



Godavari
Biorefineries Ltd



Issue Opens – October 23, 2024 to October 25, 2024

Price Band
₹334 to ₹352

Face Value
₹10

Issue Size
₹554 Cr

Lot Size
42 Shares

Issue Type
Book Built

Issue Size

15,759,938 shares / ₹554.75 Cr

Fresh Issue

9,232,955 shares / ₹325.00 Cr

Offer for Sale

6,526,983 shares / ₹229.75 Cr

Basis of Allotment

Monday, October 28, 2024

Initiation of Refunds

Tuesday, October 29, 2024

Credit of Shares to Demat

Tuesday, October 29, 2024

Godavari Refineries Listing Day

Wednesday, October 30, 2024

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Objects of The Offer



The Offer comprises of the Fresh Issue by the Company and the Offer for Sale by the Selling Shareholders. The objects of the Fresh issue are:

- Repayment/pre-payment, in full or in part, of certain outstanding borrowings availed by the Company; and
- To achieve the benefits of listing the Equity Shares on the Exchanges; and
- For General corporate purposes.

Brief profile of the Directors

Samir S. Somaiya - Chairman and Managing Director - He holds a masters' degree in chemical engineering and a masters' degree in business administration from Cornell University, He has over 28 years of experience in the chemicals industry. Prior to joining the Company, he was associated with Somaiya Organo-Chemicals Ltd as a managing director.

Sangeeta A. Srivastava - Executive Director - She holds a bachelor's degree in science and a masters' degree of philosophy in chemistry from Rani D. Vishwavidyalaya, Jabalpur, and a doctor of philosophy in science from University of Mumbai. She has over 29 years of experience in the research and development. Prior to joining the Company, she was associated with Somaiya Organo-Chemicals Limited as General Manager (Corporate R&D).

Bhalachandra R. Bakshi - Executive Director - He holds a bachelors' degree of science in agriculture from the University of Agricultural Sciences, Bangalore. He has been associated with the Company since 2011 in various capacities and has several years of experience in the agricultural industry.

Suhas U. Godage - Executive Director (Works) - He holds a masters' degree of business administration in marketing management from Yashwantrao C. Maharashtra Open University, Nashik and has completed a post graduate diploma programme in industrial fermentation & alcohol technology from Vasantdada Sugar Institute. He has been associated with the Company in various capacities since 2009 and has over 26 years of experience in the chemicals industry.



About The Company

Godavari Biorefineries Ltd is a leading manufacturer of ethanol-based chemicals and an integrated bio-refinery in India, with an installed capacity of 570 KLPD for ethanol production as of June 30, 2024. It is one of the largest ethanol producers in India by volume (source: Frost & Sullivan) and the world's largest manufacturer of MPO. The company is also the only Indian manufacturer of bio-ethyl acetate and one of two manufacturers of natural 1,3 butylene glycol globally. With a diversified portfolio, it caters to industries like food, pharmaceuticals, cosmetics, and fuels.

Key Business Operations

Godavari Biorefineries Ltd uses sugarcane as its primary feedstock to manufacture a wide range of bio-based chemicals, ethanol, and power. Its facilities include the Sameerwadi Manufacturing Facility in Karnataka, with a sugarcane crushing capacity of 18,000 TCD and a planned expansion to 25,000 TCD.

Godavari Biorefineries is expanding its ethanol distillery capacity from 600 KLPD to 1,000 KLPD and is venturing into 2nd generation ethanol production using bagasse.

Company has significant global reach, catering to customers in over 20 countries and producing for industries like personal care, pharmaceuticals, and oil marketing companies. The company also promotes its products under the brand '**Jivana**' in retail stores and online channels, showing strong revenue growth.

Their customers include marquee players such as Hershey India Pvt Ltd, Hindustan Coca-Cola Beverages Private Limited, among others.

Summary Of Financial performance

(In ₹ million, unless otherwise specified)

Particulars	As ar and for the three months ended June 30, 2024	As ar and for the Fiscal ended March 31, 2024	As ar and for the Fiscal ended March 31, 2023	As ar and for the Fiscal ended March 31, 2022
Revenue from operations	5,225.25	16,866.65	20,146.94	17,023.29
EBITDA	(94.90)	1,479.35	1,546.16	1,405.34
Profit/(loss) after tax	(261.06)	122.99	196.37	190.97
Net worth	2,338.43	2,602.45	2,490.13	2,325.69
Revenue from ethanol (as a % of our revenue from operations)	18.10%	28.58%	28.11%	25.16%
Revenue from Bio-based Chemicals (as a % of our revenue from operations)	27.94%	29.97%	32.35%	38.01%

GODAVARI BIOREFINERIES LIMITED – INTEGRATED VALUE CHAIN



Summary Of Export Sales Country wise

Geography	Three months ended June 30, 2024	% of total export sales	Fiscal 2024	% of total export sales	Fiscal 2023	% of total export sales	Fiscal 2022	% of total export sales
UAE	401.51	50.40%	1,552.18	55.26%	926.56	23.02%	791.83	20.39%
Germany	58.85	7.39%	303.12	10.79%	392.12	9.74%	174.43	4.40%
China	34.67	4.35%	287.33	10.23%	429.98	10.68%	576.21	14.84%
USA	141.97	17.82%	133.47	4.75%	949.93	23.60%	556.21	14.32%
Singapore	4.21	0.53%	91.92	3.27%	973.70	24.19%	734.18	18.91%
Others*	155.46	19.51%	441.08	15.70%	352.26	8.75%	1,050.23	27.05%
Total	796.66	100.00%	2,809.10	100.00%	4,024.56	100.00%	3,883.10	100.00%

Statement of Profit and Loss



GODAVARI BIOREFINERIES LIMITED:

(All amounts are in Indian ₹ million except share data and its rates)

Particulars	Quarter ended June 30, 2023	Year ended March 31, 2024	Year ended March 31, 2023	Year ended March 31, 2022
Revenue				
Revenue from operations	5,225.25	16,866.65	20,146.94	17,023.29
Other income	27.48	143.99	83.85	76.48
Total income (I + II)	5,252.73	17,010.64	20,230.79	17,099.77
Expenses:				
Cost of material consumed	1,283.31	15,331.48	13,129.55	12,159.82
Purchases of stock-in-trade	51.87	123.16	107.49	140.34
Changes in inventories of finished goods	3,179.13	-3,684.32	603.14	-415.26
Employee benefits expense	303.98	1,181.84	1,165.52	993.19
Finance costs	195.74	755.63	727.90	604.4
Depreciation and amortisation expense	125.72	599.25	500.76	480.25
Other expenses	529.35	2,579.14	3,678.93	2,816.33
Total expenses (IV)	5,669.10	16,886.18	19,913.29	16,779.07
Profit before tax (III - IV)	-416.37	124.46	317.50	320.70
Tax expense:	-155.31	1.47	121.13	129.73
Profit after tax (V - VI)	-261.06	122.99	196.37	190.97
Earnings per equity share (EPS)	-6.22	2.93	4.68	4.55

(Not annualised for the period ending June 30, 2024)

Strengths



- **Leading Ethanol Producer** - Godavari Biorefinery's is One of India's largest ethanol producers with an installed capacity of 570 KLPD as of March 31, 2024.
- **Integrated Bio-Refinery Operations** - They operate a versatile bio-refinery, utilizing sugarcane and exploring grain-based ethanol production, while expanding into specialty chemicals and biomass-based ethanol.
- **Diversified Product Portfolio** - They offer a broad range of bio-based chemicals, sugar, and ethanol across multiple industries, reducing dependence on any specific product while benefiting from rising demand for green chemicals due to stricter global regulations.
- **In-house R&D Capabilities** - They have consistently invested in R&D and technology and have successfully implemented some of the process improvements and product developments at the Manufacturing Facilities.

Threats

- **Supplier Concentration** - They depend on a few suppliers for supply of a significant portion of raw materials (excluding sugarcane). Any failure to procure such raw materials from these suppliers may have an adverse impact on their manufacturing operations and results of operations.
- **Seasonal Conditions** - Production in the sugar, distillery, and cogeneration segments depends on the availability and yield of sugarcane, which is influenced by rainfall, sugarcane quality, harvesting schedules, and weather conditions.
- **Credit to farmers** - Company extends credit to farmers and contractors for sugarcane procurement, exposing them to the risk of non-receipt of outstanding amounts. As of June 30, 2024, receivables stood at ₹31.90 million, with no assurance of full or timely repayment.
- **Competitive Environment** - Competition from existing players and new entrants and consequent pricing pressures with respect to any or all of their products could have a material adverse effect on their business.

Valuation and Outlook



Godavari Biorefineries Ltd IPO is expected to be priced between ₹334 to ₹352 per share. At this price, the company is valued at Price-to-Earnings (P/E) ratio of 120x versus the Industry P/E of 36x.

Name of the company	Face Value (₹ per share)	Revenue from operations (₹ in million)	Basic EPS 2024 (₹)	Diluted EPS 2024 (₹)	P/E as on September 27, 2024	RONW (%)	NAV (₹)
Godavari Biorefineries Limited	10.00	16,866.65	2.93	2.93	NA	4.73%	62.05
<i>Listed peers</i>							
Alkyl Amines Chemicals Limited	2.00	14,406.10	29.13	29.09	78.84	11.75%	247.87
Jubilant Ingrevia Limited	1.00	41,358.00	11.56	11.55	64.10	6.68%	171.86
Laxmi Organic Industries Limited	2.00	28,650.07	4.46	4.43	65.11	6.71%	65.18
EID Parry (India) Limited	1.00	294,131.10	50.68	50.61	16.69	12.75%	397.61
Triveni Engineering and Industries Limited	1.00	61,514.00	18.05	18.05	26.06	13.62%	132.52
Balrampur Chini Mills	1.00	55,937.40	26.49	26.49	24.72	15.72%	168.57

Godavari Biorefineries revenue dropped by 1% annually from 1,709 crore to 1701 crore over the last 3 Years while its net Profit dropped by 19.7% annually from 320.6 Crore to 124.5 crore over the last 3 Years.

Additionally, It reported a loss of 260 crore in its June Quarter. Company has a Debt to Equity Ratio of 1.5 times which seems to be high given the seasonality factor and competitive environment the company operates in, which could result in pricing pressures and eventually could eat up margins.

Based on above factors and the valuations, the company seems to be Highly priced hence we rate Godavari Biorefineries IPO with **"Avoid"** rating both for Listing gains and for Long term investment.

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