Dated: January 9, 2025

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051

The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street
Mumbai-400001

Script Symbol: GODAVARIB

Script Code:544279

Sub: Intimation of Credit Rating under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir / Madam,

Pursuant to Regulation 30 of SEBI (LODR) Regulation, 2015, we would like to inform you that CARE Rating Limited vide its press release dated 9th January, 2025 has upgraded the credit rating of **CARE BBB+ Stable** for Long Term Bank Facilities, **CARE A2** for Short Term Bank Facilities and **CARE BBB+ Stable** for Public Deposit of the Company

Press release dated 9th January, 2025 issued by CARE Rating Limited to this effect are enclosed.

This is for your information and records.

Thanking you,
Yours faithfully

For Godavari Biorefineries Limited

MANOJ JAIN
Digitally signed by MANOJ JAIN
Date: 2025.01.09 20:40:57 +05'30'

Manoj Jain
Company Secretary & Compliance Officer
Membership No.F-7998

Godavari Biorefineries Limited

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	653.83 (Reduced from 790.94)	CARE BBB+; Stable	Upgraded from CARE BBB; Stable
Short-term bank facilities	97.00	CARE A2	Upgraded from CARE A3+
Fixed deposit	85.00	CARE BBB+; Stable	Upgraded from CARE BBB; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in ratings assigned to bank facilities of Godavari Biorefineries Limited (GBL) factors in recent fund-raising event via initial public offer (IPO), which not only improved the company's capital structure and debt service coverage indicators, but also its liquidity position. Moreover, the recent resumption of diversion of cane to ethanol enabling the company to benefit from existing and enhanced capacity is further expected to drive the growth of the company in the medium term. Ratings continue to benefit from GBL's strong and resourceful promoter group, its long track of operation in sugar industry, integrated sugar unit, and locational advantage. Moreover, its diversified product segment such as sugar, distillery, co-gen and biochemicals continues to lower the concentration risk. The company continues to maintain diverse customer portfolio which includes traders, oil marketing companies, personal care, flavour and fragrance, among others, and the customer concentration risk continues to remain low.

However, the above strengths remain partially offset by the working capital-intensive operations and the vulnerability of operations to agroclimatic conditions. Additionally, the profitability remains susceptible to volatile raw material prices due to it being part of a seasonal, regulated, and cyclical sugar industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) to 10% on sustained basis.
- Improvement in total debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) to below 2.5x.

Negative factors

- Deterioration in total debt to EBITDA above 3.5x.
- Sizeable deterioration in terms of profitability and cash accruals compared to the envisaged levels, leading to deterioration in the debt coverage indicators and liquidity.
- Significant elongation in the operating cycle, resulting in deterioration in liquidity position.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has taken a consolidated view of GBL, since subsidiaries are in a similar line of business and there are operational and financial linkages. The list of subsidiaries consolidated is mentioned as Annexure-6.

Outlook: Stable

The stable outlook reflects the CARE Ratings' expectations of improvement in GBL's performance owing to favourable outlook in the industry related to its key products such as ethanol and biochemicals. Also, GBL's ongoing capex plan is further expected to benefit the company in medium term.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong promoter group and a long-standing track record in the sugar industry

GBL belongs to the Somaiya group. The Somaiya group is among the oldest and well-established industrial houses in India and has diversified interests in sugar and its allied products, alcohol and bulk organic chemicals, bio-based specialty chemicals, renewable energy, printing and publishing, education, hospital, and social welfare. The Mumbai-based group runs a hospital, non-governmental organisations (NGOs), and various educational institutes across various parts of Mumbai. The promoters have time and again extended financial support to the company in the past. GBL was established by the late KJ Somaiya in 1939 as 'The Godavari Sugar Mills Limited' and is currently managed by his grandson, Samir Somaiya (Chairman and Managing Director). The company has over eight decades of track record in the sugar industry.

Locational advantage

The company has a sugarcane crushing facility at Sameerwadi, Karnataka, and a distillery and co-generation power plant. It also has another manufacturing plant engaged in the production of chemical products at Sakarwadi, Maharashtra. The sugarcane procured from Maharashtra and Karnataka have higher recovery than those procured from other regions of India, thus providing companies with manufacturing facilities in these regions better operational benefits. The gross recovery rate stood at 10.78% in FY24 (FY23: 11.76%). Thus, the location of the sugar plant is considered to be favourable considering the region being a sugarcane-producing one and it facilitates the consistent and abundant availability of sugarcane for sugar and allied manufacturing activities.

Fully integrated sugar producing unit with diversified product portfolio

GBL continues to benefit from its diversified product portfolio from the related value chain such as sugar, co-generation, distillery and biochemicals. The revenue profile is well diversified, characterised by its presence in the production of sugar, ethanol, power, and chemicals. The segment such as sugar, distillery and biochemicals, all contribute material chunk towards the revenue in H1FY25 at 45% (FY24: 33%; FY23: 34%), 20% (FY24: 33%; FY23: 31%) and 32% (FY24: 30%; FY23: 32%), respectively, and rest is contributed by power. Presently, GBL produces ethanol from canes and molasses. However, the company is incurring capex to produce ethanol from grain as well. Sugar industry being seasonal, the company continues to benefit from other products.

Expected improvement in TOI in medium term; FY24 performance was moderate:

The roll back of the restriction on diversion of cane to ethanol production, the Government's initiative to increase the use of ethanol in fuel in accordance with Ethanol Blending Programme, and favourable prices across various grades of ethanol, are expected to benefit the company in the medium-to-long term. GBL' s capex plan in accordance with this programme to enhance its distillery capacity by venturing into grain-based ethanol, is further expected to aid the company in coming years. Moreover, the increasing demand for biochemicals in industries is expected to support the company going forward, considering that the company generates ~33% of its revenue from biochemicals which finds its application across industries such as paints & coatings, cosmetics, flavour, and fragrances, among others.

In FY24, GBL's TOI declined by ~16% with total income from operations at ₹1,686.66 crore (FY23: ₹2,014.69 crore). This decline was due to underperformance across major product segment such as sugar, distillery, and biochemicals. The curb on exports of sugar, restriction on production of ethanol and cane diversion to ethanol, price volatility in biochemicals and low global demand for the same had impacted the overall performance of the company in FY24. However, in H1FY25, the company has booked revenue of ₹843.48 crore (H1FY24: ₹673.45 crore).

Moderate profitability, expected to improve in medium term

With expected improvement in ethanol production and supply given the restoration of cane to ethanol diversion, its favourable pricing, the company's operating margin is expected to improve gradually. The exit from long-term contracts for procuring the raw material in FY24 is expected to aid the margin growth from FY25 onwards. Though the profitability remains modest in H1FY25, the second half of the financial year is the season wherein the company books significantly high EBITDA margin. The overall annual operating margin remained almost stable at 7.93% in FY24 (FY23: 7.29%).

Expected improvement in debt indicators

The company have been in capex mode since FY21 by enhancing the sugar and ethanol capacities, installation of turbines, setting of pellet plant, among others, which had resulted in leveraged capital structure. However, the recent fund-raising event of ₹325.00 crore via IPO has resulted into ₹240.00 crore of debt prepayment, thus improving its highly leveraged position.

Despite the on-going capex plans, the debt metrics is expected to improve with overall gearing expected to improve in near-to-medium term considering expected improvement in accruals and reduced debt level. Overall gearing stood at 2.79x as on March 31, 2024 (As on March 31, 2023: 3.04x). Also, the repayment for new loan availed for funding the capex is expected from FY28 onwards, further lowering immediate financial burden. The interest coverage remained moderate at 1.77x in FY24 (FY23: 2.02x). CARE Ratings observes, considering the debt prepayment, benefit of interest subvention, reduced interest rate by one of the lenders and expected improvement in EBITDA, interest coverage is expected to improve in near to medium term.

Key weaknesses

Working capital-intensive operations

GBL's business is a working capital-intensive business because of the seasonality of the agriculture business. The company needs to procure inventory from farmers in the harvesting period. Being a well-established and among the major sugar producers in the region, GBL is able to get sugarcane from the farmers in abundance and a good credit period, post which, the company makes payments in a phased and regular manner to the farmers. Besides, GBL exports products on an advance basis and the collection period for the domestic sale of sugar to institutional customers and the sale of ethanol to oil marketing companies (OMCs) is steady at ~30 days. The company needs to maintain inventory to offer the steady supply of sugar per the requirements of institutional customers and the retail market throughout the year, and with the sugar prices gradually increasing over the sugar production cycle, it warrants a high level of inventory during the year-end. The maximum average utilisation of the company's working capital limits against the drawing power stood ~ 94% in the last 12 months ending November 30, 2024.

Project implementation and stabilisation risk

The company had a planned capex of ~₹324.00 crore over FY25-FY27 for setting up grain-based distillery, expansion of existing capacity of distillery, debottlenecking, and normal capex. The said capex will be funded by bank borrowings and internal accruals. The debottlenecking in speciality chemicals is scheduled to be completed by FY25 and grain-based distillery project is scheduled to be completed by FY26. The timeline of completion and stabilisation of the same remains crucial and their contribution towards the company's performance is a key monitorable.

Seasonal, cyclical, and regulated nature of the sugar business

The sugar industry, being directly dependent on the sugarcane crop and its yield, is susceptible to agro-climatic risks. Climatic conditions, more specifically, the monsoons, influence operational parameters for a sugar entity, such as the crushing period and sugar recovery levels. Also, the degree of dispersion of monsoon precipitation across the sugar-growing areas also leads to fluctuating trends in sugar production in different regions. CARE Ratings notes that while the gross recovery rates for GBL have been at ~11% for the period ended March 31, 2024, the higher recovery rates lead to a reduction in the cost of production of sugar, thus supporting the margins. The industry is cyclical by nature and is vulnerable to government policies for various reasons, like its importance in the wholesale price index (WPI) as it classifies as an essential commodity. The government on its part resorts to regulations such as fixing the raw material prices in the form of state advised prices (SAP) and fair and remunerative prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country, and thus, affect the profitability of sugar companies. Hence, the company's performance can be impacted by a disproportionate increase in cane prices in particular year. The profitability remains vulnerable to the government's policies on sugar and ethanol, minimum support price (MSP), and remunerative ethanol prices.

Liquidity: Adequate

The liquidity of the company is adequate with recent fund-raising event leading to cash inflow of ₹325.00 crore. Given that these proceeds have been majorly utilised to lower its debt level, the debt service coverage ratio (DSCR) of the company is adequate. Around ₹240.00 crore of debt prepayment have resulted into lower debt burden and finance cost in the coming years. The repayment of the company now stands at ₹55.00 crore in FY25 and ₹36.00 crore in subsequent years. Out of ₹55.00 crore of repayment in FY25, ~₹49.00 crore has been repaid. The gross cash accrual (GCA) is expected to remain healthy considering expected improvement in both revenue and profitability. The company's GCA stood at ₹72.00 crore in FY24 (FY23: ₹80.80 crore). Also, the company has track record of healthy cash flow from operations, which was ₹186.67 crore in FY24. The company has sufficient sanctioned facilities for working capital, however the drawing Power is less. The utilisation of cash credit is within the drawing power. The utilisation of fund-based limits stood at ~94% and that of non-fund-based limits at ~67% for last 12 months ended November 30, 2024. The free cash and bank balance stood modest at ₹12.18 crore.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Sugar
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food & other products	Sugar

GBL was incorporated in 1939 by the late KJ Somaiya and his son, the late Dr. Shantilal K Somaiya. As on October 29, 2024, the promoter and promoter group hold 63.31% equity stake in the company through entities. GBL has two units, one is an integrated plant producing sugar, power and industrial alcohol, and second unit produces bio-based specialty chemicals. The integrated sugar plant is in Sameerwadi, Karnataka, and bio-based speciality chemical unit is in Sakarwadi, Maharashtra. Its chemicals division exports ethyl acetate to the Middle East, Africa, and European countries. The company has an in-house retail brand 'Jivana' for the sale of sugar, turmeric, and salt in Rajasthan Maharashtra, Karnataka, and Gujarat.

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	2014.69	1686.67	843.48
PBILDT	146.96	133.77	-41.02
PAT	19.27	12.30	-101.10
Overall gearing (times)	3.04	2.79	NA
Interest coverage (times)	2.02	1.77	-1.03

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fixed Deposit		-	-	-	85.00	CARE BBB+; Stable
Fund-based - LT-Cash Credit		-	-	-	276.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	January 2034	377.83	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	97.00	CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-BG/LC	ST	97.00	CARE A2	-	1)CARE A3+ (20-Oct-23) 2)CARE A3+ (09-Oct-23)	1)CARE A3+ (09-Nov-22)	1)CARE A3+ (19-Aug-21) 2)CARE A3 (07-Apr-21)
2	Fund-based - LT-Term Loan	LT	377.83	CARE BBB+; Stable	-	1)CARE BBB; Stable (20-Oct-23) 2)CARE BBB; Stable (09-Oct-23)	1)CARE BBB; Stable (09-Nov-22)	1)CARE BBB; Stable (19-Aug-21) 2)CARE BBB-; Positive (07-Apr-21)
3	Fund-based - LT-Cash Credit	LT	276.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (20-Oct-23)	1)CARE BBB; Stable (09-Nov-22)	1)CARE BBB; Stable (19-Aug-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
						2)CARE BBB; Stable (09-Oct-23)		2)CARE BBB-; Positive (07-Apr-21)
4	Fixed Deposit	LT	85.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (20-Oct-23) 2)CARE BBB; Stable (09-Oct-23)	1)CARE BBB; Stable (09-Nov-22) 2)CARE BBB; Stable (22-Jun-22) 3)CARE BBB (FD); Stable (04-Apr-22)	1)CARE BBB (FD); Stable (19-Aug-21) 2)CARE BBB (FD); Positive (29-Apr-21) 3)CARE BBB (FD); Positive (07-Apr-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Solar Magic Private Limited	Full	Wholly owned subsidiary with operational and financial linkages
2	Cayuga Investments B.V.	Full	Wholly owned subsidiary with operational and financial linkages
3	Godavari Biorefineries B.V., Netherlands	Full	Step down overseas subsidiary being wholly owned subsidiary of Cayuga Investment B.V with operational and financial linkages
4	Godavari Biorefineries Inc, USA	Full	Step down overseas subsidiary being wholly owned subsidiary of Cayuga Investment B.V with operational and financial linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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