



EID Parry

Relative to Sector: **Outperformer**

MIDCAPS

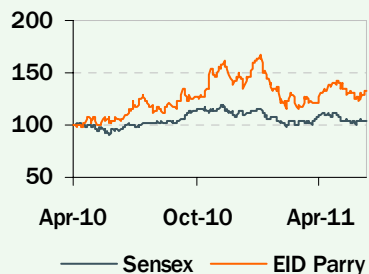
Stock Data

| | |
|------------------------|------------------|
| No. of shares | : 173 mn |
| Market cap | : Rs 38.5 bn |
| 52 week high/low | : Rs 290/ Rs 187 |
| Avg. daily vol. (6mth) | : 108,500 shares |
| Bloomberg code | : EID IB |
| Reuters code | : EIDP.BO |

Shareholding (%)

| | Mar-11 | QoQ chg |
|-------------|--------|---------|
| Promoters | : 45.8 | (0.0) |
| FIs | : 6.6 | 1.6 |
| MFs / UTI | : 13.9 | 0.1 |
| Banks / FIs | : 8.8 | (0.1) |
| Others | : 24.9 | (1.6) |

Relative Performance



Source: ENAM Research, Bloomberg

Deeply Undervalued Agri-play

Financial Summary (Standalone)

| Y/E Mar | Sales (Rs mn) | Adj.PAT (Rs mn) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) | DPS (Rs) |
|---------|------------------|--------------------|--------------|-------------------|------------|------------|-------------|------------------|-------------|
| 2010 | 11,473 | 1,952 | 11.3 | (436.8) | - | 19.0 | 17.4 | - | 5.0 |
| 2011 | 12,787 | 604 | 3.5 | (69.2) | 63.8 | 5.4 | 5.2 | 105.1 | 2.0 |
| 2012E | 12,605 | 1,647 | 9.5 | 172.8 | 23.4 | 13.7 | 11.8 | 35.1 | 3.3 |
| 2013E | 13,688 | 2,003 | 11.6 | 21.6 | 19.2 | 15.3 | 13.6 | 25.2 | 4.0 |

Source: Company, ENAM estimates

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June 22, 2011

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Investment summary...

- ❖ **Consolidated Agri Play:** EID Parry (EID) should be viewed as a play on Indian Agriculture – Fertilizer, Sugar and Bio products. Consolidated operations substantially reduce the cyclicity of the sugar business making earnings more consistent
- ❖ **Coromandel – Jewel in the crown:** EID owns ~63% in Coromandel which has a steady dividend payout policy of ~30%. Unlike other consolidated stories, a significant portion of earnings directly flow into EID. The current Market cap of Coromandel is ~Rs 94 bn translating into an embedded value of ~Rs 59 bn for EID Parry vs. its current Market cap of Rs 38 bn. In our view, the holding company discount given to Coromandel (currently, the highest in 7 years) is not justified and should narrow down
- ❖ **EID's Integrated Sugar Operations – Countering Cycles:** EID (standalone) has more than tripled its distillery capacity to 135 KLPD along with an increase in its co-generation facility to 84.5 MW to counter the cyclical nature of its core sugar business
- ❖ **Inorganic acquisitions to add value:** With the acquisitions of Sadashiva Sugars (76%) and GMR Industries (65%), EID has now gained access to new markets – AP & Karnataka. Coupled with volume growth, this would lead to diversification of political risk for EID. FY12 shall mark the full first year of consolidated sugar operations. Given the attractive acquisition costs, funded internally, these acquisitions would be EPS accretive for EID's shareholders
- ❖ **South India - Locational Advantage for Sugar:** The southern part is characterized by longer crushing seasons, better recovery rates/ higher yields and less political sensitivity as compared to Maharashtra & UP. Further, no poaching in Tamil Nadu and Karnataka (100% draws) & relative cane price flexibility lead to higher productivity and profitability

...Investment summary

- ❖ **Silk road refinery potential not factored in:** EID, in a 50:50 JV with Cargill International S.A, has set up a 0.6 mn ton (expandable to 1 mn ton) port-based refinery in SEZ facility at Kakinada. On a normalized basis, we expect the refinery to earn margins of ~USD 25/ton along with exportable surplus power of ~25 MW. The full benefit of this venture is expected to accrue in FY13
- ❖ **Bio products' division offers promise for the future-** Nutraceuticals and Bio-pesticides hold potential to create significant value in the long-term. The company expects the consolidated topline from this division to more than double to ~Rs.4 bn by FY14 with improving EBITDA margins
- ❖ **Considering: (a) Coromandel International's secular growth story, (b) integration (co-generation + distillery) in sugar business mitigating the sugar cyclicity and (c) a promising sugar refinery and bio-products business, we believe EID is highly undervalued with negligible room for downside**
- ❖ **After giving a hold co. discount of 20% to Coromandel's CMP (Rs 334), the embedded value of Coromandel in EID is Rs 273. This indicates, at CMP of Rs 222, EID's shareholders get all the other businesses of EID (one of the largest & integrated sugar operations, refinery and the growth in Bio-products) completely free**
- ❖ **We expect EID's standalone adj. earnings to grow at CAGR of 82 % during FY11–FY13E**
- ❖ **Considering the favorable risk-reward ratio and deep value in EID, we initiate a BUY on the stock with an SOTP based target price of Rs 332**

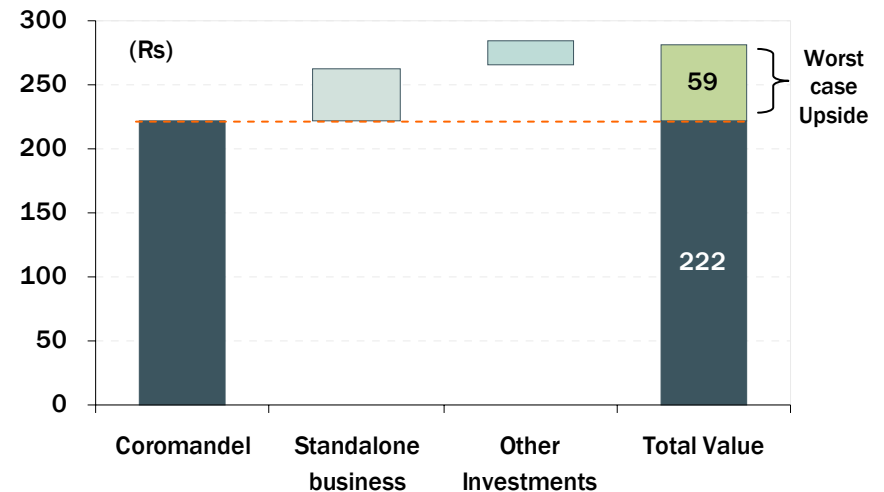
What current valuations are implying ?

| | |
|--|-----------------|
| EID's Market Price | : Rs 222 |
| EID's Stake in Coro | : Rs 222 |
| (Coro CMP - Rs 334) | : Rs 222 |
| <hr/> | |
| Thus, imputed value of EID's businesses | : NIL |
| Implied Hold co. discount | : 35% |

market not factoring

Coro - Coromandel

| | Value/Share (Rs) |
|---------------------------|------------------|
| Standalone Sugar business | 41 |
| Other Investments | 18 |
| TOTAL | 59 |

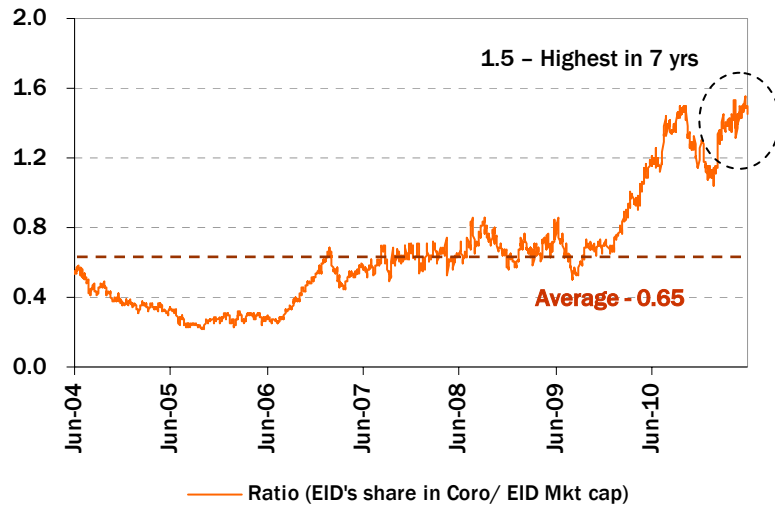


Source: Company; ENAM Research

Therefore, at CMP of Rs 222, the worst case upside is 27% (i.e., Rs 59 / share)

EID – Coromandel discount: Highest in 7 yrs

Coromandel's embedded value in EID = 1.5x EID's Market cap



Source: Capitaline, ENAM Research

| | |
|---|------------|
| Coromandel | |
| CMP (Rs) | 334 |
| Market Cap (Rs bn) | 94 |
| EID's Stake | 63% |
| Embedded Value of Coro in EID (Rs bn) | 58.8 |
| Coro Value/ EID Share (Rs) - (A) | 340 |
| EID CMP - (B) | 222 |
| Ratio (A/B) | 1.5 |

- ❖ **We believe EID should be looked at as an agri-play rather than just a sugar miller down south. The next sugar up cycle (estimates suggest mid FY13–FY14) in our view, would witness an amalgam of**
 - ❑ The core sugar operations doing extremely well along with profits flowing from co-generation and the distillery (EID + Sadashiva (76%) + Parry Sugar (65%))
 - ❑ The consistently performing Coromandel International; and
 - ❑ The bio products business maturing to a sizeable level with margin expansion
- ❖ **The near-term pressure on sugar prices seems to be factored in the valuations of sugar stocks**
 - ❑ Considering its various sources of income, EID is best placed to counter the near-term storm
 - ❑ At CMP, Coromandel's embedded value in EID is **1.5x EID's market cap – Highest in the last 7 years**

SOTP based target price – Rs 332

Sum Of the Parts Table

| | BASE CASE FY13E | BULL CASE FY13E | Comments |
|---|--------------------|--------------------|---|
| Coromandel (62.94%) | | | |
| Fair Value (Rs) | 334 | 400 | Base Case Fair Value = CMP Bull Case Fair Value = Target Price |
| Value/ EID Share (Rs) | 273 | 326 | 20% Holding company discount in both cases |
| EID Standalone | | | |
| FY13 E EBITDA (Rs mn) | 1633 | 3002 | EV/EBITDAx of 6x which is < the 1 yr forward medians of its peers - Shree Renuka & Balrampur chini. For EBITDA assumptions of the 2 cases refer table |
| Value / EID Share (Rs) | 41 | 88 | |
| Parry Sugar (65%) | | | |
| Equity Invested (x) | 1.0 | 2.0 | EID acquired Parry Sugar at a price of Rs 55 / Share. CMP is Rs 100/ Share (↑ 82%). The acquisition is yet to generate profits for EID |
| Value/ EID Share (Rs) | 7 | 14 | |
| Silkroad Refinery (50%) | | | |
| Equity Invested (x) | 1.0 | 2.0 | Though delayed, expected to run at optimal utilizations in FY12 — can be a 25% RoE business |
| Value/ EID Share (Rs) | 6 | 11 | |
| Others -Sadashiva Sugar (76%) + US Nutraceutical (48%) | | | |
| Value/ EID Share (Rs) | 5 | 5 | Assumed Invested value by EID |
| EID Target | 332 | 445 | |
| CMP (Rs) | 222 | 222 | |
| Upside | 50% | 100% | |

Source: Company; ENAM Research

Assumptions

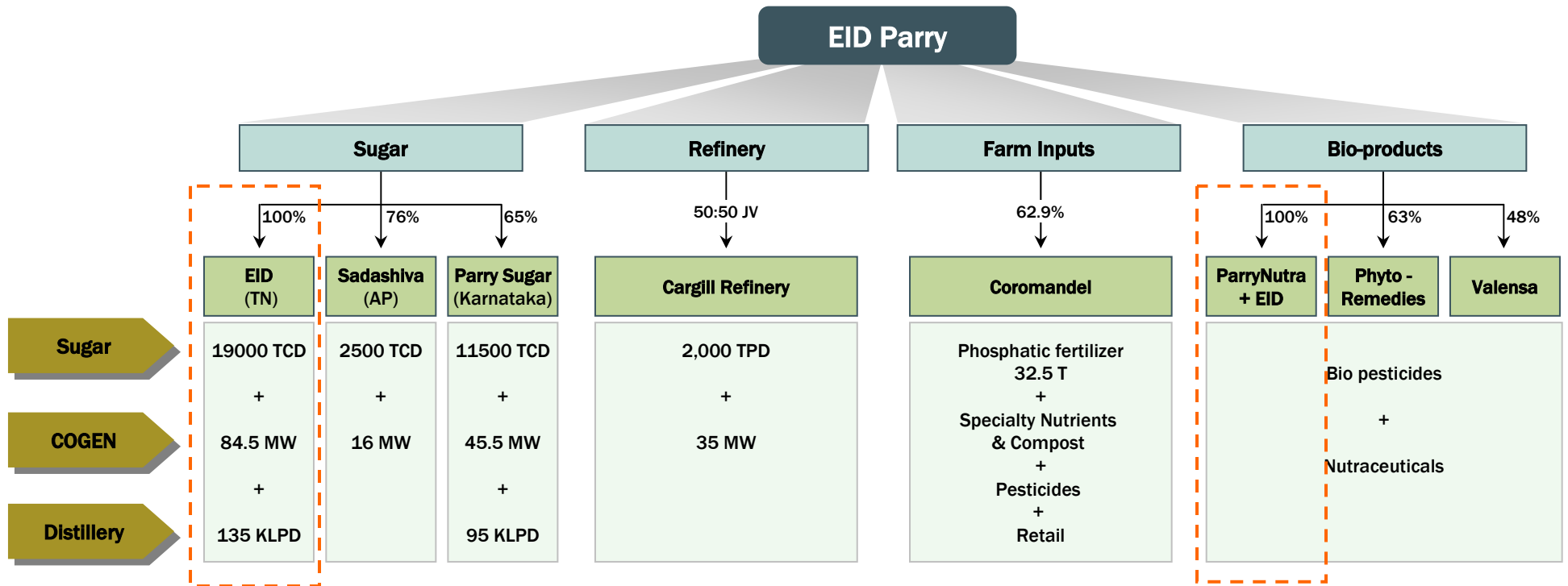
| EID STANDALONE | | BASE | BULL |
|--------------------|----------------------|------|------|
| Sugar | Days Of Operation | 192 | 220 |
| | Realisation (Rs/Kg) | 27.0 | 30.0 |
| | Cane cost (Rs/Kg) | 21.0 | 20.5 |
| Spirits | Realisation (Rs/L) | 30.0 | 31.0 |
| Co-gen | Realisation (Rs/KwH) | 4.0 | 5.0 |
| Bioproducts | OPM (%) | 16.0 | 20.0 |

Sanity Check

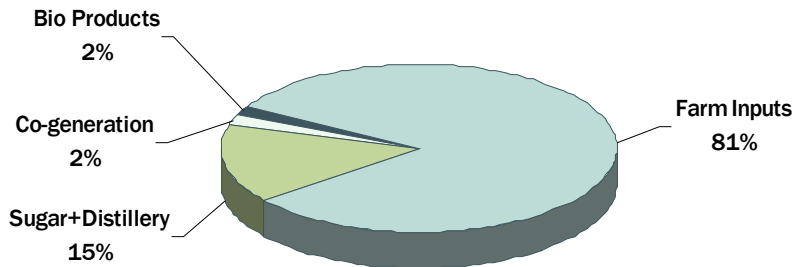
| Implied Valuation on Base case target | FY13E |
|---------------------------------------|---------------|
| Consolidated EBITDA (Rs mn) | 15,330 |
| EID Target Price (Rs) | 332 |
| Target Market Cap (Rs mn) | 57,569 |
| FY13E Consolidated Net Debt (Rs mn) | 10,537 |
| Target Consolidated EV (Rs mn) | 68,106 |
| FY13E Consolidated EV/EBITDA | 4.4 |
| Avg RoE (5 yrs)* | 27% |
| FY11 P/ BV (X)* | 1.7 |

* Consolidated Operations

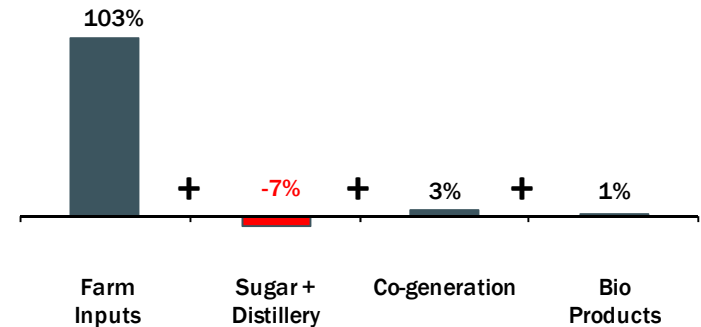
EID – Business overview



FY11 Consol Revenue (Rs 93.6 bn)

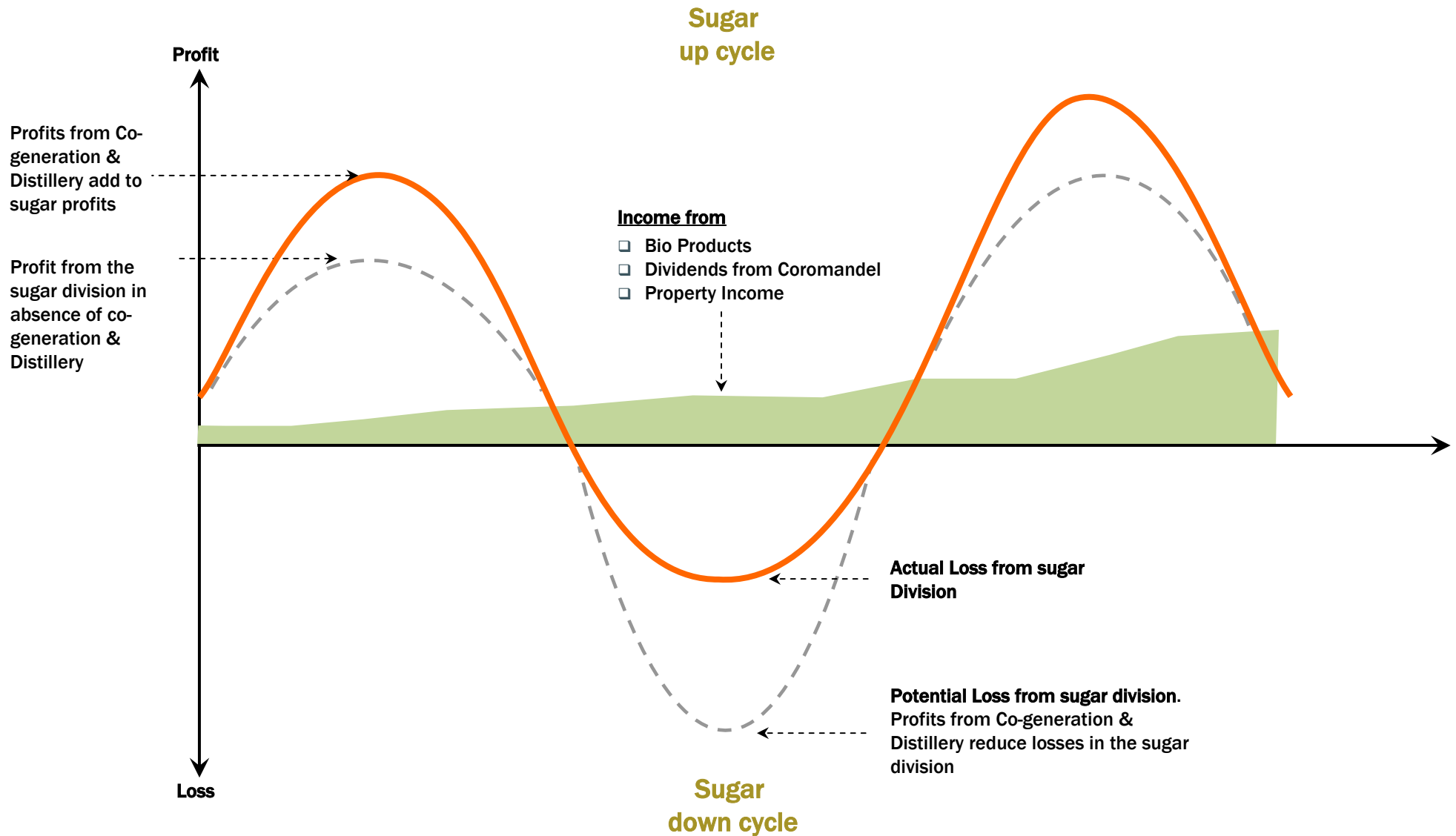


FY11 Consol EBIT (Rs 10.4 bn)

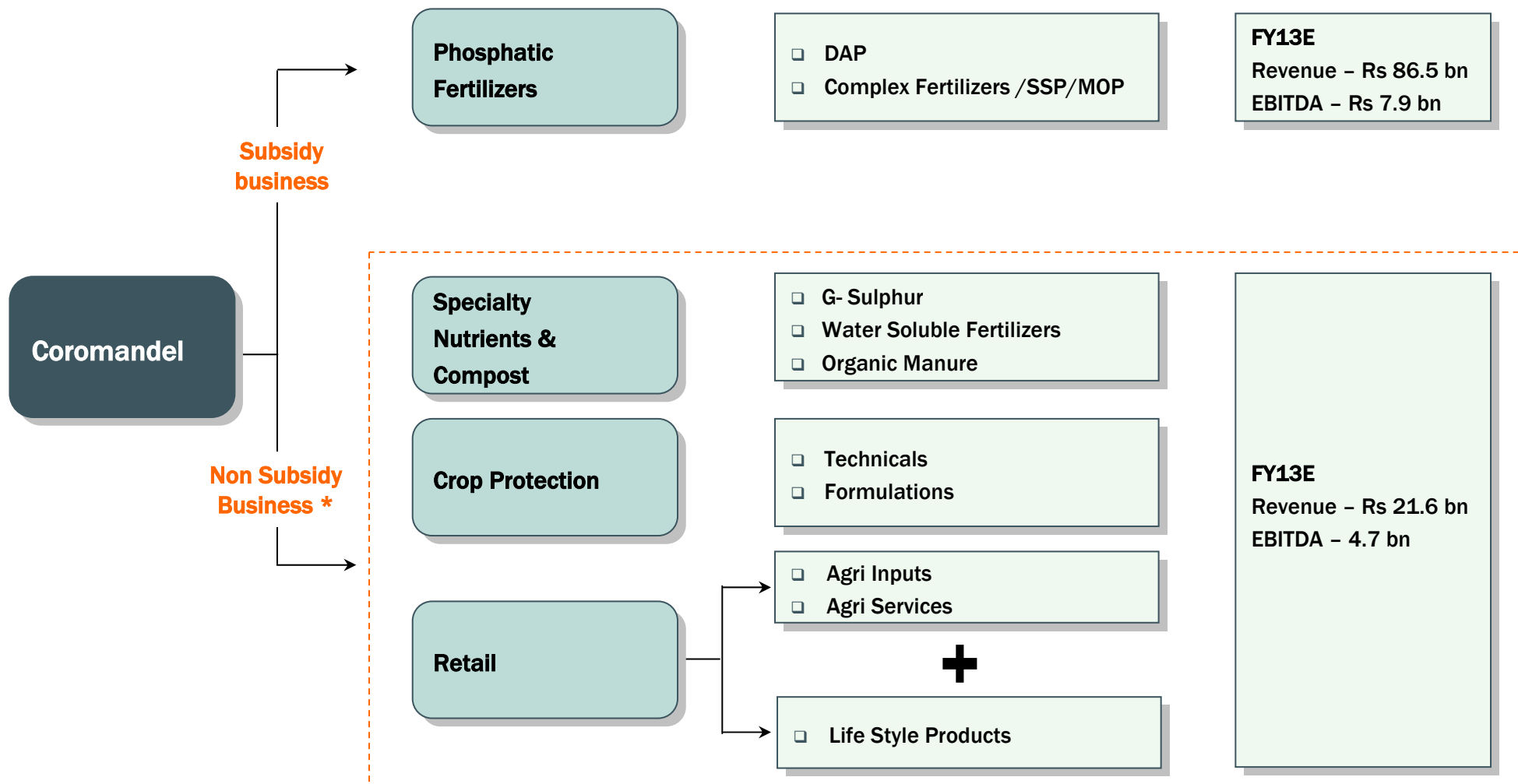


- Standalone Business (FY11 Revenue - Rs 12.8 bn , EBIT - Rs (-0.1) bn)

Sugar cycle – Not so cyclical for EID



Coromandel – Secular Growth Story

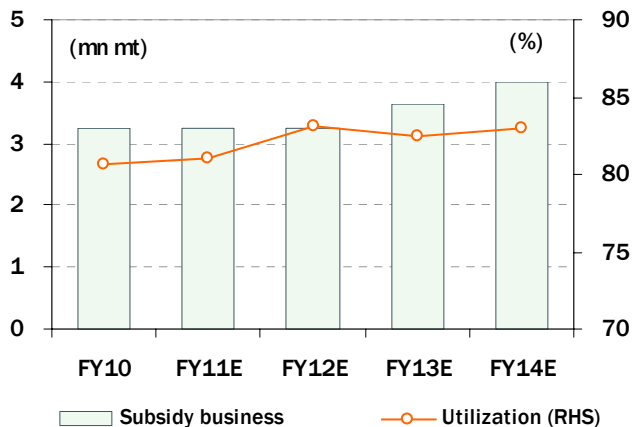


* Includes nos. of Sabero

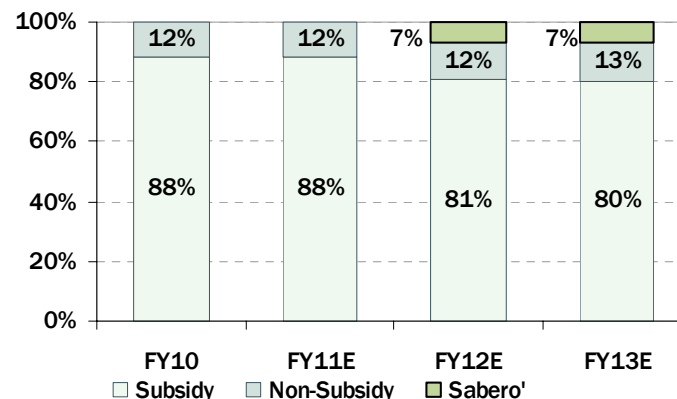
Source: Company, ENAM Research

Coromandel – Growing at a CAGR of 19 %

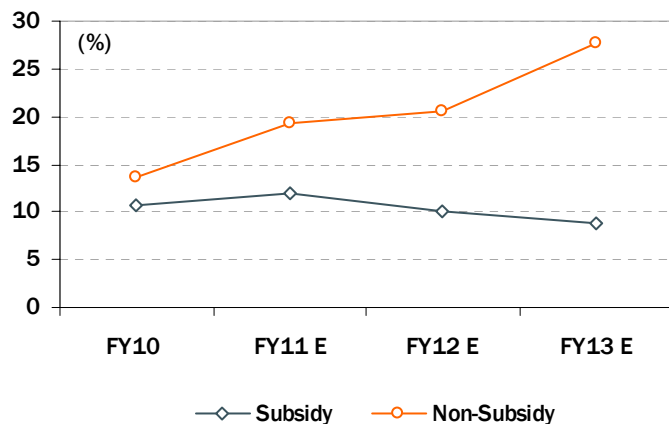
Increasing Capacity



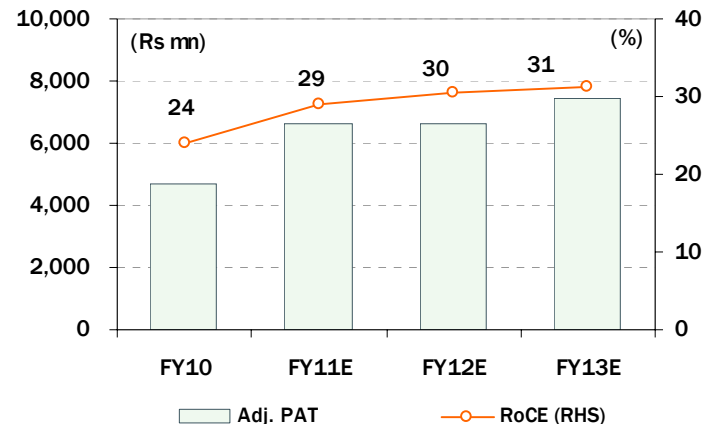
Segment-wise revenue distribution (FY10-13E)



Segment-wise EBITDA margins (FY10-13E)



Improving profitability (FY10-13E)

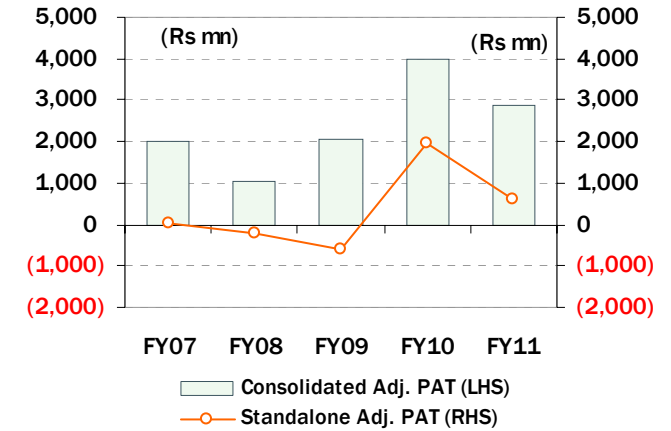


- ❖ EBITDA contribution of non-subsidy business to grow from 15% in FY10 to 37% in FY13E
- ❖ To aid margin expansion of ~60 bps on overall EBITDA level through FY10-13E

Coromandel's Growth = Dividend income growth to EID

- ❖ We expect Coromandel's earnings to grow at 17% CAGR during FY10–FY13E
- ❖ Coromandel follows a dividend payout policy of 25–30%
- ❖ EID gets 63% of this dividend payout as tax free other income
- ❖ Thus, as Coromandel grows, EID participates in its growth story

Coromandel – Large part of EID's Growth Story

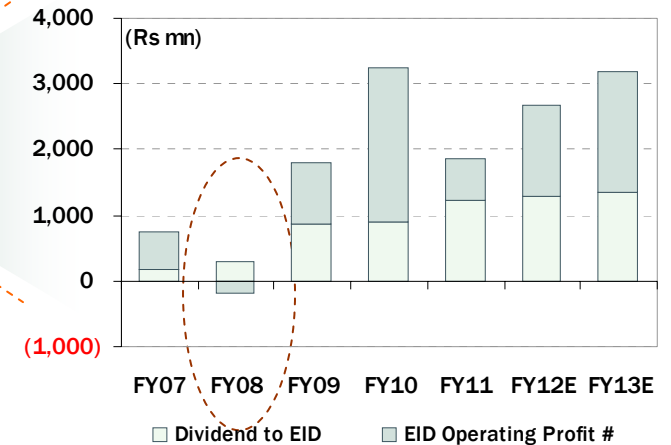


Coromandel's constant flow of dividends to standalone EID

| | FY07 | FY08 | FY09 | FY10 | FY11 | FY12E | FY13E |
|---------------------------------|--------|--------|--------|--------|--------|--------|---------|
| Coromandel International | | | | | | | |
| Sales | 20,665 | 37,573 | 93,750 | 63,947 | 75,279 | 96,803 | 108,156 |
| EBITDA | 1,994 | 4,128 | 6,521 | 7,100 | 9,822 | 11,054 | 12,679 |
| % | 10% | 11% | 7% | 11% | 13% | 11% | 12% |
| PAT | 1,167 | 2,101 | 5,595 | 4,677 | 6,937 | 7,022 | 7,414 |
| Dividend Payout | 256 | 490 | 1,399 | 1,403 | 1,973 | 2,031 | 2,140 |
| Payout Ratio | 22% | 23% | 25% | 30% | 28% | 29% | 29% |
| EID's ownership | 62.9% | 62.9% | 62.9% | 63.0% | 62.9% | 62.9% | 62.9% |
| Dividend to EID | 161 | 308 | 880 | 884 | 1,240 | 1,277 | 1,346 |
| EID Operating Profit # | 575 | (178) | 908 | 2,374 | 623 | 1,399 | 1,833 |
| Total | 736 | 130 | 1,788 | 3,258 | 1,864 | 2,676 | 3,179 |
| Dividend Inc/Total | 22% | 237% | 49% | 27% | 67% | 48% | 42% |

Standalone Operations excluding Dividend and interest Income

Dividend Income – Adding significantly to standalone business.



Sugar prices – Near-term pressure

❖ Sugar production to increase in SY12E; Realizations to trend lower

- ❑ Initial estimates for SY12E indicate an increase of 5-7% in sugar production i.e., close to 26 mmt of production.
- ❑ Stock-to-consumption ratio to improve from 23% in SY11E to 27% in SY12E causing sugar prices to trend lower

❖ Cane costs to go up in SY12E

- ❑ Southern millers have paid on average Rs 1,900 to 2,400/MT of cane in FY11
- ❑ We expect avg. cane prices across India to inch upwards (by 3–5%) which implies muted profitability for millers

| Sugar Season (Oct-Sep) | SY00 | SY01 | SY02 | SY03 | SY04 | SY05 | SY06 | SY07 | SY08 | SY09 | SY10 | SY11E | SY12E |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Area Harvested (000' ha) - (A) | 4220 | 4316 | 4411 | 4520 | 3938 | 3662 | 4201 | 5150 | 5043 | 4415 | 4202 | 4855 | 5225 |
| Yield (MT/ ha) - (B) | 71 | 69 | 67 | 64 | 59 | 65 | 67 | 69 | 68 | 65 | 66 | 70 | 68 |
| Sugarcane Production (mmt) | 299 | 296 | 297 | 287 | 234 | 237 | 281 | 356 | 341 | 285 | 278 | 340 | 355 |
| - Tamil Nadu | 34 | 33 | 33 | 24 | 18 | 23 | 35 | 41 | 38 | 32 | 32 | 38 | 36 |
| - Karnataka | 38 | 43 | 33 | 32 | 16 | 14 | 18 | 29 | 25 | 23 | 29 | 24 | 25 |
| - Andhra Pradesh | 19 | 18 | 18 | 15 | 15 | 16 | 18 | 22 | 20 | 15 | 12 | 14 | 14 |
| Drawal Rate (%) - (C.) | 60 | 60 | 61 | 68 | 57 | 53 | 67 | 78 | 73 | 51 | 67 | 71 | 70 |
| Recovery Rate (%) - (D) | 10.2% | 10.5% | 10.3% | 10.4% | 10.6% | 10.2% | 10.2% | 10.2% | 10.5% | 10.0% | 10.2% | 10.1% | 10.3% |
| Opening Stock (Mn MT) | 6.9 | 9.3 | 10.7 | 11.3 | 11.6 | 8.4 | 4.0 | 3.6 | 9.2 | 10.0 | 4.4 | 5.5 | 5.3 |
| Production | 18.2 | 18.5 | 18.5 | 20.1 | 14.0 | 12.7 | 19.3 | 28.3 | 26.3 | 14.5 | 18.9 | 24.2 | 25.6 |
| Imports | 0.4 | 0.0 | 0.0 | 0.0 | 0.4 | 2.1 | 0.0 | 0.0 | 0.0 | 1.3 | 4.1 | 0.0 | 0.0 |
| Total Supply | 25.5 | 27.8 | 29.2 | 31.4 | 25.9 | 23.2 | 23.3 | 32.0 | 35.5 | 25.8 | 27.4 | 29.8 | 30.9 |
| Domestic consumption | 16.1 | 16.2 | 16.8 | 18.4 | 17.3 | 18.5 | 18.5 | 21.0 | 22.5 | 23.0 | 21.6 | 22.8 | 23.2 |
| Exports | 0.1 | 1.0 | 1.1 | 1.5 | 0.2 | 0.0 | 1.1 | 1.7 | 5.0 | 0.2 | 0.2 | 1.7 | 1.5 |
| Total Demand | 16.2 | 17.2 | 17.9 | 19.9 | 17.5 | 18.5 | 19.6 | 22.7 | 27.5 | 23.2 | 21.8 | 24.5 | 24.7 |
| Closing Stock | 9.3 | 10.7 | 11.3 | 11.6 | 8.4 | 4.7 | 3.6 | 9.2 | 8.1 | 2.6 | 5.5 | 5.3 | 6.2 |
| Stock-to-consumption (%) | 58 | 66 | 67 | 63 | 49 | 26 | 20 | 44 | 36 | 11 | 25 | 23 | 27 |
| Mumbai S-30 (Rs/Kg) | 14.7 | 14.4 | 14.0 | 12.5 | 14.6 | 18 | 19 | 15 | 15 | 23 | 31 | 28 | 27 |

EID – Integrated operations in ideal locations

❖ EID’s integrated operations arrest the decline in sugar profitability in down cycles

- ❑ EID is fully integrated – sugar, power from bagasse and alcohol from molasses
- ❑ Power & distillery have helped EID arrest the decline in sugar profitability during down cycles
- ❑ The sugar division would see an amalgam of profits from the core sugar business and co-generation & distillery in the next up cycle (FY13E - FY14E)

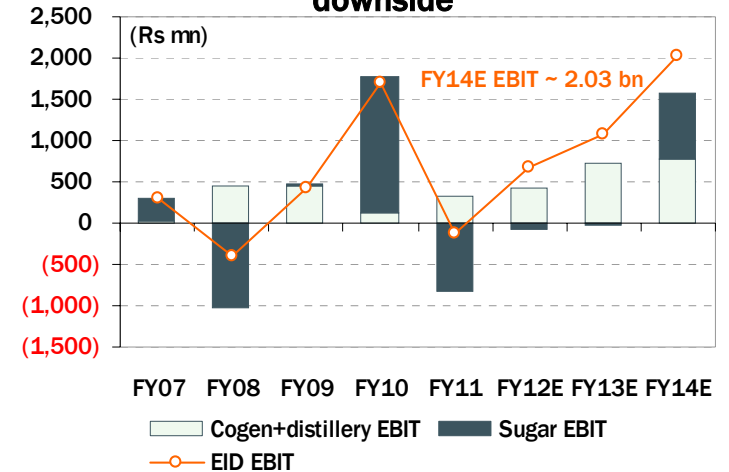
❖ Southern sugar mill = Higher Productivity vs. other regions

- ❑ Lesser political sensitivity, relative cane price flexibility
- ❑ Better recovery rates coupled with longer crushing season
- ❑ No Poaching; 100% draws
- ❑ Port proximity leading to cheaper import/export costs for Southern mills vs. North

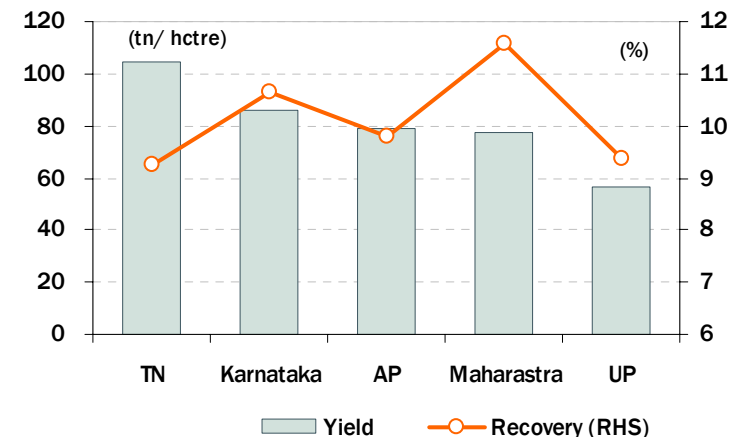
| State | No. Of Operating Days | Off Season Operation |
|---------------|-----------------------|----------------------|
| Tamil Nadu | 210 | ✓ |
| Karnataka | 160 | ✓ |
| Maharashtra | 150 | ✓ |
| Uttar Pradesh | 120 | X |

Source: ISMA (5 yr Avg. of Yield & Recovery) – June 11

EID - Integration in sugar division cushioning downside



Higher Yield and Recovery in the South



Key Sugar Assumptions

| Standalone | FY2008 | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|--------------------------------|--------|--------|--------|--------|---------|---------|
| Sugar | | | | | | |
| - Production Capacity (TCD) | 17,500 | 19,000 | 19,000 | 19,000 | 19,000 | 19,000 |
| - Cane Crushed ('000 MT) | 4,234 | 3,373 | 2,546 | 2,830 | 3,572 | 3,648 |
| - Recovery rate | 9.1% | 9.6% | 8.9% | 8.8% | 9.6% | 9.5% |
| - Actual Production ('000 MT) | 385 | 323 | 227 | 250 | 343 | 347 |
| - Sales volume ('000 MT) | 383 | 367 | 261 | 321 | 343 | 347 |
| - Realization (Rs/kg) | 12.4 | 16.0 | 28.1 | 27.1 | 26.3 | 26.4 |
| - Sugar Cane Cost (Rs/Kg) | 11.3 | 12.4 | 15.3 | 20.0 | 21.0 | 21.0 |
| - Sales Value (Rs mn) | 4,755 | 5,862 | 7,332 | 10,721 | 11,088 | 9,149 |
| - EBITDA (Rs mn) | (826) | 278 | 1,967 | (510) | 238 | 310 |
| Distillery | | | | | | |
| - Production Capacity (KPLD) | 40 | 100 | 135 | 135 | 135 | 135 |
| - Sales volume (Lac L) | 99 | 98 | 163 | 280 | 321 | 358 |
| - Realization (Rs/L) | 23 | 26 | 34 | 31 | 30 | 30 |
| - Sales Value (Rs mn) | 224 | 257 | 549 | 868 | 964 | 1,073 |
| - EBITDA (Rs mn) | 75 | 79 | 62 | 146 | 161 | 179 |
| Co-generation | | | | | | |
| - Production Capacity (MW) | 65 | 85 | 85 | 85 | 85 | 85 |
| - Actual Production (mn units) | 387 | 376 | 380 | 450 | 526 | 666 |
| - Sales volume (mn units) | 163 | 267 | 252 | 257 | 333 | 355 |
| - Realization (Rs/unit) | 3.1 | 3.1 | 3.8 | 3.8 | 4.0 | 4.0 |
| - Sales Value (Rs mn) | 831 | 782 | 977 | 1,266 | 1,421 | 1,963 |
| - EBITDA (Rs mn) | 530 | 553 | 360 | 515 | 604 | 883 |

Crushing to increase by 26% & 2% in FY12E & FY13E resp. on account of higher recovery rates and longer crushing days. It would lead to higher production of power and spirits

Assuming 1/3rd of total generation is captively consumed

Sensitivity

| Sugar EBITDA | | CANE COST/T | | | | |
|--------------|------|-------------|-------|---------|---------|---------|
| FY13 - Rs mn | | 1700 | 1900 | 2100 | 2200 | 2500 |
| Sugar price | 21.5 | 71 | (659) | (1,388) | (1,753) | (2,847) |
| | 23.5 | 764 | 35 | (695) | (1,060) | (2,154) |
| | 25.5 | 1,457 | 728 | (2) | (367) | (1,461) |
| | 26.4 | 1,769 | 1,040 | 310 | (55) | (1,149) |
| | 27.5 | 2,150 | 1,421 | 691 | 326 | (768) |

| | FY2012E | FY2013E |
|-------------------------|---------|---------|
| Free Sale Quota | 90% | 90% |
| Free Sale Price (Rs/kg) | 27 | 27 |
| Levy Quota | 10% | 10% |
| Levy Price (Rs/kg) | 20 | 21 |
| Realization / kg | 26.3 | 26.4 |

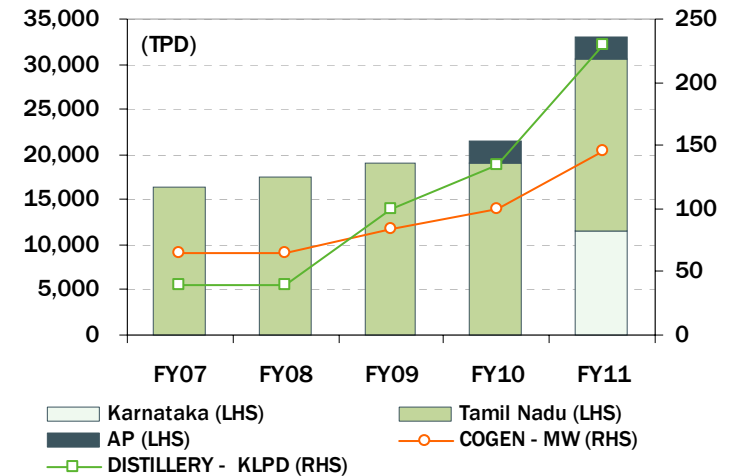
* Assumed a conversion cost of Rs 3400/T of sugar. Sensitivity excludes distillery & Co-generation

Inorganic growth to be value accretive

❖ Entered AP and Karnataka to become one of the largest players in the South and diversifying political risk.

- ❑ Acquired 76% in Sadashiva Sugars for ~Rs 500 mn in FY10
 - ▶ cane crushing capacity of 2,500 TCD,
 - ▶ Co-generation capacity at 16 MW
- ❑ Acquired 65% of Parry Sugar Industries (erstwhile GMR Industries) for ~ Rs 1,000 mn in FY11
 - ▶ Cane crushing capacity at 11,500 TCD
 - ▶ Co-generation capacity of 45.5 MW
 - ▶ Distillery of 95 KLPD

Capacity increase to drive volumes



Source: Company, ENAM Research

❖ FY12 shall mark the first full year of integrated operations at 33,000 TCD (Cane crushing) with a co-generation and Distillery capacity of 146 MW and 230 KLPD respectively.

❖ We believe, these acquisitions can create significant value for EID in the next sugar up-cycle.

| Parry Sugar + Sadashiva | FY2012E | FY2013E |
|---------------------------|---------|---------|
| Sugar | | |
| - Cane Crushed ('000 MT) | 2,320 | 2,552 |
| - Recovery rate | 10.0% | 10.0% |
| - Sales volume ('000 MT) | 232 | 255 |
| - Realization (Rs/kg) | 26.0 | 26.0 |
| - Sugar Cane Cost (Rs/Kg) | 22.0 | 22.0 |
| - Sales Value (Rs mn) | 6,032 | 6,635 |
| - EBITDA (Rs mn) | 0.35 | 0.38 |

| Parry Sugar + Sadashiva | FY2012E | FY2013E |
|------------------------------|---------|---------|
| Distillery | | |
| - Production Capacity (KLPD) | 95 | 95 |
| - Sales volume (Lac L) | 279 | 279 |
| - Realization (Rs/L) | 30 | 30 |
| - Sales Value (Rs mn) | 836 | 836 |
| - EBITDA (Rs mn) | 251 | 251 |

| Parry Sugar + Sadashiva | FY2012E | FY2013E |
|--------------------------------|---------|---------|
| Co-generation | | |
| - Production Capacity (MW) | 62 | 62 |
| - Actual Production (mn units) | 255 | 281 |
| - Sales volume (mn units) | 90 | 98 |
| - Realization (Rs/unit) | 4.0 | 4.0 |
| - Sales Value (Rs mn) | 360 | 393 |
| - EBITDA (Rs mn) | 153 | 177 |

Refinery JV – To capture white premiums & freight arbitrage

❖ Destination Refinery Concept: Import- Refine- Export

- ❑ Logistical advantage in transportation of Raws and refining at destination
- ❑ Proximity to Kakinada port, SEZ status with duty and tax concessions
- ❑ Integrated power plant of 35 MW for low-cost energy (gas from KG basin)
- ❑ JV with Cargill – will leverage Cargill’s expertise in the sugar trading markets
 - ▶ Cargill is a dominant player in the world sugar mkt in sourcing, marketing and international trading besides extensive expertise & network.

❖ Refinery to cater to the sugar deficient markets of Asia (Sri Lanka, Bangladesh, Indonesia, Malaysia, Hong Kong & Taiwan)

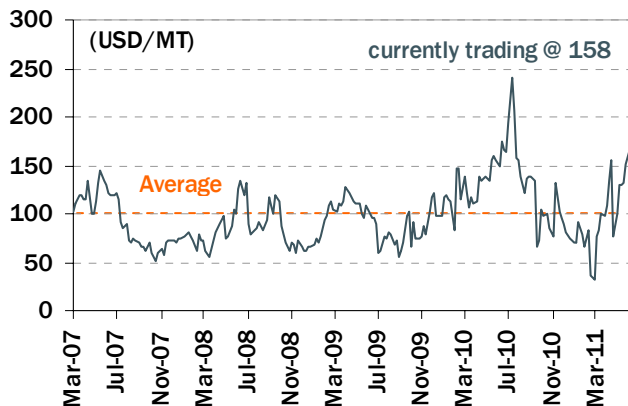
❖ Will look to capture the White premium (medium-term average of USD 100)

- ❑ Refining cost is estimated at USD 70-75/T

❖ Of the 35MW, 25MW is exportable power

- ❑ Power to drive profitability for JV in situations of low white premiums

Raw – White Spreads – 5-yr Avg. of USD 100



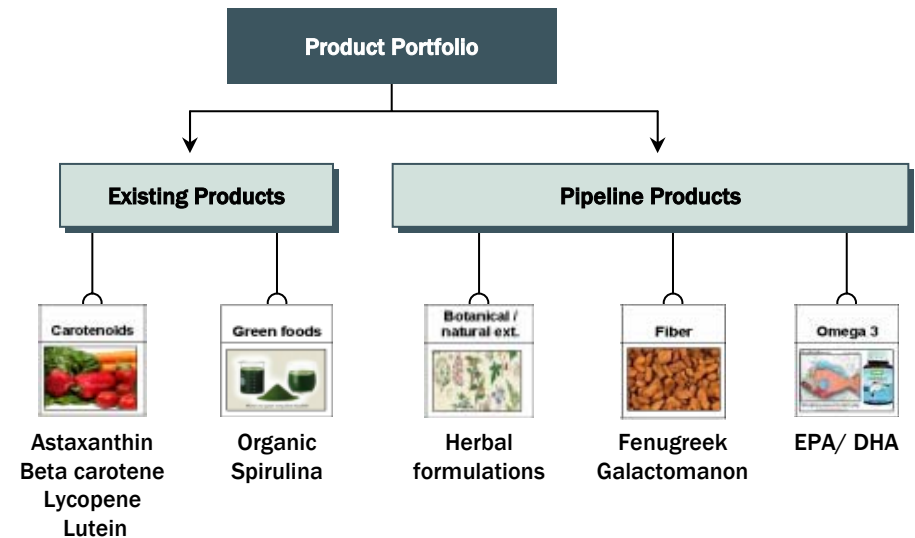
Nutraceuticals – Acquisitions enhance product portfolio

❖ Parry Nutraceuticals aims to have a topline of Rs 3 bn by FY14E

- ❑ The only producer of 100% vegetarian certified organic Spirulina – the largest contributing product for EID currently
- ❑ It offers the complete range of Carotenoids – Future driver

❖ Strategic investments in Valensa International (48%), Parry Phyto Remedies (63%) and formation of Parry Life sciences (R&D)

- ❑ **Valensa** – A science based developer and provider of botanically sourced products for nutritional supplements and foods. Aims to leverage on Valensa’s formulation technologies, distribution network and brand equity globally
- ❑ **Phyto Remedies** – Expanded EID’s portfolio from marine algae based products to vegetable extract based products. Extraction of carotenoid Lycopene from tomato has been the fastest growing product for EID
- ❑ Foray into **Omega 3 fatty acids** – This fastest growing segment world over would further drive profitability for EID in future



Source: Company

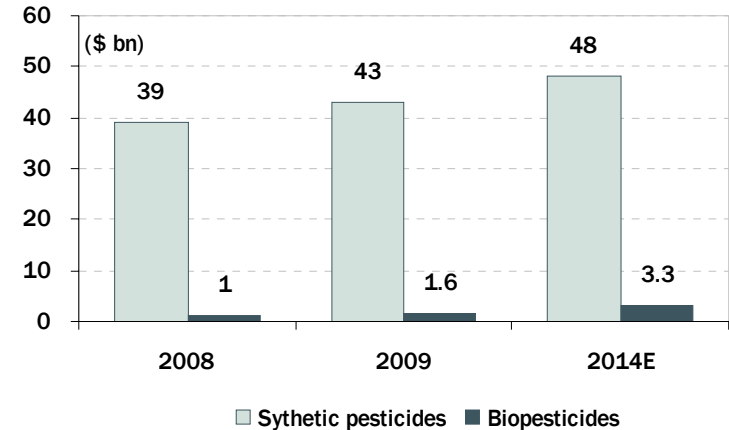
Bio-pesticides: Global mkt size to double by 2014 to USD 3.3 bn

- ❖ **The global pesticide market is growing at CAGR of ~3.6% and expected to be USD 51 bn by FY14E**
 - ❑ Currently, Bio-pesticides account for only ~3-4% of total pesticide market
 - ❑ The Bio-Pesticide industry is growing at a faster rate of ~22% CAGR and expected to be ~USD 3.3 bn by FY14E, implying ~7 % of the total pesticide market

- ❖ **Governments globally, are increasingly promoting the use of bio-pesticides**
 - ❑ EU – Phased out >200 chemical pesticides and offers huge subsidies to farmers to farm organically
 - ❑ USA – Bio-pesticides are increasingly integrated in the IPM programs leading to mainstream usage
 - ❑ Asia – Many countries have banned classic toxic chemicals and have started advocating use of natural, green products
 - ❑ India – farmers have started using bio-pesticides in order to take a break from synthetics as pests get immune

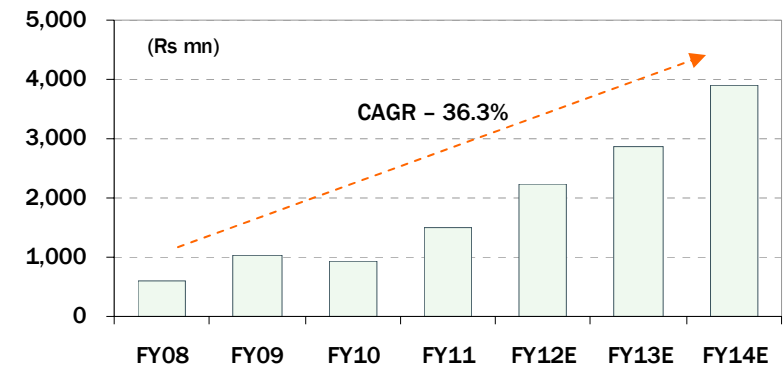
- ❖ **Bio-products' biz (Nutraceuticals + Bio-pesticides) is expected to be at ~Rs 4 bn (in topline) by FY14E with contribution margins of 40%**

Projected global pesticides market by segment (2008-14E)



Source: BCC Research- Feb 2010

Bio products - Increasing Scale



Source: Company, ENAM Research; Includes Sale from Valensa & Phytoremedies

Company Financials...

Profit & Loss (Standalone)

(Rs mn)

| Y/E Mar | 2010 | 2011 | 2012E | 2013E |
|-------------------------|---------------|---------------|---------------|---------------|
| Net sales | 11,473 | 12,787 | 12,605 | 13,688 |
| Other operating income | 0 | 0 | 0 | 0 |
| Total Income | 11,473 | 12,787 | 12,605 | 13,688 |
| Cost of goods sold | 7,997 | 10,791 | 9,710 | 10,108 |
| Contribution (%) | 30 | 16 | 23 | 26 |
| Advt/Sales/Distrn O/H | 1,418 | 1,572 | 1,696 | 1,947 |
| Operating Profit | 2,059 | 423 | 1,199 | 1,633 |
| Other income | 1,395 | 1,223 | 1,724 | 1,818 |
| PBIDT | 3,453 | 1,646 | 2,923 | 3,451 |
| Depreciation | 693 | 737 | 730 | 770 |
| Interest | 386 | 424 | 458 | 458 |
| Other pretax | 0 | 0 | 0 | 0 |
| Pre-tax profit | 2,374 | 485 | 1,735 | 2,224 |
| Tax provision | 422 | (119) | 89 | 221 |
| (-) Minority Interests | 0 | 0 | 0 | 0 |
| Associates | 0 | 0 | 0 | 0 |
| Adjusted PAT | 1,952 | 604 | 1,647 | 2,003 |
| E/o income / (Expense) | 100 | 221 | 0 | 0 |
| Reported PAT | 2,053 | 825 | 1,647 | 2,003 |

Key ratios (Standalone)

(%)

| Y/E Mar | 2010 | 2011 | 2012E | 2013E |
|--------------------------|-------------|-------------|--------------|-------------|
| Sales growth | 51.8 | 11.5 | (1.4) | 8.6 |
| OPM | 17.9 | 3.3 | 9.5 | 11.9 |
| Oper. profit growth | 181.4 | (79.4) | 183.1 | 36.2 |
| COGS / Net sales | 69.7 | 84.4 | 77.0 | 73.8 |
| Overheads/Net sales | 12.4 | 12.3 | 13.5 | 14.2 |
| Depreciation / G. block | 5.6 | 5.7 | 5.4 | 5.4 |
| Effective interest rate | 6.9 | 6.9 | 7.0 | 7.0 |
| Net wkg.cap / Net sales | 0.2 | 0.3 | 0.4 | 0.4 |
| Net sales / Gr block (x) | 1.0 | 1.0 | 0.9 | 1.0 |
| Incremental RoCE | 788.0 | (42.6) | (58.4) | 107.8 |
| RoCE | 17.4 | 5.2 | 11.8 | 13.6 |
| Debt / equity (x) | 0.5 | 0.6 | 0.5 | 0.5 |
| Effective tax rate | 17.8 | (24.5) | 5.1 | 9.9 |
| RoE | 19.0 | 5.4 | 13.7 | 15.3 |
| Payout ratio (Div/NP) | 42.1 | 42.0 | 35.0 | 35.0 |
| EPS (Rs.) | 11.3 | 3.5 | 9.5 | 11.6 |
| EPS Growth | (436.8) | (69.2) | 172.8 | 21.6 |
| CEPS (Rs.) | 15.3 | 7.7 | 13.7 | 16.0 |
| DPS (Rs.) | 5.0 | 2.0 | 3.3 | 4.0 |

Source: Company, ENAM estimates

...Company Financials

Balance sheet (Standalone)

(Rs mn)

| Y/E Mar | 2010 | 2011E | 2012E | 2013E |
|-------------------------|---------------|---------------|---------------|---------------|
| Total assets | 18,106 | 19,309 | 20,394 | 21,719 |
| Gross block | 12,291 | 12,944 | 13,617 | 14,367 |
| Net fixed assets | 8,164 | 8,080 | 8,023 | 8,004 |
| CWIP | 358 | 74 | 150 | 150 |
| Investments | 6,828 | 4,341 | 4,341 | 4,341 |
| Wkg. cap. (excl cash) | 2,016 | 6,320 | 4,960 | 5,347 |
| Cash / Bank balance | 740 | 494 | 2,919 | 3,878 |
| Others/Def tax assets | 0 | 0 | 0 | 0 |
| Capital employed | 18,106 | 19,309 | 20,394 | 21,719 |
| Equity capital | 173 | 173 | 173 | 173 |
| Reserves | 10,791 | 11,329 | 12,327 | 13,541 |
| Borrowings | 5,755 | 6,538 | 6,538 | 6,538 |
| Others | 1,388 | 1,269 | 1,356 | 1,467 |

Cash flow (Standalone)

(Rs mn)

| Y/E Mar | 2010 | 2011E | 2012E | 2013E |
|---------------------|--------------|--------------|--------------|--------------|
| Sources | 1,528 | 1,822 | 1,902 | 2,206 |
| Cash profit | 3,133 | 1,324 | 2,869 | 3,394 |
| (-) Dividends | 1,063 | 390 | 648 | 789 |
| Retained earnings | 2,070 | 934 | 2,220 | 2,605 |
| Issue of equity | 38 | 1 | 0 | 0 |
| Borrowings | 197 | 783 | 0 | 0 |
| Others | (777) | 104 | (318) | (399) |
| Applications | 1,528 | 1,822 | 1,902 | 2,206 |
| Capital expenditure | 445 | 369 | 750 | 750 |
| Investments | 1,318 | (2,487) | 0 | 0 |
| Net current assets | (116) | 4,186 | (1,273) | 497 |
| Change in cash | (119) | (246) | 2,425 | 959 |

Source: Company, ENAM estimates

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| | |
|-------------------------------------|-----|
| 1. Analyst ownership of the stock | No |
| 2. Firm ownership of the stock | No |
| 3. Directors ownership of the stock | Yes |
| 4. Investment Banking mandate | No |
| 5. Broking relationship | Yes |

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