

IPO NOTE

Issue Details

Price Band: ₹ 334 to ₹ 352
Issue Opens on: October 23, 2024
Issue Closes on: October 25, 2024
Lot Size: 42 Shares & in Multiples thereafter

Issue Highlights

Issue Size:	₹ 554.75 Cr.
No of Shares:	15,759,938
Face Value:	₹ 10

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	325.00
Offer for Sale	229.74
Total	554.75

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	277.38
HNI	15	83.21
Retail	35	194.16
Total	100	554.75

Listing

BSE & NSE

Lead Managers

- Equirus Capital Pvt. Ltd.
- SBI Capital Markets Limited

Registrar

Link Intime India Private Limited

ANALYST

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COMPANY OVERVIEW

Godavari Biorefineries is one of India's largest producers of ethanol in terms of volume as of March 31, 2024. They were also the largest manufacturer of MPO worldwide in terms of installed capacity, one of only two manufacturers of natural 1,3 butylene glycol and the only company in India to manufacture bio ethyl acetate. At the same time, they have also set up India's 1st bio-based EVE manufacturing facility in India. Their diversified product portfolio comprises of bio-based chemicals, sugar, different grades of ethanol and power. These products find application in a range of industries such as food, beverages, pharmaceuticals, flavours & fragrances, power, fuel, personal care and cosmetics.

The company has 2 Manufacturing Facilities - the Sameerwadi Manufacturing Facility located in Bagalkot district, Karnataka, and Sakarwadi Manufacturing Facility located in Ahmednagar district in Maharashtra. The Bagalkot facility is dedicated to the crushing of sugarcane and manufacturing of sugar, Ethanol and power, while the Ahmednagar facility is dedicated to the manufacturing of Bio-based Chemicals.

The company has an international presence with customers spread across 20 countries. As on the date of this Red Herring Prospectus, the company has patented 18 products/processes and received 53 registrations in relation thereto across different countries.

HIGHLIGHTS

1. One of India's largest producers of ethanol in terms of volume
2. Integrated biorefinery with an installed capacity of 570 KLPD for manufacturing ethanol as at March 31, 2024
3. Diversified product portfolio and well-established relationship with a diversified marquee customer base across industries and geographies
4. Well-developed in-house research and development capabilities
5. Member of the Somaiya group and experienced promoter, board of directors, key managerial personnel and senior management

OBJECTS OF THE ISSUE

1. Repayment/pre-payment, in full or in part, of certain outstanding borrowings availed by the Company (₹ 240 Cr.)
2. General corporate purposes.

Offer For Sale of 65,26,983 Equity Shares. The company will not receive any proceeds from the Offer for sale.

OUR VIEW

Godavari Biorefineries is one of the manufacturers of ethanol-based chemicals in India and they have the largest integrated bio-refinery in India in terms of installed capacity. They are also the largest manufacturer of MPO worldwide in terms of installed capacity, one of only two manufacturers of natural 1,3 butylene glycol and the only company in India to manufacture bio ethyl acetate.

The company operates in highly competitive industry and inability to compete effectively may adversely affect the business. Dependency on a limited number of suppliers for raw materials and also revenue concentration from top customers and few products could adversely impact the operations and financial conditions. Also, the sugar, distillery, and cogeneration segments are subject to seasonal vagaries which may have an adverse impact on the business, financial condition, and results of operations. Insufficient cash flow to fund working capital requirement may have adverse effect. Any adverse change in the policies of the Government of India regarding sale of ethanol would have an adverse effect on the revenue.

On the financial front, the company has shown inconsistency in its topline and bottomline and has posted loss in Q1FY25. It's ROCE and ROE stood at 9.53% and 4.73% respectively for FY24 and the same turned negative for Q1FY25. Also, Debt to Equity has worsened in Q1FY25 to around 3x, which raises a concern about company's financial leverage condition.

The issue is priced at a P/BV of 6.31 based on its NAV of Rs. 55.75 as of June 30, 2024. The company is asking for price at P/E of 120x at higher price band of ₹ 352 which seems to be very aggressively priced, as industry average is around 35x and competitors are valued at 78x being highest (Alkyl Amines Chemicals Ltd.) and 11x lowest of (Dhampur Sugar Mills Ltd.)

Looking at all the factors, risks, opportunities and valuation, investors can avoid the issue.

Brief Financials

PARTICULARS	As at June '24	₹ in Million		
		FY '24	FY '23	FY '22
Total Income	5,252.73	17,010.64	20,230.79	17,099.76
Total Expenditure	5,669.09	16,886.18	19,913.29	16,779.08
EBITDA	(94.90)	1,479.35	1,546.16	1,405.34
Profit before Tax	(416.36)	124.46	317.50	320.68
Profit after Tax	(261.06)	122.99	196.37	190.97
E.P.S. (Diluted)	(6.22)*	2.93	4.68	4.55
P/E (x) (Diluted)	-	120	-	-
RONW (%)	11.16*	4.73	7.89	8.21

* Not Annualised

PRICE CHART (@ ₹ 352) (Retail Category)

LOT SIZE	Amount
42	14,784
84	29,568
126	44,352
168	59,136
210	73,920
252	88,704
294	103,488
336	118,272
378	133,056
420	147,840
462	162,624
504	177,408
546	192,192

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Small HNI	588	206,976
Big HNI	2,856	1,005,312

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	28/10/2024
Initiation of refunds/unblocking ASBA Fund	29/10/2024
Credit of Equity Shares to demat accounts of Allottees	29/10/2024
Commencement of trading of the Equity Shares on the Stock Exchanges	30/10/2024

For more details, Please refer RHP,

(https://www.sebi.gov.in/filings/public-issues/oct-2024/godavari-biorefineries-limited-rhp_87745.html)

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