APRIL 20, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES AND INSTRUMENTS OF GODAVARI BIOREFINERIES LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities (Term loan)	115.00	**CARE BBB- [Triple B Minus]**	Reaffirmed
Long-term Bank Facilities (Fund based)	388.00	**CARE BBB- [Triple B Minus]**	Reaffirmed
Short-term Bank Facilities (Non-fund-based)	144.57	**CARE A3 [A Three]**	Reaffirmed
Total Facilities	**647.57 (Rupees Six Hundred Forty Seven crore and Fifty Seven lakh only)**		
Non-Convertible Debenture issue	65.00 (Rupees Sixty Five crore only)	**CARE BBB- (Triple B Minus)**	Reaffirmed
Fixed Deposit programme	20.00 (Rupees Twenty crore only)	**CARE BBB (FD) [Triple B (Fixed Deposit)]**	Reaffirmed

Rating Rationale

The reaffirmation of the ratings assigned to the bank facilities of Godavari Biorefineries Limited (GBL) derive strength from strong parentage of the Somaiya Group coupled with long track record and rich experience of the promoters in the sugar industry, locational advantage of its manufacturing facilities, its diversified product portfolio having presence in multiple segments comprising sugar, distillery, cogeneration power and chemicals translating it into an integrated sugar unit. CARE has also positively factored infusion of funds of Rs.155 crore in FY15 (refers to the period April 1 to March 31) and FY16 by an investor in the group and conversion of preference shares in to equity of Rs.7 crore by the promoters in FY15.

The rating strengths are, however, partially tempered by GBL's lower operating margins leading to net losses in FY14 and FY15, highly leveraged capital structure, significant capital expenditure planned as compared with its net-worth, support to subsidiaries, and working capital-intensive nature of operations coupled with cyclical and highly regulated nature of the sugar industry resulting into an elongated operating cycle. Also, significant repayments of the loans due under the Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU) from FY17 and bullet repayment due of non-convertible debenture (NCD) in June 2018, if option is exercised by the investor, otherwise the repayment of NCD is due in June 2021, are other rating constraints.

Going forward, GBL's ability to scale up its operations, improve its profitability margins, capital structure and liquidity through effective management of working capital cycle constitute the key rating sensitivities.

Background

GBL was incorporated in 1939 by late Mr K.J. Somaiya (Padma bhushan) and his son late Dr Shantilal K Somaiya. Currently, Somaiya group holds 76.83% equity stake in the company.

GBL is an integrated sugar company operating in sugar, power, industrial alcohol and specialty chemicals. The company has an integrated sugar plant in Sameerwadi, Karnataka, for cane crushing, co-gen and an ethanol blending unit. Besides, the company also has a distillery unit and a chemical unit to produce ethyl acetate at Sakarwadi, Maharashtra. The chemical unit was converted into an export oriented unit (EOU) w.e.f July 01, 2011. The company's chemical division exports ethyl acetate to Middle East, Africa and European countries.

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

On an average, of the total sales of sugar manufactured, around 20% is towards institutional sales, 15% is exported, 2% is retail sales, and balance 63% is sold in the free market to traders. The company's in house retail brand is "Jivna" for sale of sugar in the states of Maharashtra, Karnataka and Gujarat.

In FY15 and FY16, the company in total received Rs.155 crore through an investor for scaling up operations.

Besides in FY15, the company hived off the trading business to Solar Magic Private Limited (SMPL, 100% subsidiary) for increased focus; however, the contribution of the trading business to the total income is meagre hence, the impact is not expected to be significant.

During FY15, GBL's net loss after tax of Rs.83 crore on a total operating income of Rs.977 crore vis-à-vis net loss after tax of Rs.32 crore on a total operating income of Rs.1,213 crore in FY14. Also, in 11MFY16 (unaudited), GBL's reported net loss after tax of Rs.16 crore on a total operating income of Rs.1,208crore vis-à-vis net loss after tax of Rs.78 crore on a total operating income of Rs.861 crore in 11MFY15 (unaudited).

Analyst Contact
Name: Ms.SmitaRajpurkar
Tel: 022-6754 3458
Email: smita.rajpurkar@careratings.com

****For detailedRationale Report and subscription information, please contact us at www.careratings.com**

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.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, HimayatNagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Nikhil Soni
304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, NearCollectorateCircle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

CIN - L67190MH1993PLC071691