery in Kakinada

- ❖ First company in Asia to get Bonsucro International Certification for sustainable sugar production

Nutritional Health Supplements

- ❖ **Market leader** in micro-algae; Leading producer of Organic Spirulina
- ❖ Developer & provider of high quality nature-sourced ingredients for human health
- ❖ Partnership with **Synthite Industries**



A company with more than 230 years of legacy

1788

Thomas Parry arrived in Madras to establish the House of Parry



1839

The firm became "Parry & Co" in

1956

East India Distilleries & Sugar factories Ltd. bought 100% stake in Parry & Co.

1981

EID becomes part of Murugappa group

1995

Start of bio pesticides

2003

Hived off farm inputs to Coromandel

2006

Divests Parryware to Roca, Spain

2010

Acquired 4 Sugar factories in KN & AP

Set-up the country's first sugar plant at Nellikuppam

1788



Start of distillery operations

1848

EID Parry incorporated

1975

EID was in varied businesses. such as sugar, fertilizers, chemicals, sanitary ware etc.

1990s



Start of algal based Nutraceuticals

1997

Divests confectionary business to Lotte, South Korea; Pioneering launch of branded retail sugar

2004

Established Sugar refinery at Kakinada

2008

Hived off Bio division to Coromandel

2018

2

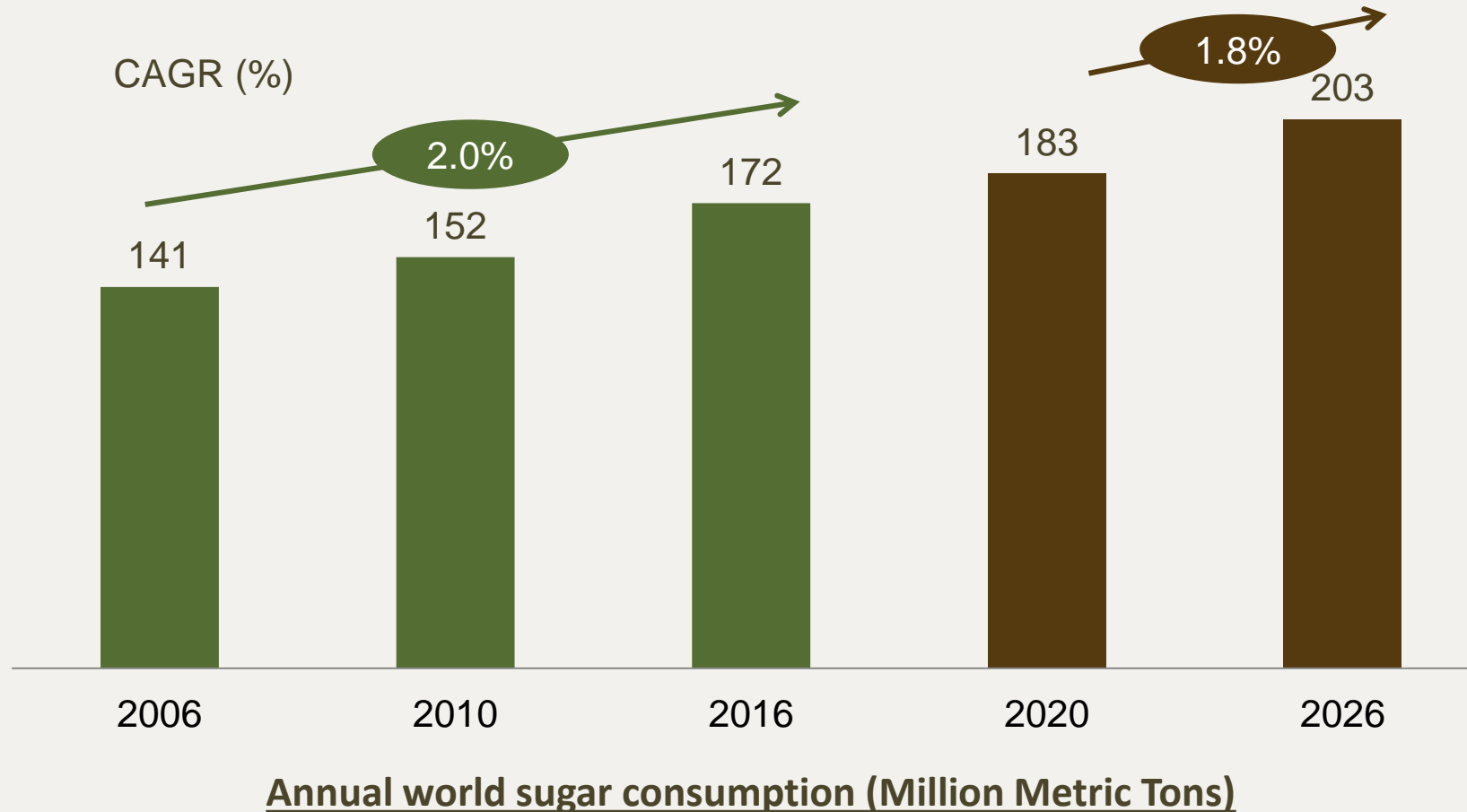
Global Sugar Scenario

Opportunities with riders

Growth coupled with shifting regulatory scenarios



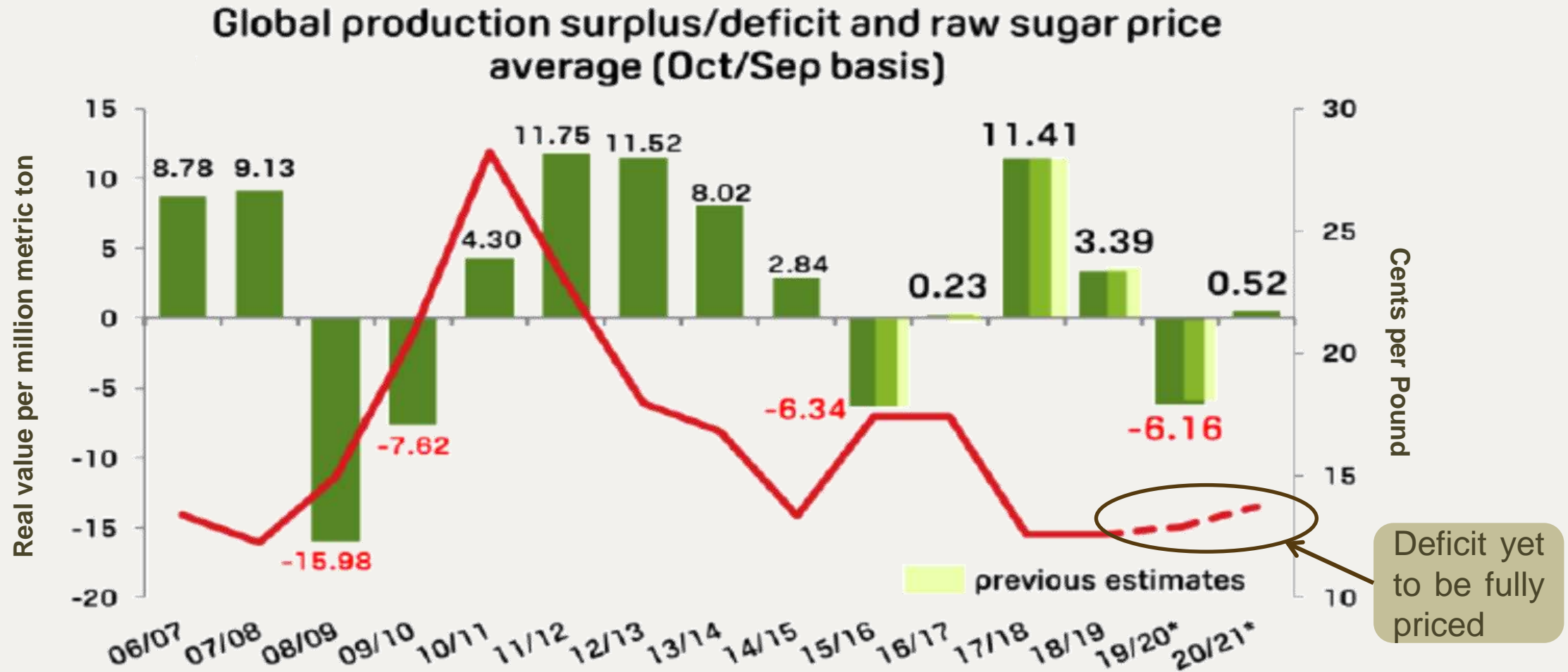
Global sugar consumption expected to moderate



❖ Global Sugar Market is expected to grow at a CAGR of 1.8% until 2026

❖ Africa, China, India, Asia – Contribution to grow from 56% to 61%

Large global deficit estimated for SY 2019-20



❖ Lower production in Brazil, India and Thailand



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Indian Sugar Scenario

Steadying the giant

Managing business cyclicality in a highly-regulated eco-system

India – World's largest sugar producer & consumer

Industry Size

₹ 105,000 Cr
(US\$ 15 Bn)

Operating Mills

525 Private(50%)
Co-op(44%)
Others (6%)

Farmers

50 Million
5 million workers

Production

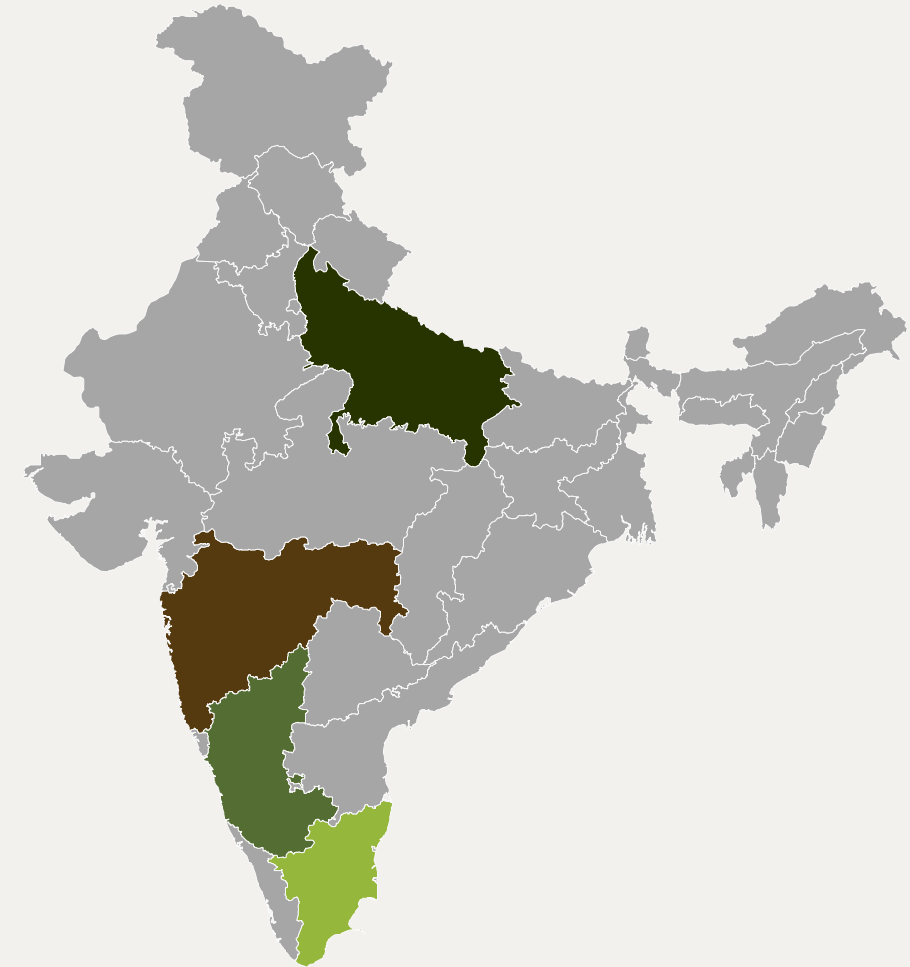
80% UP
Maharashtra
Karnataka

Planted area

5 Million Hectares
415 MMT
of sugarcane

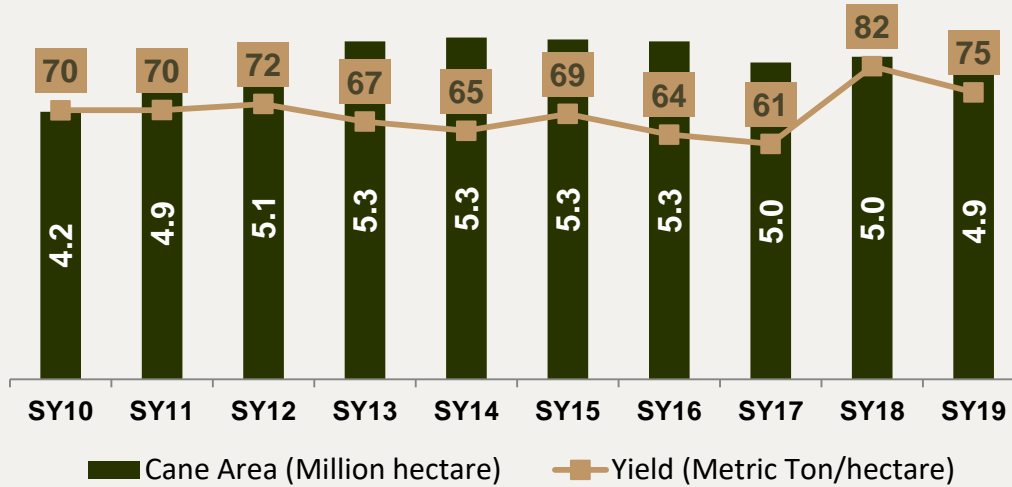
Consumption

26 MMT
Per Capita 19kg

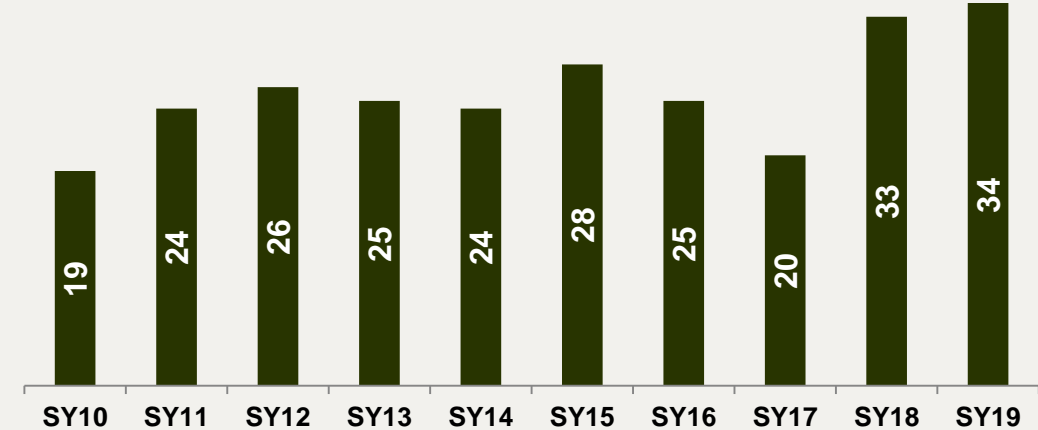


Increasing sugarcane & sugar production in India

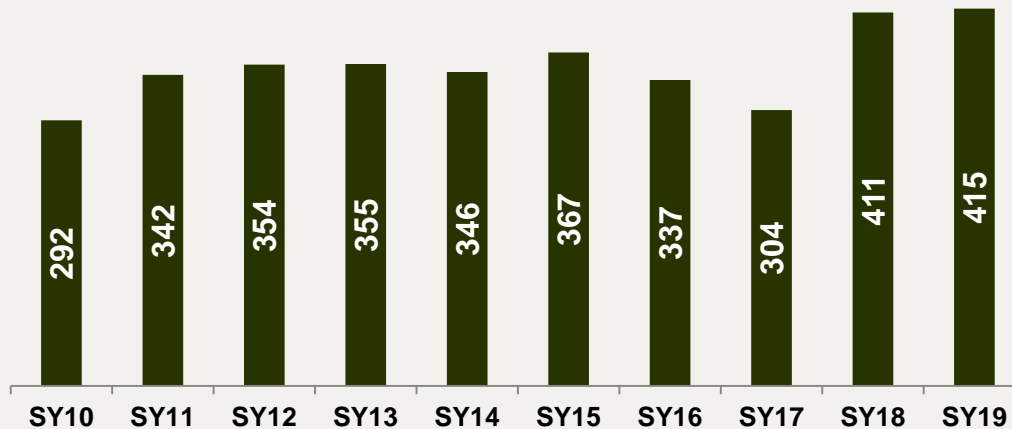
Cane Area & Yield / Hectare



Sugar production (MMT)



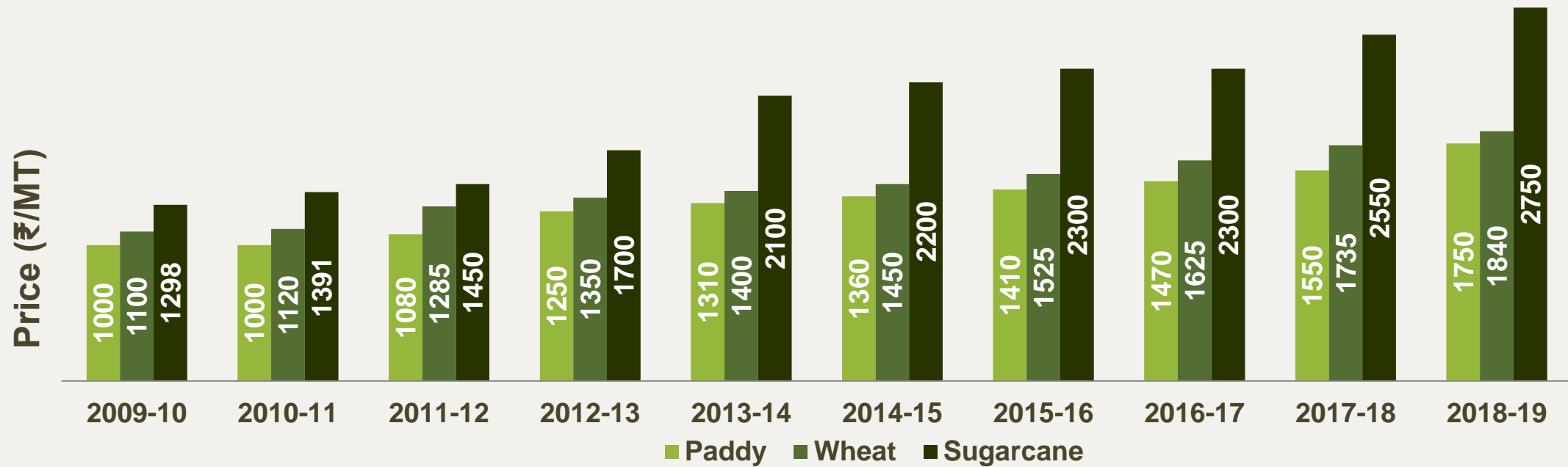
Sugarcane production (MMT)



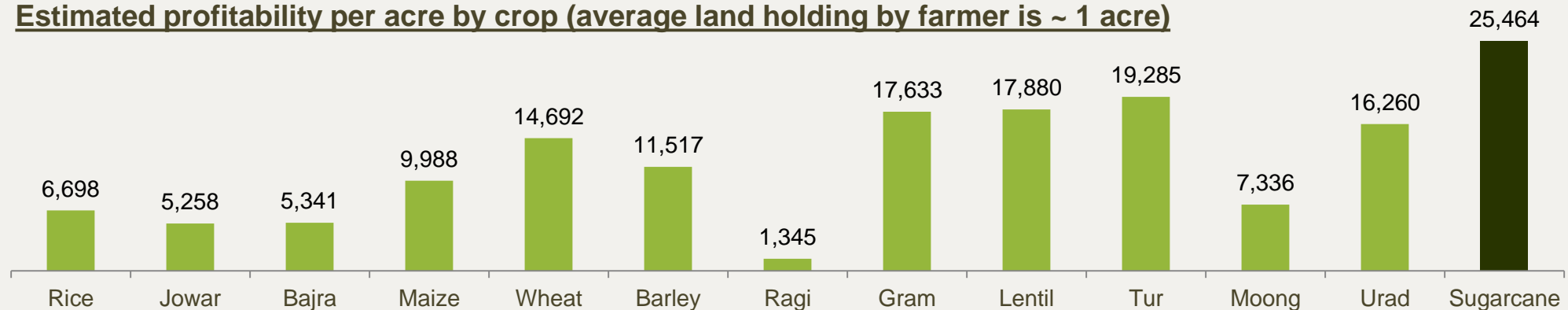
Key Takeaways

- ❖ Increasing cane area - sugarcane the most attractive crop for the farmer
- ❖ Yields have also increased – adoption of high yielding cane varieties
- ❖ Significant growth in sugar production – increasing recovery

Sugarcane price significantly higher than competitive crops



Estimated profitability per acre by crop (average land holding by farmer is ~ 1 acre)

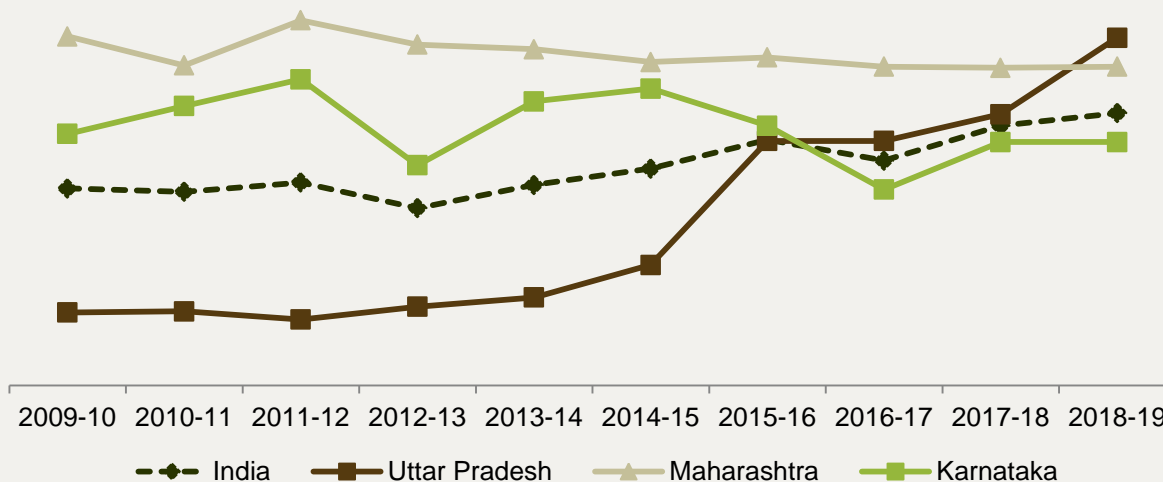


Varietal adoption has resulted in increase in recovery %

Sugar Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
All India	10.2	10.2	10.3	10.0	10.2	10.4	10.6	10.4	10.7	10.9
Uttar Pradesh	9.1	9.1	9.1	9.2	9.3	9.5	10.6	10.6	10.8	11.5
Maharashtra	11.5	11.3	11.7	11.4	11.4	11.3	11.3	11.3	11.2	11.3
Karnataka	10.7	10.9	11.1	10.4	11.0	11.1	10.7	10.2	10.6	10.6

Source: ISMA

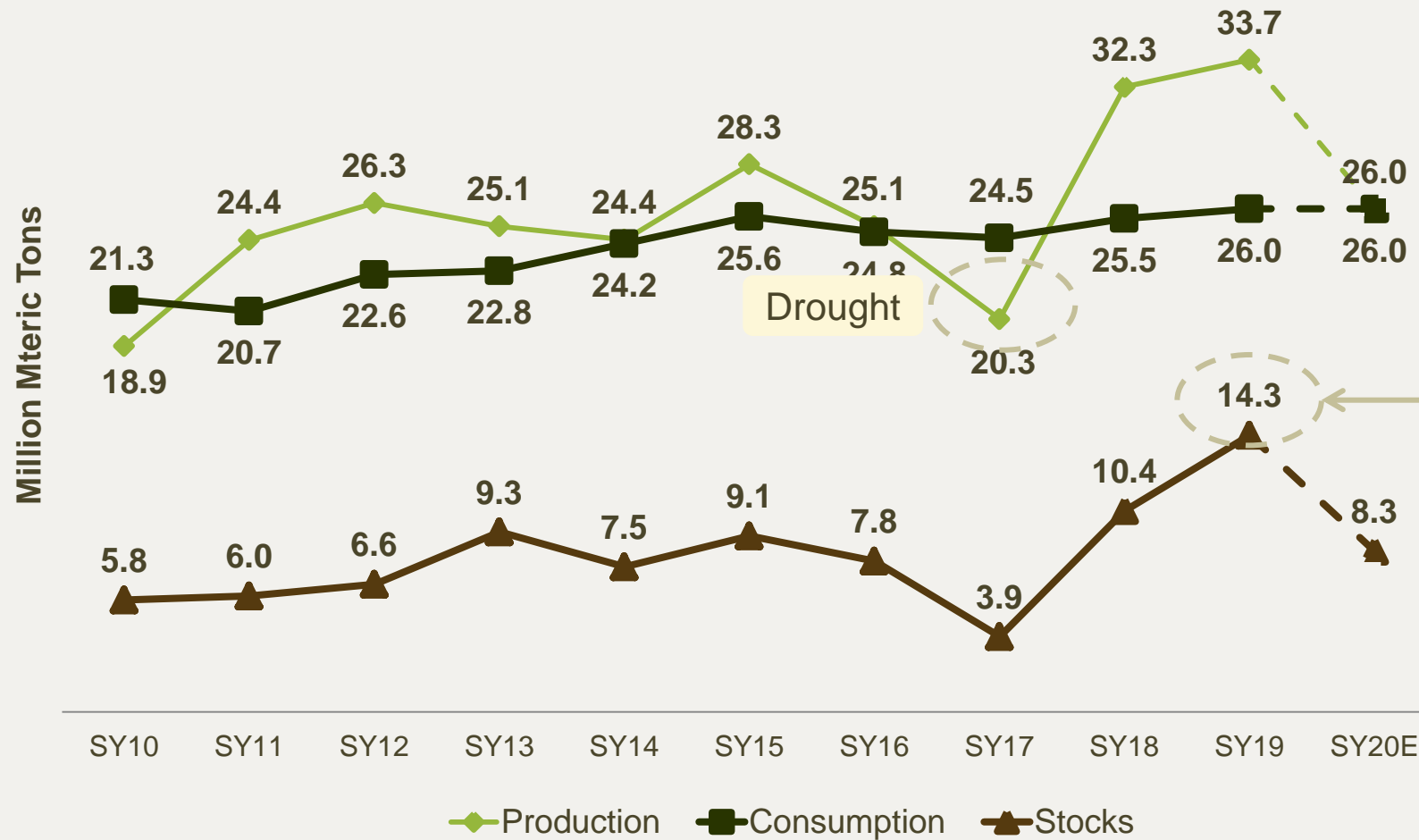
State-wise recovery %



Key Takeaways

- ❖ All India recovery % has increased by 65 basis points
- ❖ Significant improvement in recovery % in Uttar Pradesh due to CO 238

Production outstrips consumption



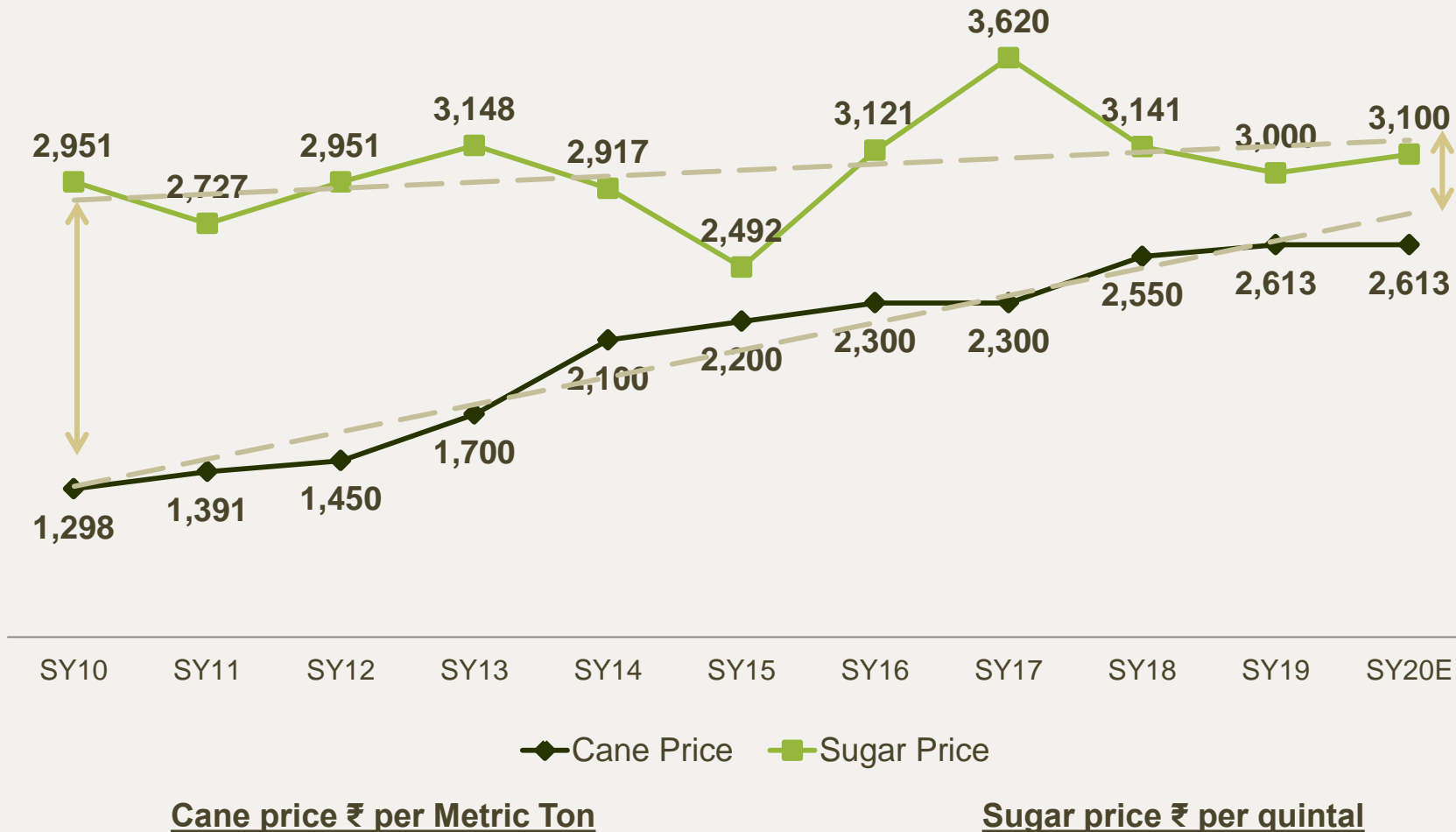
❖ Huge stock levels cap the domestic sugar prices

India Sugar Balance (Million Metric Tons)

Sugar Year	2018-19	2019-20E
Opening stock	10.4	14.3
Production	33.7	26.0
Consumption		
Domestic	26.0	26.0
Exports	3.8	6.0
Closing stock (including buffer stock)	14.3	8.3

- ❖ Huge stock levels – 4 months sales - cap the domestic sugar prices

Cane cost as a % of sugar realization has increased

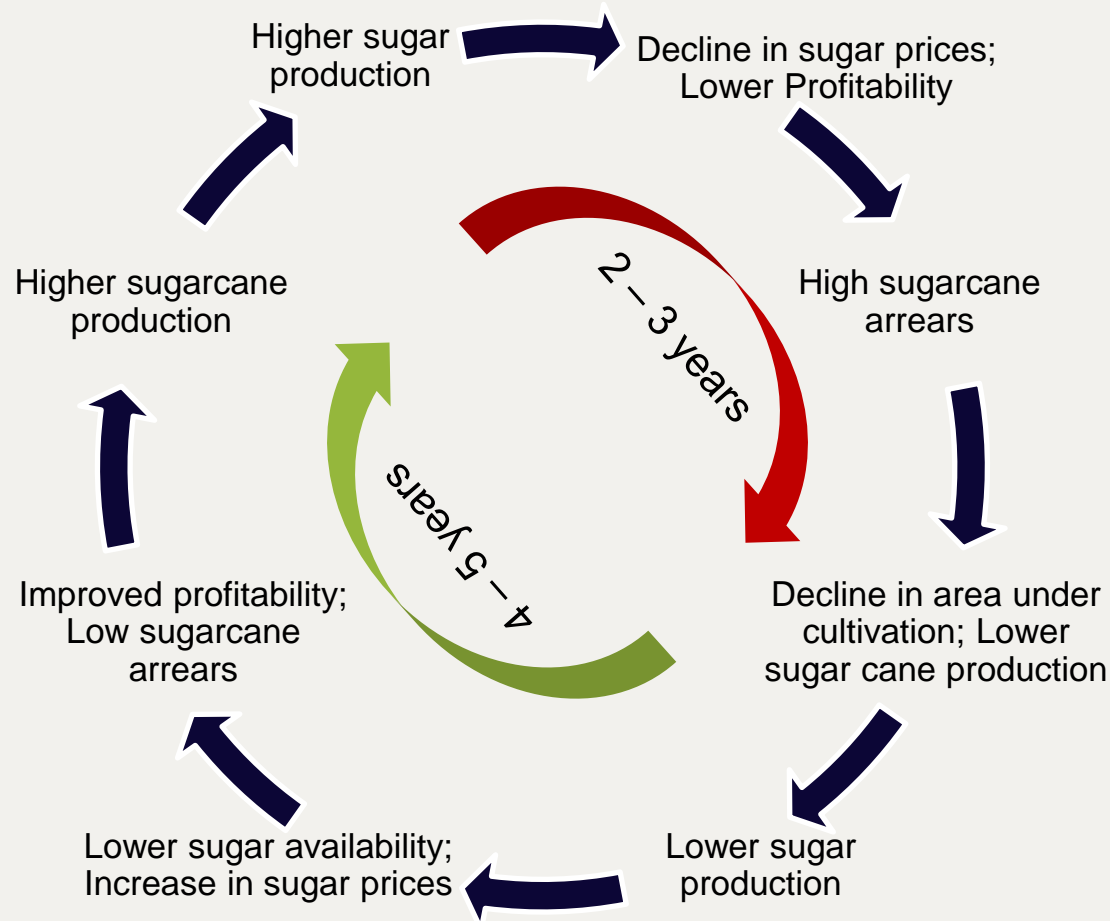


Key Takeaways

- ❖ Selling price of sugar regulated by the Government based on market factors
- ❖ Payment for sugarcane based on **Fair & Remunerative Price @ 9.5% / 10% recovery** (not linked to selling price of sugar)
- ❖ **Cane cost as a % of sugar price** has increased from **44% to 86%** over the last decade

Business Cyclicity & Industry Challenges

Induced Cyclicity



Industry Challenges

- ❖ Narrowing Spreads (Sugar price – Cane price)
- ❖ Cane, Sugar, Power and Ethanol prices controlled by GOI
- ❖ Stock surplus and depressed prices
- ❖ Seasonal run of plants – Average Operating days reducing from 180 to 120
- ❖ Huge stress on water availability
- ❖ Decline of farming generation

Government Reforms in Sugar Sector

Short Term

- ❖ Zero export duty - Mills incentivized to export a proportion of their production
- ❖ Minimum Selling Price for sugar
- ❖ Maintenance of buffer stock to limit quantum available for sales
- ❖ Restriction on monthly sale of sugar by mills through Release Order mechanism

Long Term – 10% Ethanol Blending Program

- ❖ Opportunity for sugar mills to expand into distilleries with investment subsidies
- ❖ Procurement price fixed for ethanol made from different molasses sources
- ❖ Five year off take commitment by government
- ❖ 5 MMT of Sugar expected to be diverted, providing stability to sugar prices by managing surplus

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EID Sugar Business

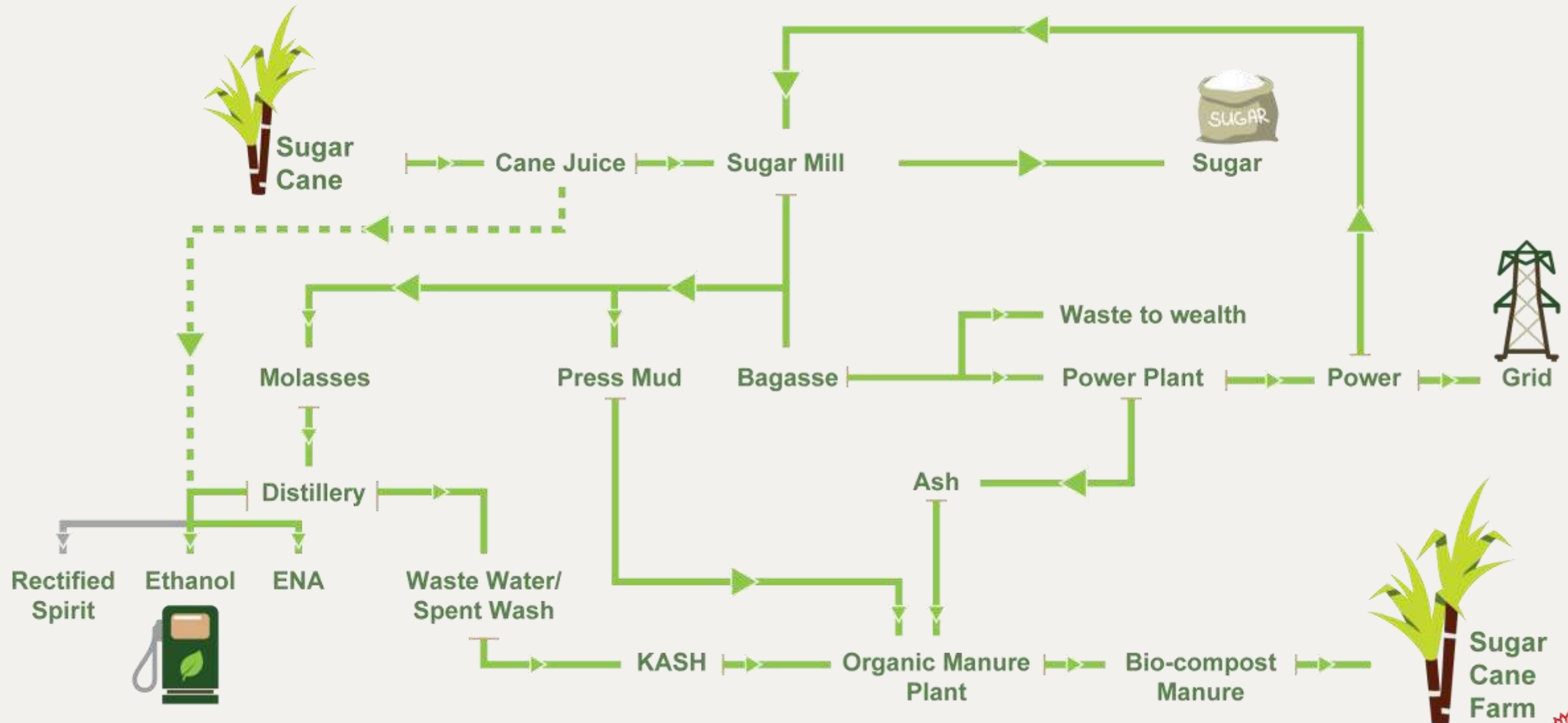
Newer fields, better yields

Maximizing value by better capacity utilization, de-commoditization & profitable use of by-products

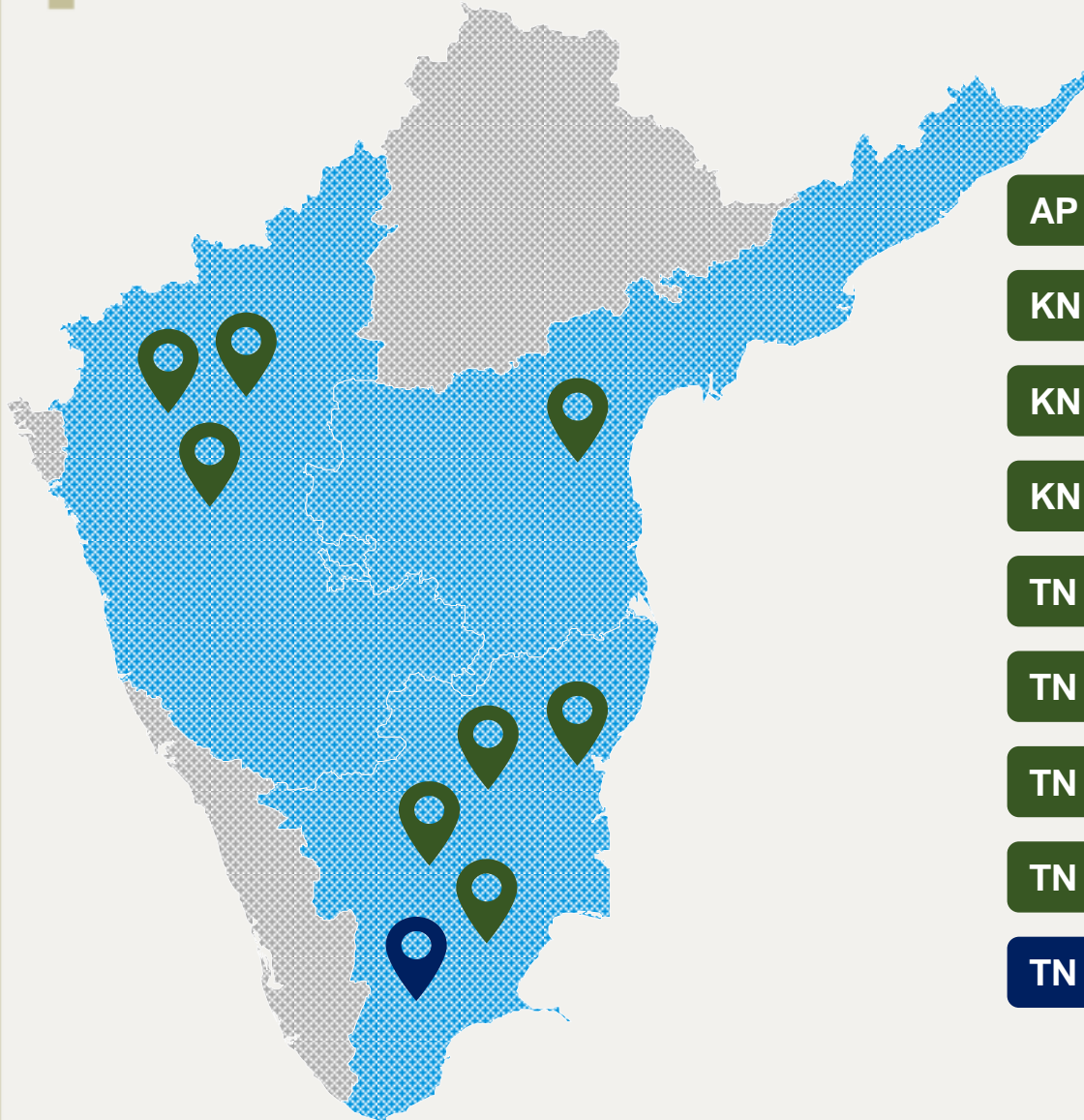


Sugar Operations – “Farm” to “Farm”

An integrated sugar factory produces sugar, power for export, ethanol and organic manure



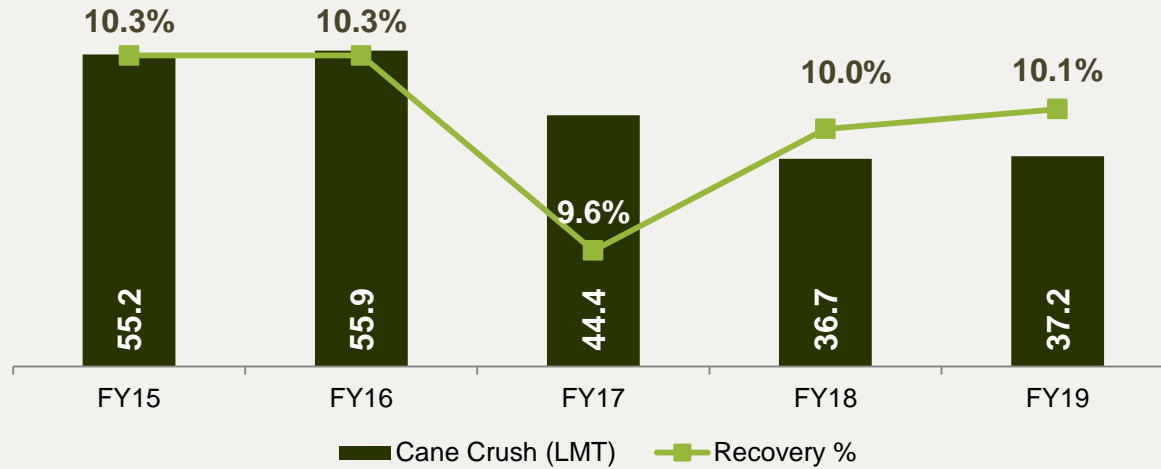
Sugar – Manufacturing capacities



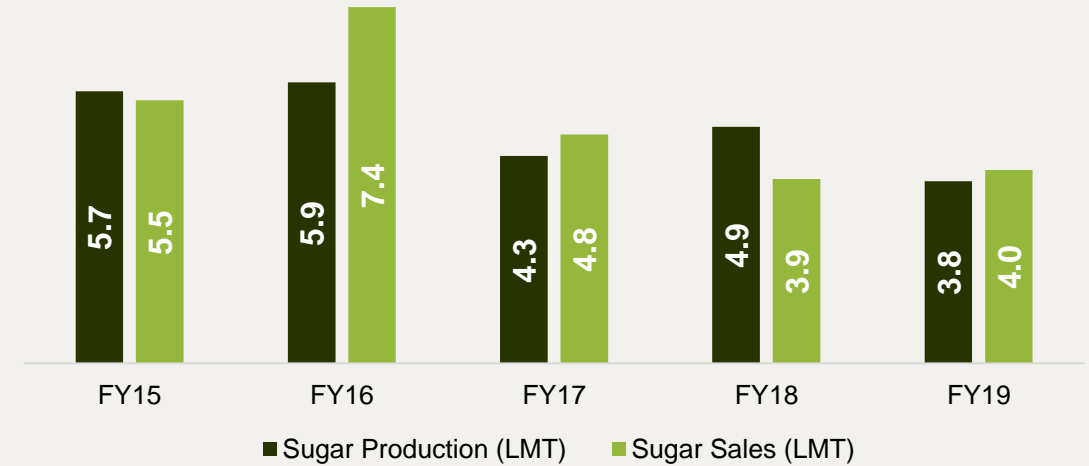
	Crushing (TCD)	Co-Gen (MW)	Distillery (KLPD)
AP - Sankili	5,000	16.0	45
KN - Haliyal	7,500	31.0	50
KN - Bagalkot	6,000	15.5	-
KN - Ramdurg	5,000	13.0	-
TN - Nellikuppam	7,500	24.5	75
TN - Pugalur	4,800	22.0	-
TN - Pudukottai	4,500	18.0	-
TN - Pettavaithalai	3,500	20.0	-
TN - Sivaganga	-	-	64
	43,800	160.0	234

Operational performance - Sugar

Cane Crush & Recovery



Sugar Production & Sales



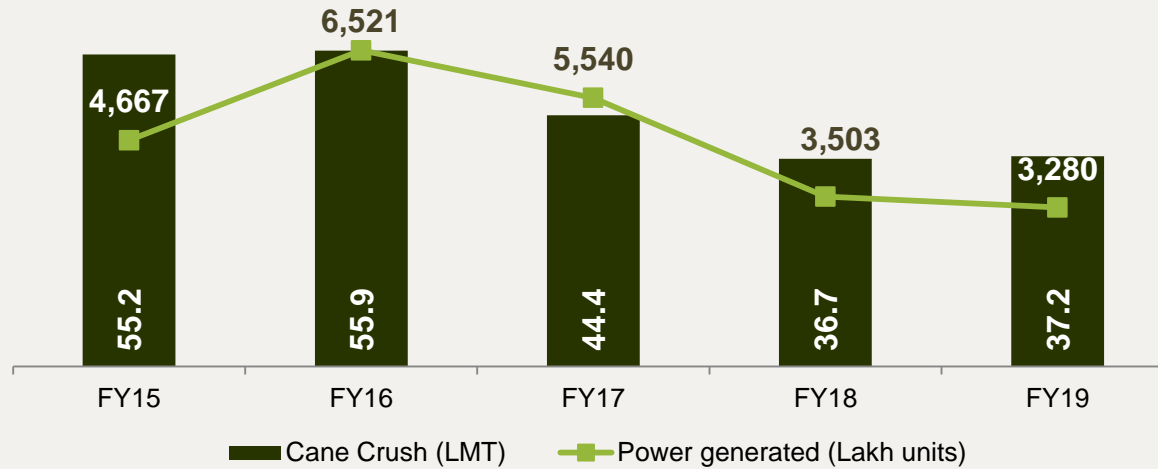
Average realization per kg (₹)



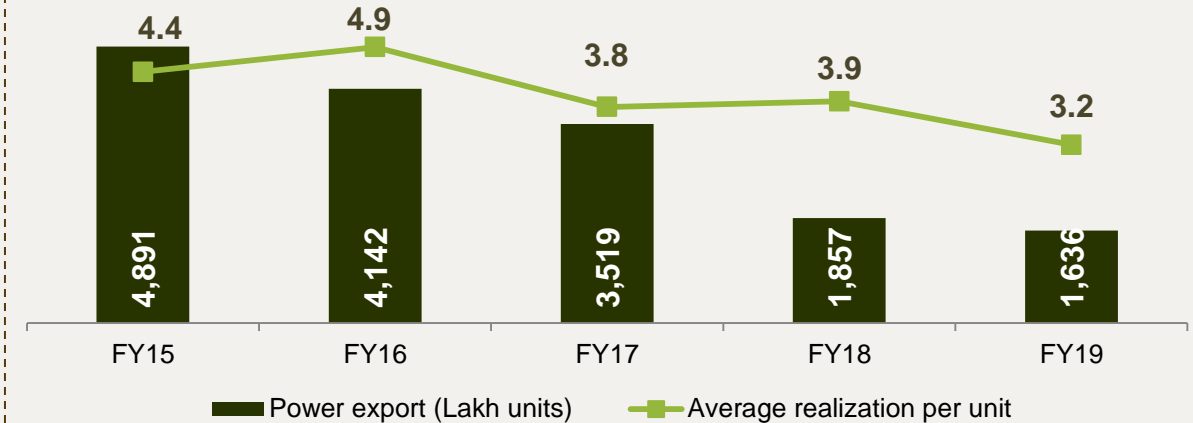
- ❖ Reduced cane availability – Drought in Tamil Nadu
- ❖ Lower recovery in Tamil Nadu
- ❖ Lower average realization per kg

Operational performance - Co-gen

Cane Crush & Power generated



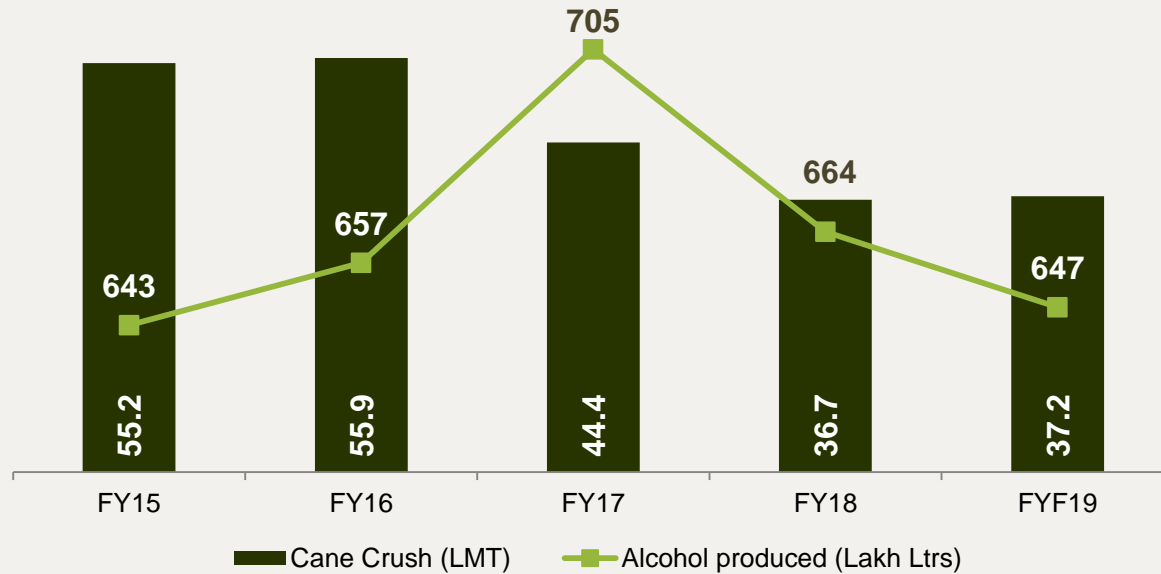
Power export & Average realization per unit (₹)



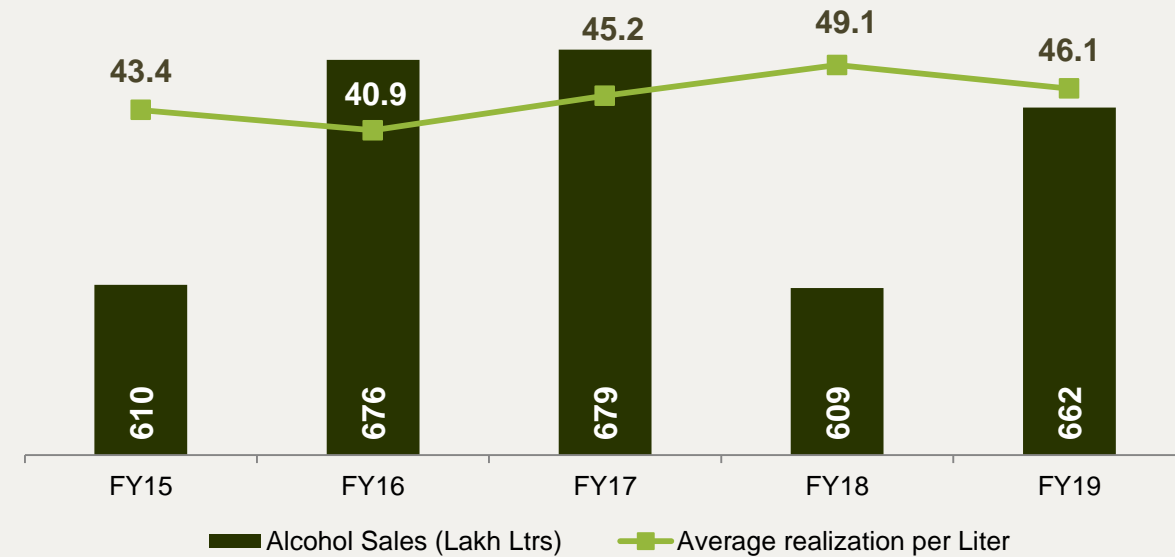
- ❖ Lower sugarcane volume resulted in lower generation of power
- ❖ Tamil Nadu locations out of Power Purchase Agreement (PPA)
- ❖ IEX realization also lower than PPA

Operational performance - Distillery

Cane Crush & Alcohol produced



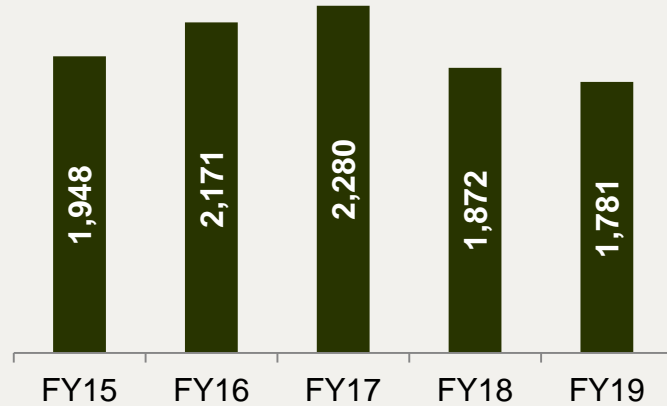
Alcohol sales & Average realization per liter (₹)



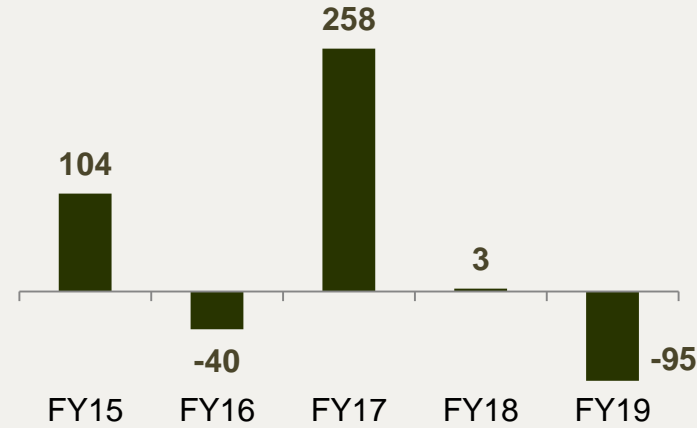
- ❖ Performance for FY 2018-19 impacted on account of:
 - ❖ Low molasses availability due to lower crushing
 - ❖ High cost of bought-out molasses

Financial Summary - Sugar

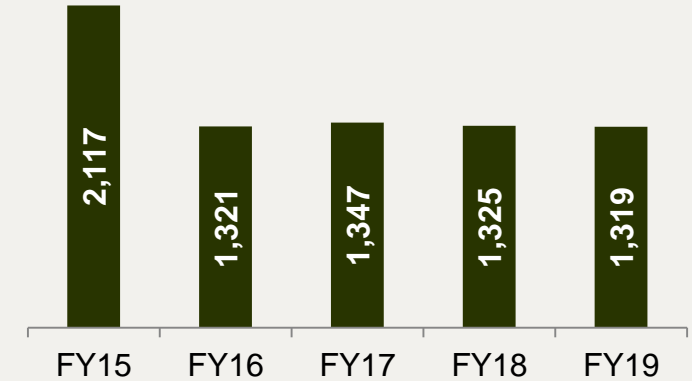
Revenue (₹ in Crores)



EBIT (₹ in Crores)



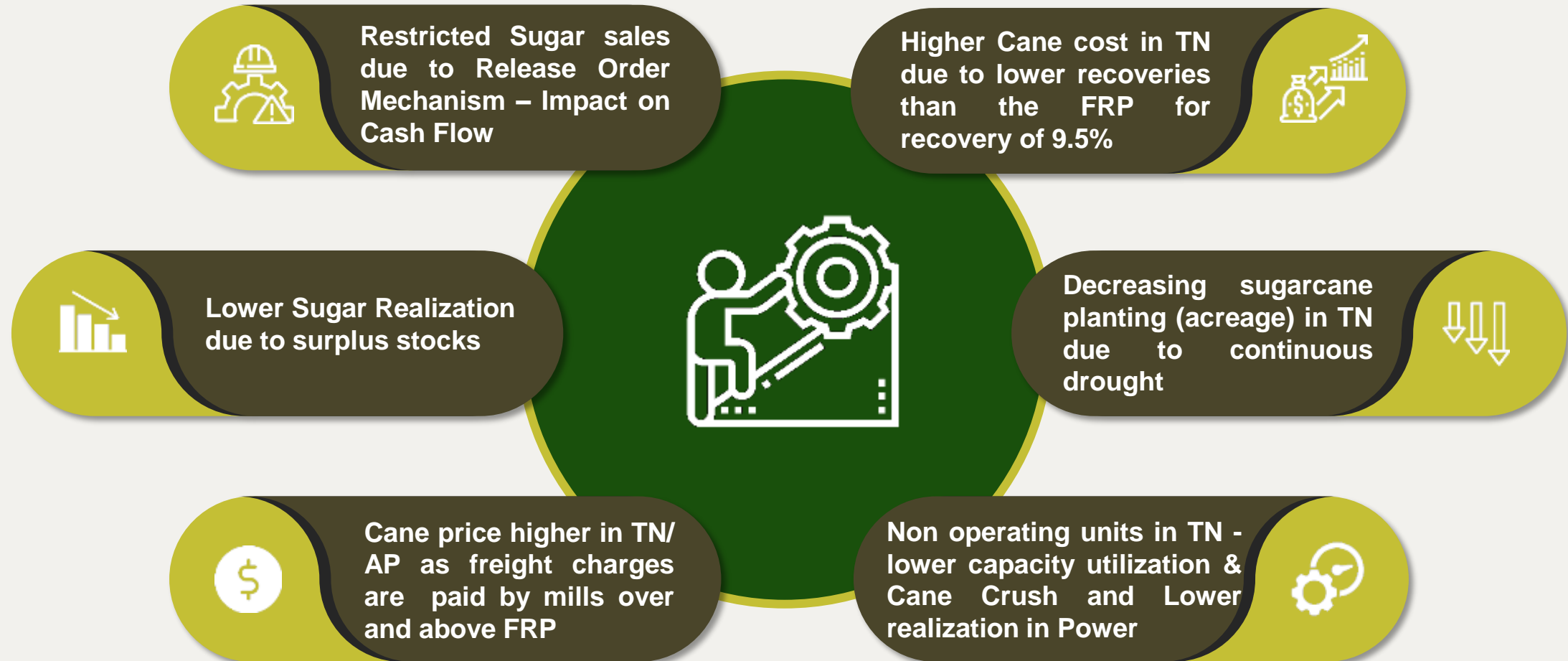
Capital employed (₹ in Crores)



Particulars	UOM	FY15	FY16	FY17	FY18	FY19
Cane Crush	LMT	55.2	55.9	44.4	36.7	37.2
Recovery	%	10.3%	10.3%	9.6%	10.0%	10.1%
Sugar produced	LMT	5.7	5.9	4.3	4.9	3.8
Sugar Sold	LMT	5.5	7.4	4.8	3.9	4.0
Average realization	₹	29.3	24.8	34.3	36.8	31.0
Capacity utilization	%	86%	79%	68%	56%	57%

Particulars	UOM	FY15	FY16	FY17	FY18	FY19
Power generated	L Units	4,667	6,521	5,540	3,503	3,280
Power export	L Units	4,891	4,142	3,519	1,857	1,636
Average realization	₹	4.4	4.9	3.8	3.9	3.2
Alcohol produced	LL	643	657	705	664	647
Alcohol sold	LL	610	676	679	609	662
Average realization	₹	43.4	40.9	45.2	49.1	46.1

Sugar Business – What Challenges we face?



Our Future Plans & Strategy

Increase volume of sugar

- ❖ Relocate assets to area of higher and assured cane availability and higher recovery

01



Maximise realization from sugar

- ❖ Increase volumes in Retail & Institutional segments
- ❖ Introduce differentiated & value added products

02

03



New Opportunities

- ❖ Ethanol – New distillery in Bagalkot (60 KLPD)
- ❖ Bagasse

Reduction in fixed cost

- ❖ Realignment of manpower

04





5

Sugar Refinery

Sweeter up the value chain

Adding value & volume to manage restricted spread environments, increase profitability and create premium customer segments

Refinery Business Model

Physical Flow



Raw Sugar



Refining



Refined Sugar



Break Bulk



Containers

Spread

As sugar prices are extremely volatile, we hedge purchase & sales prices on international commodity exchange

ICE – New York
(Raw Sugar)

White Premium

ICE – London
(Refined Sugar)

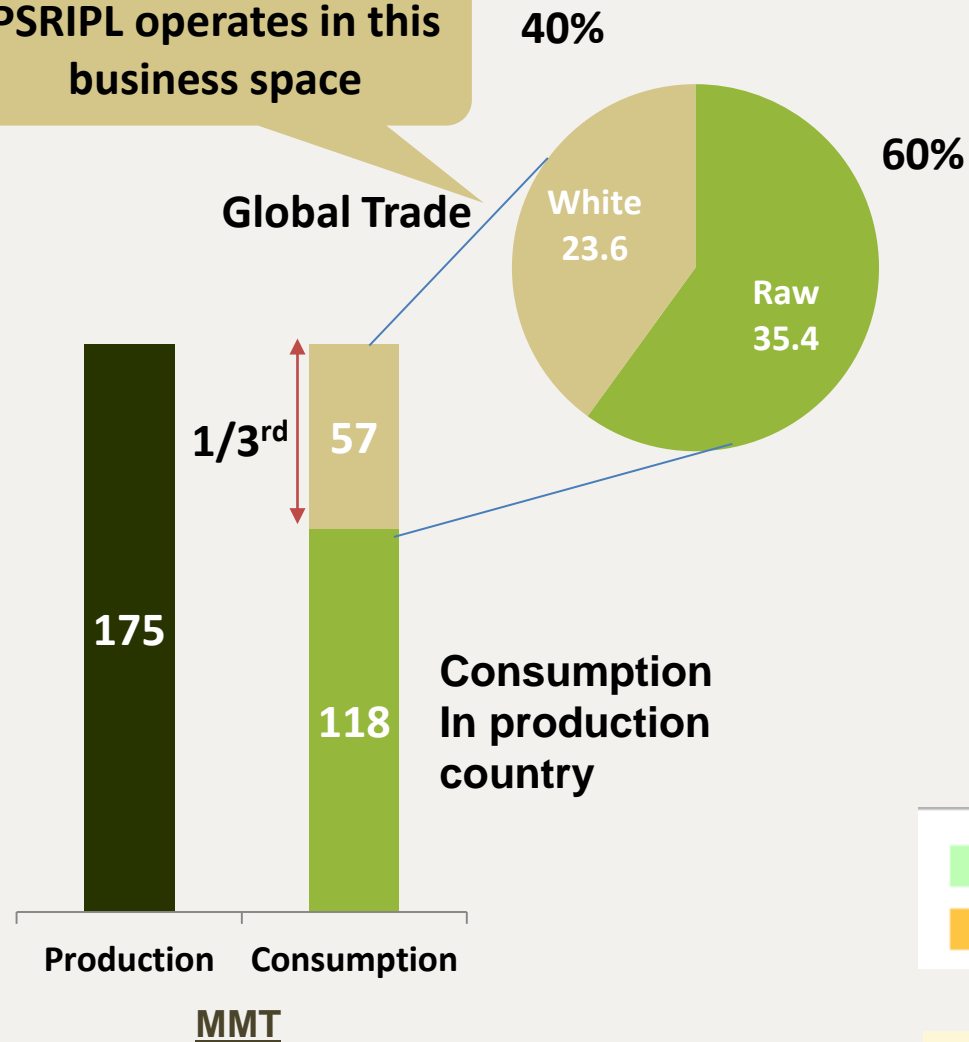
Spread = White Premium – Freight from Origin for Raw Sugar

Refinery – Business Profile

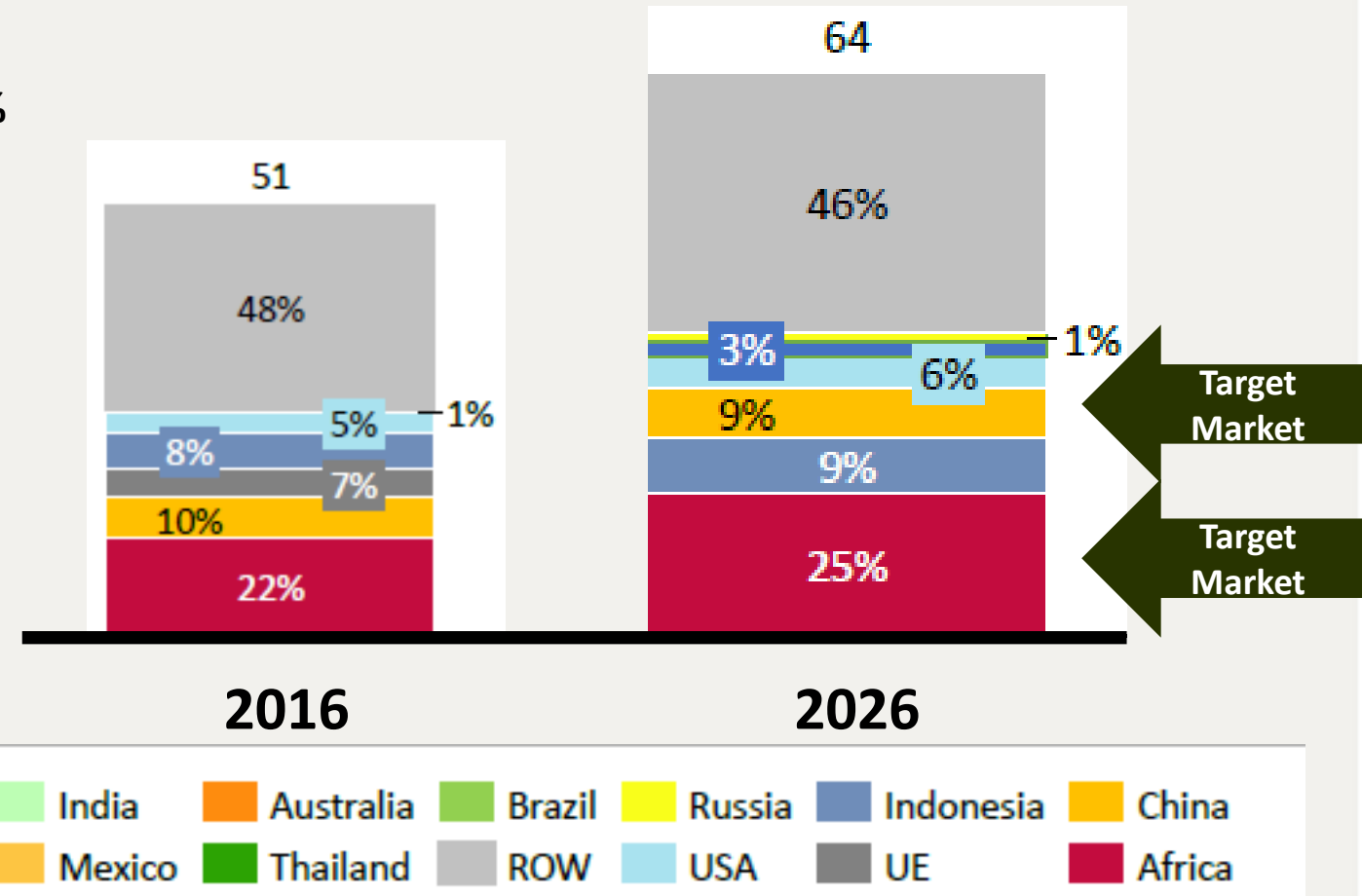


Refined sugar constitutes 40% of the global traded volumes

PSRIPL operates in this business space



Source: Sucden Research

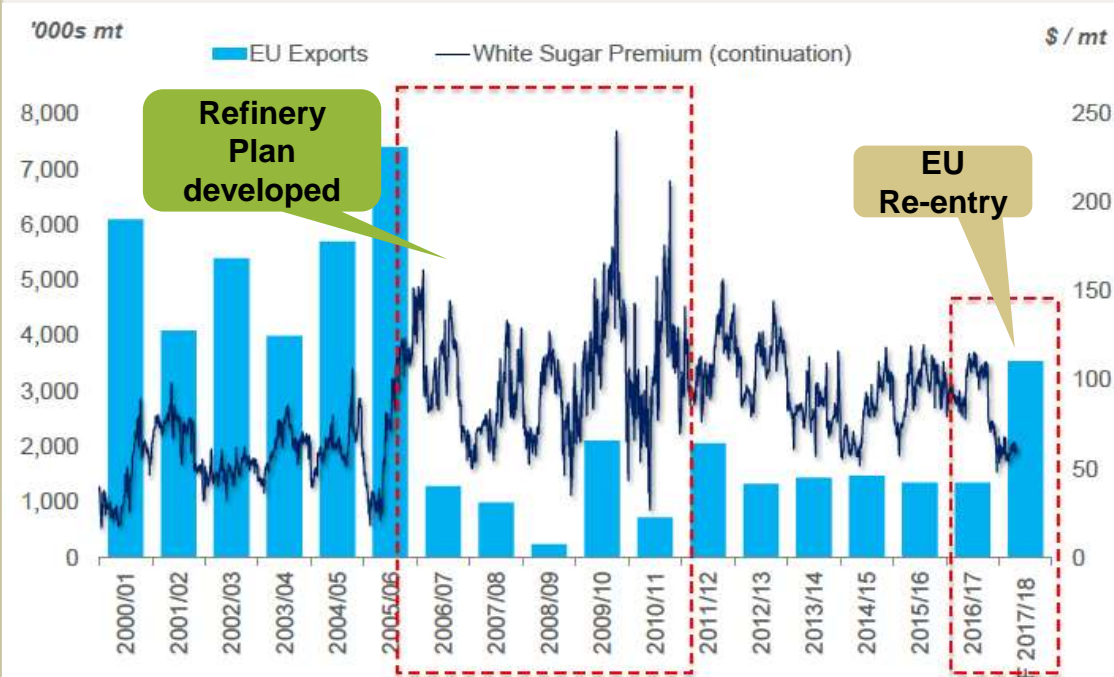


Source: FAO, Copersucar analysis

❖ Refined Sugar trade set to increase

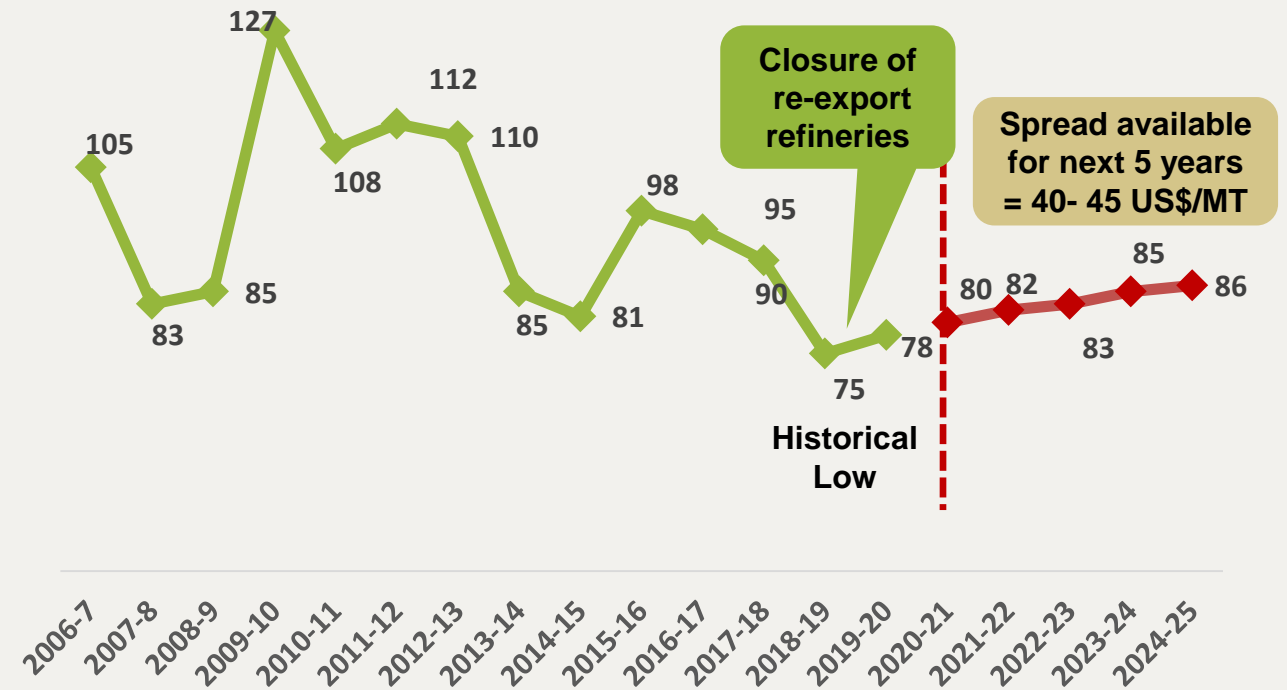
White Premium Trends – EU Impact and Refinery Closures

European Exports & The White Sugar Premium



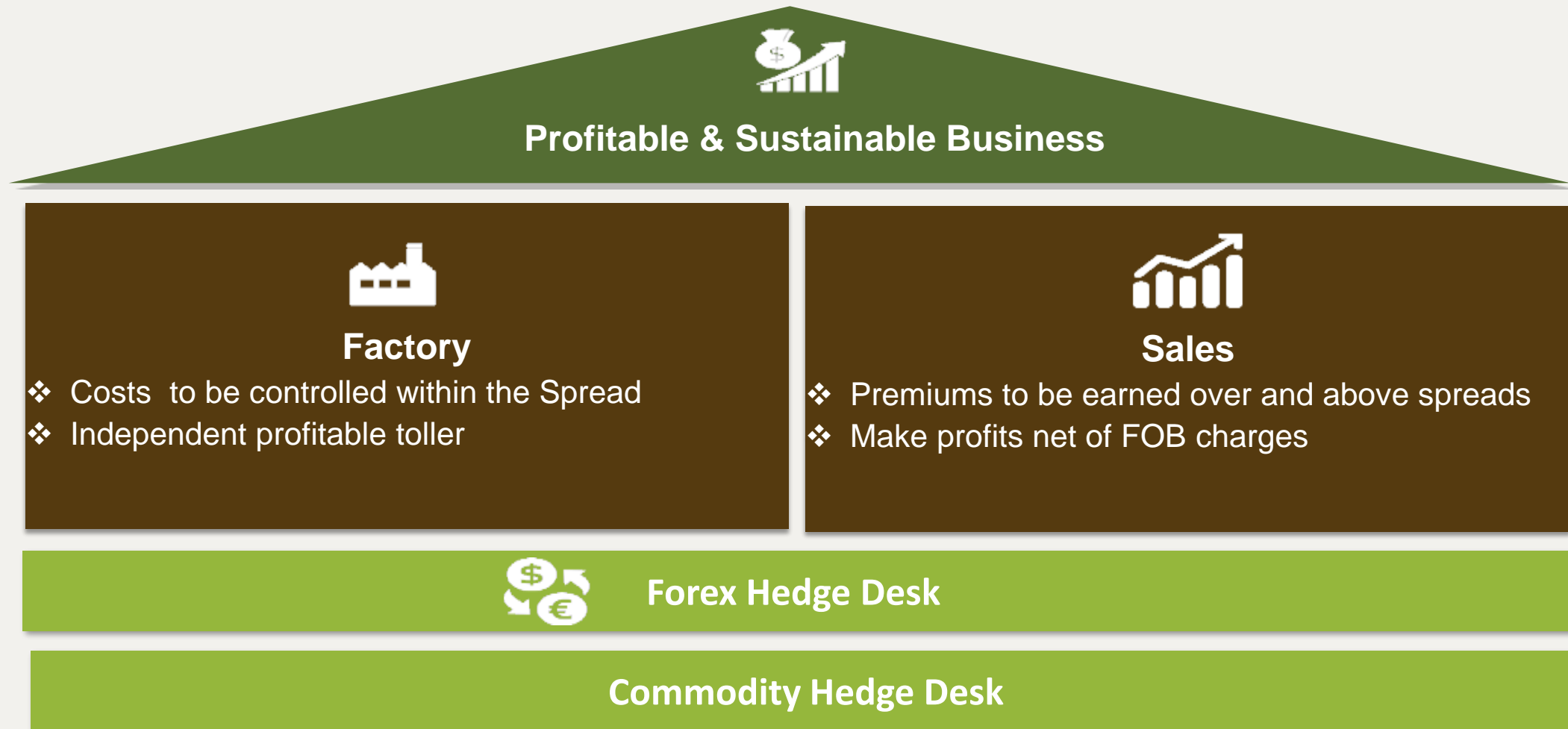
Source: ASR Group

White Premium Trends and Projections (US\$/MT)



- ❖ Due to entry of EU and lower White Premium refining capacity is getting rationalized, a trend that is expected to continue. Many refineries in Israel, Chile, Bahrain, etc. have closed while some in Dubai, Yemen, Egypt are operating at lower capacity

Our Journey so far



- ❖ As spreads have fallen, some refiners closed, our operating efficiency improvements have helped us to survive

Our Future Plans & Strategy

“Ensure year on year profitability under restricted spread environment and Repay Long Term loans out of cash generation”

Increase Sales & Move up Value chain



Cost improvements (Cost < Spread)

- 1 ❖ Debottlenecking
- 2 ❖ Yield Improvement
- 3 ❖ Handling & Logistics



6

Nutraceuticals Division

Strength & Presence To supplement growth

Expanding reach via new markets, and greater brand exposure
Consolidating leadership through flagship products



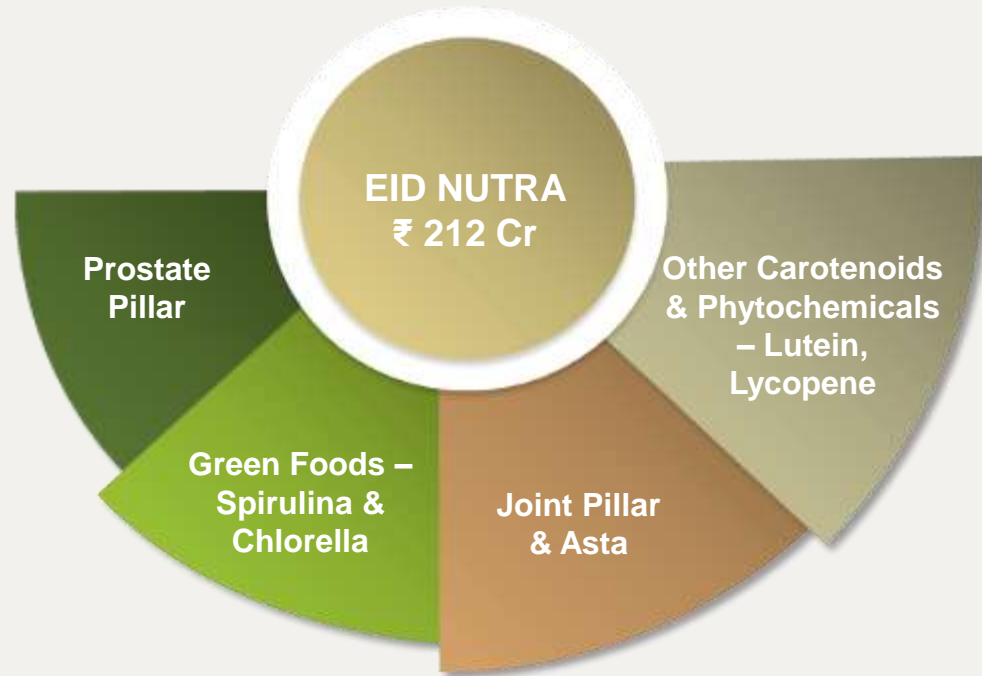
Parry Nutraceuticals



Parry Nutraceuticals will focus on the business of natural products for human wellness through Health Supplements and Functional Foods by offering high quality products backed by science, addressing the global market

Become the #1 Expert Recommended, Consumer Preferred Supplement Brand in Prostate Health

Business Overview - Nutraceuticals



Manufacturing Locations

- Green Foods - India (Oonaiyur, near Trichy)
- Lycopene – Carotenoids & Phytochemicals, Pune
- Astaxanthin - La Serena , Chile
- CO2 extraction - Florida USA

Certifications

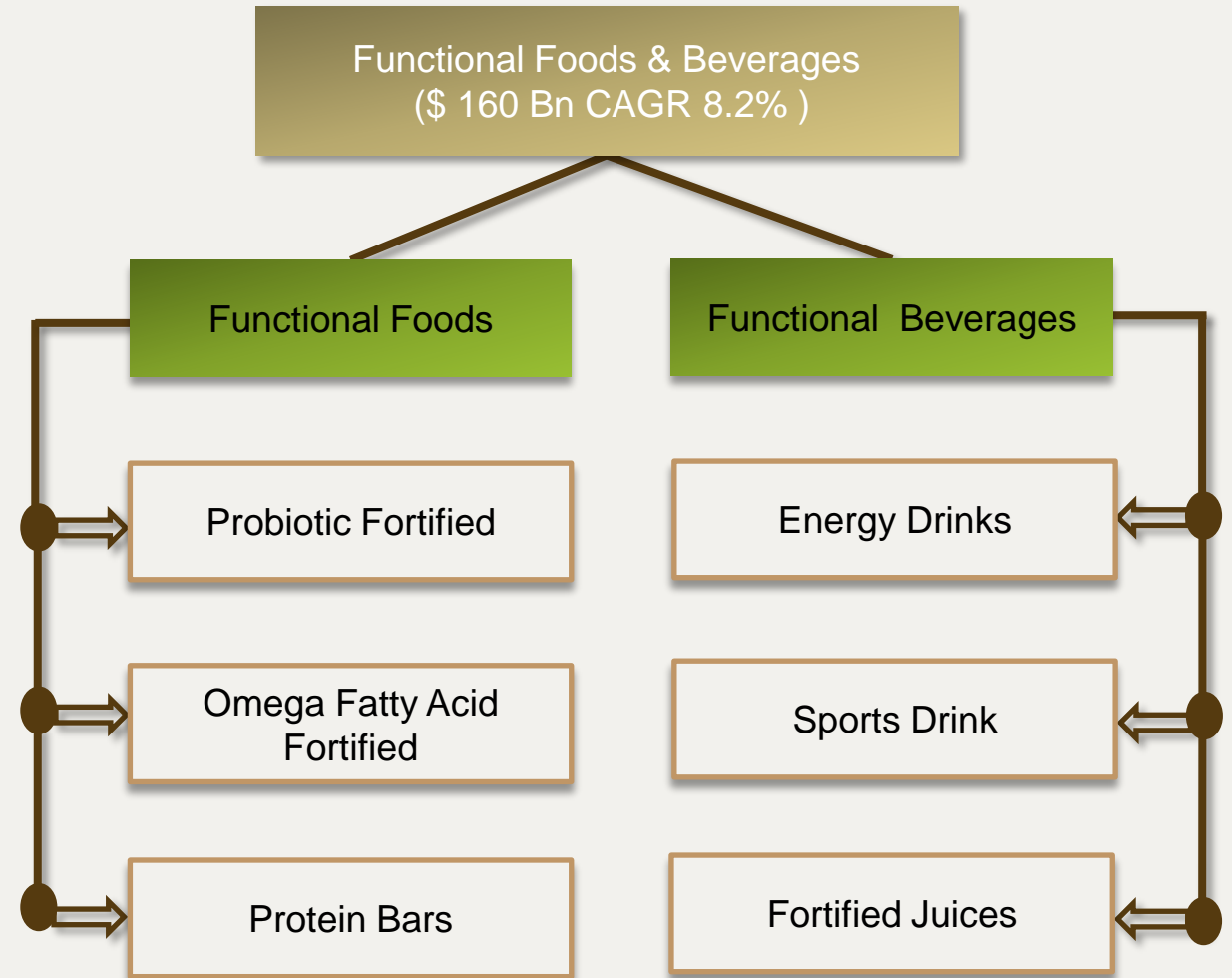
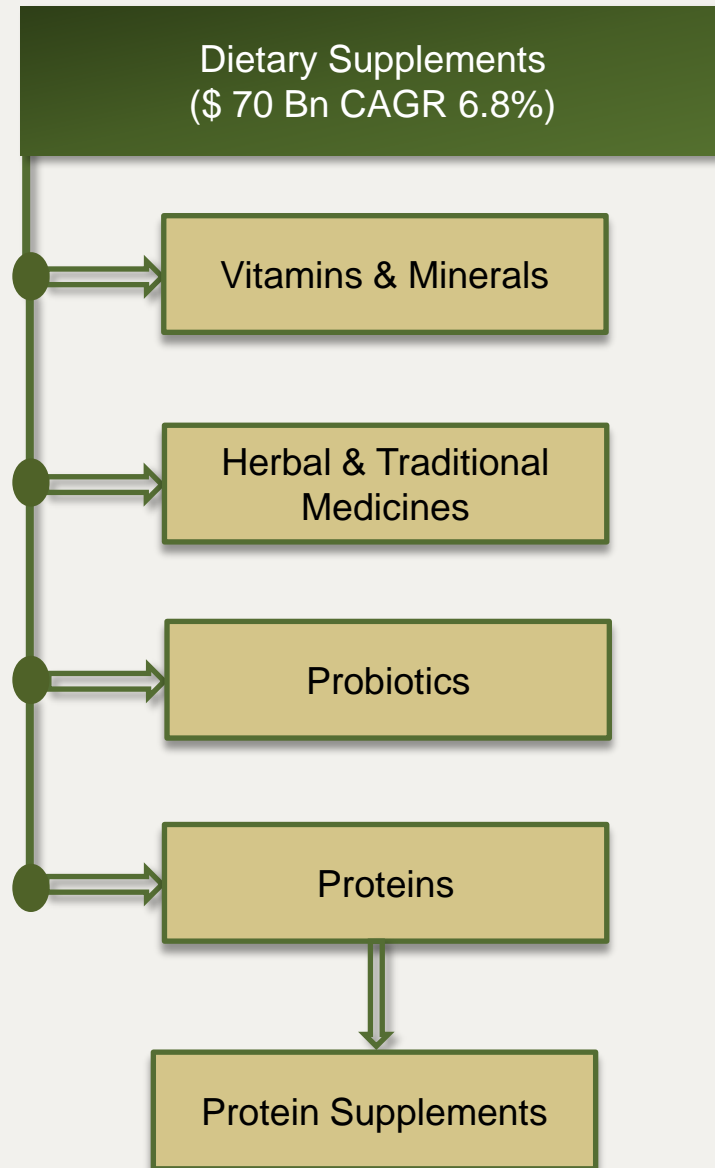


Nutraceuticals –Today, A \$230 bn Industry

Aging population, growth of digital, self-care & health-consciousness are among the key drivers of self-care in APAC

	Key trends & drivers	Potential implications
	Aging population	<ul style="list-style-type: none"> Enhance focus on elderly-related OTC product portfolio Develop innovative methods to increase accessibility of aging population
	Growth in middle class & overall disposable income	<ul style="list-style-type: none"> Improve product quality & branding through targeting attractive consumer trends, allocating resources to high-potential segments, and developing star / "hero" products
	Rise of technology - mobile & digital and genetic	<ul style="list-style-type: none"> Leverage on digital MCM – mobile app, social media, 3rd party sites Leverage on digital pharma retail to increase reach and enable business-to-doorstep delivery Strike appropriate partnership choices to drive action e.g. GSK
	Increased accessibility to OTC	<ul style="list-style-type: none"> Optimize channel coverage with fast-growing e-commerce channels Maintain focus on brick-and-mortar (50-70% OTC sales across APAC)
	Increased self-care & medication	<ul style="list-style-type: none"> Leverage on prescription-to-OTC switch In-store promotions & engagement with pharmacists, HCPs as they remain a trusted source of info for OTC consumers
	Increased health consciousness & awareness	<ul style="list-style-type: none"> Use of substantiated claims / RWI for increasingly savvy consumers
	Increased preference for natural products	<ul style="list-style-type: none"> Focus marketing on product safety & efficacy

Industry expected to grow at a CAGR 7.8%



Source: BCC research on Nutraceutical global market , 2018

Dietary Supplements

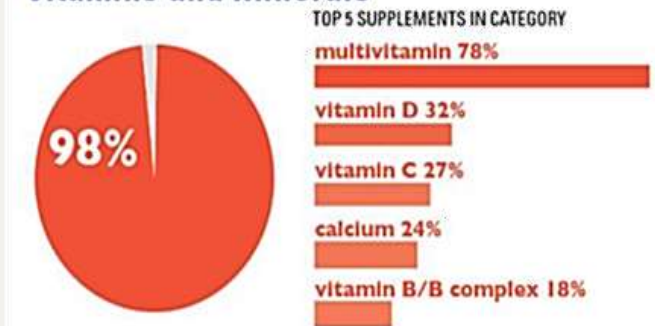


EID addresses the Dietary Supplements segments through 3 Key Pillars

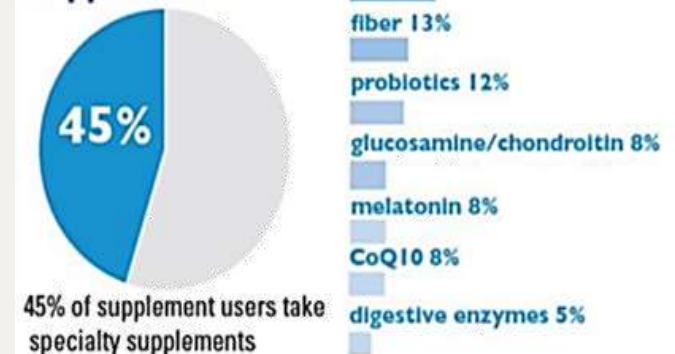
- ❖ Market is valued at **\$70 Bn** with an expected CAGR of **6.8%**
- ❖ APAC is the biggest and fastest growing region followed by US.
- ❖ While Vitamins and Minerals is the biggest sub segment, Protein and Probiotics are the fastest growing categories
- ❖ Algae based Dietary Supplements forms a 4% share of the DS market
- ❖ Saw Palmetto forms 2% of DS market

VITAMINS AND MINERALS ARE THE MOST POPULAR CATEGORY OF DIETARY SUPPLEMENTS.

Vitamins and Minerals



Specialty Supplements



Our Future Plans & Strategy - Nutraceuticals



Consolidate leadership position in Organic Spirulina and other algae; Increase market share



Expand in new geographies – Latin America, United Kingdom, etc.



Introduce incremental innovation through formats and combinations



Improve brand equity – on the back of customer & scientific validations



Foray into B2C segment in US Nutra and increase the size of Prostate segment



Launch color segment and target top color houses through Phycocyanin



Maximum value generation from Astaxanthin – strengthen Joint Health segment



7

Historical Financials

Refined & Ready

Focused on delivering stakeholder value through quality products and smart strategies to thrive in challenging & changing business environment

Profit & Loss Summary (₹ Crores)

Particulars	FY15	FY16	FY17	FY18	FY19
Gross Revenue	2,815	4,111	4,667	4,931	3,538
EBIT	189	67	472*	164	283
Interest	210	230	194	157	174
Profit Before Tax	(22)	(163)	278	7	109
Tax	(11)	(28)	(24)	6	31
Profit After Tax	(10)	(135)	302	1	79

**FY19 includes ₹ 243 Cr on account of Bio Sale proceeds*

Balance Sheet Summary (₹ Crores)

Particulars	Mar'15	Mar'16	Mar'17	Mar'18	Mar'19
Shareholders Funds	986	915	1,117	1,116	1,223
Borrowings	2,534	2,467	1,694	1,742	2,170
Deferred Tax Liability / (Asset)	56	(1)	(63)	(71)	(60)
Capital Employed	3,576	3,381	2,749	2,787	3,333
Net Fixed Assets	2,089	2,071	1,961	1,875	1,792
Investments	137	294	301	449	339
Goodwill	37	25	25	25	25
Net Working Capital	1,314	991	462	439	1,177
Capital Employed	3,576	3,381	2,749	2,787	3,333

Glossary of terms

Abbreviation	Description
₹ / Rs.	Indian Rupees
'000	Units in thousands
AP	Andhra Pradesh
APAC	Asia Pacific
ATL	Above the Line
B2B	Business to Business
B2C	Business to Customer
B / Bn.	Billion
BTL	Below the Line
CAGR	Compounded Annual Growth Rate
Cr.	Crores
DS	Dietary Supplements
EBIT	Earnings Before Interest & Tax

Abbreviation	Description
EBP	Ethanol Blending Program
EID / EIDP	E.I.D.-Parry (India) Limited
ENA	Extra Neutral alcohol
EU	European Union
FC	Fixed cost
FDA	Food & Drug Association
FRP	Fair & Remunerative Price
FY	Financial Year
GOI	Government of India
Ha	Hectares
ICE	Intercontinental Exchange
IEX	Indian Energy Exchange Limited
ISMA	Indian Sugar Mills Association

Glossary of terms

Abbreviation	Description
kg	Kilo grams
KLPD	Kilo Liters per Day
KN	Karnataka
L	Lakh
LATAM	Latin America
LL	Lakh Liters
LMT	Lakh Metric Tons
MMT	Million Metric Tons
Mn. / M	Million
MT	Metric Tons
MW	Mega Watt
OMC	Oil Manufacturing Companies
PPA	Power Purchase Agreement
Qty.	Quantity

Abbreviation	Description
SEZ	Special Economic Zone
SP	Saw Palmetto
SY	Sugar Year
TCD	Tons Crush per Day
TN	Tamil Nadu
TPD	Tons Produced per Day
UOM	Unit of Measure
UP	Uttar Pradesh
US / USA	United States of America
US\$ / USD	United States Dollar
VAP	Value Added Products
VC	Variable cost
Y-o-Y	Year on Year

THANK YOU
