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CARE REAFFIRMS' RATING TO THE BANK FACILITIES & ASSIGNS 'CARE BBB-' RATING TO NCD ISSUE OF GODAVARI BIOREFINERIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities (Term Loan)	241.00	CARE BBB- [Triple B Minus]	Reaffirmed
Long-term Bank Facilities (Fund Based)	401.00	CARE BBB- [Triple B Minus]	Reaffirmed
Short-term Bank Facilities (Non-Fund Based)	105.40	CARE A3 (A Three)	Reaffirmed
Total Facilities	**747.40**		
Long-term proposed Non-Convertible Debenture issue*	65.00	CARE BBB- [Triple B Minus]	Assigned

**The proposed long-term Non-Convertible Debenture Issue is yet to be placed and shall have a tenor of six years with a bullet repayment at the end of six years from the date of allotment. These NCDs shall have call option at the end of three years from the date of allotment by the issuer.*

Rating Rationale

The rating assigned to the proposed long-term Non-Convertible Debenture issue and reaffirmation of ratings assigned to the bank facilities of Godavari Biorefineries Ltd.(GBL) derive strength from the proposed equity infusion by the Private Equity (PE) investors, 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.

The ratings are however, constrained by GBL's lower operating margins leading to losses at PAT level, leveraged capital structure in FY14 and 11MFY15 (refers to the period April 01 to February 28), significant capex planned as compared to its net-worth, working capital-intensive nature of operations coupled with cyclical and highly regulated nature of the sugar industry resulting into an elongated operating cycle.

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

Incorporated in 1956, Godavari Biorefineries Ltd. (GBL) was originally established as Godavari Sugar Mills Ltd. in 1939 by the late Mr. K J Somaiya (Padmabhushan) and his son the late Dr. Shantilal K Somaiya. The company is part of the Somaiya Group, one of the old and well-established Industrial Houses in India having diversified interest in sugar and its allied products, industrial alcohol, bulk organic chemicals, specialty chemicals, renewable energy, printing and publishing, education and social welfare. The company is an integrated sugar company having operations in Sugar, Power, Industrial Alcohol and Specialty Chemicals. As on March 31, 2014, the company has an

integrated sugar plant located at Sameerwadi with cane crushing capacity of 14,000 TCD (Tonnes Crushed Per Day), Co-gen power plant of 45.56 MW and an Ethanol blending plant. Besides, the company also has a Distillery unit having capacity of 290 KLPD (Kilo Litres Per Day) and a chemical unit to produce Ethyl Acetate 270 TPD at Sakharwadi, Maharashtra. The manufacturing unit at Sakharwadi, is a 100% Export Oriented Unit. (EOU). During FY14 (refers to the period, April 01 to March 31) with the government deregulating the sugar sector by allowing the companies to sell sugar in the open market, GBL has also introduced its in house developed brand "Jivna" for sale of sugar in retail in the states of Maharashtra, Karnataka and Gujarat. The company is largely a domestic-oriented player as it derived around 79% of its revenues in FY14 (refers to the period from April 01 to March 31) from sale of products in the domestic market and remaining is derived from export markets.

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

During FY14 (refers to the period April 1 to March 31), GBL reported losses of Rs.32.18 crore (FY13: PAT of Rs.4.02 crore) on a total income of Rs.1,213.15 crore (FY13: Rs.1,196.11 crore). Furthermore, in 11MFY15 (unaudited) GBL reported losses of Rs 68.66 crore on a total income of Rs.897.69 crore.

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

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