1. **About Company:**
Godavari Biorefineries Limited (GBL) operates in multiple sectors, primarily focused on the production of bio-based chemicals, ethanol, sugar, and power. Their range of products includes bio-based chemicals like ethyl acetate, butylene glycol, crotonaldehyde, bio-acetic acid, butanol, and others. They are a vertically integrated company, utilizing renewable resources, and aim to diversify their offerings by expanding into new bio-based products that are synergistic with their current portfolio. Additionally, GBL is also involved in research and development activities, continually innovating to improve product margins and operational efficiency.

Company's product can be categorized into following segments (Baiss on FY 2024):
a) Sugar (33.42%of Revenue)
b) Bio Based Chemicals (29.97% of Revenue)
c) Distillery (33.30% of Revenue)
d) Cogeneration (2.54% of Revenue)
e) Unallocated (0.76% of Revenue)

Segment wise Operating Profit Margins: (Baiss on FY 2024):
a) Sugar - 3.20%
b) Bio Based Chemicals - 1.22%
c) Distillery - 9.46%
d) Cogeneration - 16.65%
e) Unallocated - 27.15%

The company operates **two main manufacturing facilities:** one in Ahmednagar, **Maharashtra**, and another in Bagalkot, **Karnataka**.

2. Risks in the Business:

a) **Dependence on Suppliers**:Godavari Biorefineries Limited (GBL) faces significant dependency on its suppliers due to government regulations. The company is required to procure sugarcane from specific regions, as mandated by regulatory norms. Additionally, the price of sugarcane is also set by the government, limiting the company's ability to negotiate favorable terms with suppliers. As a result, GBL's bargaining power is significantly constrained, making it vulnerable to fluctuations in supply and costs that are outside its control.

b) **Seasonality and Weather Conditions**: The availability of sugarcane, the company's primary raw material, is influenced by seasonal vagaries such as adverse weather, crop disease, and pest infestations. This can lead to fluctuating production levels and price instability, potentially affecting revenues.

c) **Regulatory Risks**: The company's operations are subject to various governmental regulations, including environmental laws. Any changes in these regulations, or failure to comply, could result in increased costs, penalties, or operational disruptions.

d) **Market Competition**: GBL faces competition from both large multinational companies and local players, which can lead to pricing pressures and may impact profitability.

e) **SEBI** has in the past directed our Company to refund amounts received pursuant to certain allotments to Sameerwadi Sugarcane Farmers' Welfare Trust or to pro rata distribute Equity Shares, to beneficiaries of the Sameerwadi Sugarcane Farmers Welfare Trust. Any regulatory or legal proceedings in the future may adversely affect business prospects, financial condition, results of ongoing operations and reputation.

3. Industry Analysis:

a) Brazil is the largest producer, accounting for a significant portion of global sugar exports, followed by India. However, India stands as the largest consumer of sugar, driven by a large and growing population.

b) Sugar Industry Cycle Nature: The sugar industry is supply-driven, with demand remaining fairly constant.

i) High Production: Increased sugarcane production leads to higher sugar output.
ii) Sugar Surplus: Excess sugar production results in surplus supply.
iii) Lower Prices: Surplus supply drives down sugar prices.
iv) Reduced Profits: Lower prices reduce the profitability for sugar mills.
v) Delayed Payment: Due to lower profits, sugar mills delay payments to farmers.
vi) Shift to Other Crops: Farmers, frustrated by delayed payments, shift to cultivating other crops.
vii) Low Sugarcane Acreage: The shift to other crops results in reduced acreage for sugarcane cultivation.
viii) Less Sugar Production: With less sugarcane being cultivated, sugar production decreases.
viii) Sugar Shortfall: The reduction in production creates a shortage of sugar in the market.
ix) Higher Prices: The sugar shortfall drives up sugar prices.
x) Improved Profits: Higher prices lead to improved profits for sugar mills.
xi) Timely Payments: With better profitability, mills can make timely payments to farmers.
xii) Shift to Sugarcane: Higher prices and timely payments incentivize farmers to return to sugarcane cultivation, starting the cycle again.

c) India's sugar industry is highly regulated by the government, which controls areas such as pricing, export-import policies, and cane procurement.

d) The sugar industry in India has started focusing on the production of ethanol and co-generation of electricity using bagasse, which helps diversify revenue streams.

Brazil, being the largest sugar producer, has recently faced significant disruptions due to fires, which have impacted its sugar production for the long term. As a result, there could be an increase in demand for Indian sugar exports to fill the global supply gap.

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4. Management of the Business:

a) **Samir Shantilal Somaiya** - Chairman and Managing Director. He has been associated with the company since June 22, 2007, and holds directorships in several other companies.
b) **Sangeeta Arunkumar Srivastava** - Executive Director. She plays a crucial role in overseeing various operational functions within the company.
c) **Bhalachandra Raghavendra Bakshi** - Executive Director. With a strong background in operational leadership, he oversees production and other critical business areas.
d) **Suhas Uttam Godage** - Executive Director, Works (Sakarwadi). His focus is on manufacturing operations, particularly at the Sakarwadi facility.

5. Financials of the business:

(In Crores)

Particulars	For 3 months ended June 30, 2024	FY 2023-24	FY 2022-23	FY 2021-22
Revenue	522.52	1,686.66	2,014.69	1,702.32
Export (% of Revenue)	15.24%	16.65%	19.97%	22.81%
EBITDA	(9.49)	147.93	154.61	140.53
EBITDA Margin	(1.82%)	8.77%	7.67%	8.25
PAT	(26.10)	12.29	19.63	19.09
PAT Margins	(5%)	0.73%	0.97%	1.12%
CFOA	(14.47)	185.66	196.96	44.86

6. Peer Analysis:

Companies	Revenue	EBITDA	PAT	MCap	P/E
Godavari Biorefineries (FY 2024)	1,686.66 Cr.	147.93 Cr.	12.29 Cr.	1801 Cr.	146
Alkyl Amines Chemicals Limited (TTM)	1,431 Cr.	270 Cr.	148 Cr.	10,786 Cr.	72.90
Jubilant Ingrevia Limited (TTM)	4,085 Cr.	450 Cr.	174 Cr.	11,373 Cr.	65.30
Laxmi Organic Industries Limited (TTM)	2,856 Cr	286 Cr.	117 Cr.	7,154 Cr.	61.40
EID Parry (India) Limited (TTM)	29,133 Cr.	2,767 Cr.	1,519 Cr.	13,548 Cr.	15.40
Triveni Engineering and Industries Limited (TTM)	5,323 Cr.	649 Cr.	359 Cr.	8,706 Cr.	24.30
Balrampur Chini Mills Limited (TTM)	5,626 Cr.	992 Cr.	531 Cr.	12,323 Cr.	23.20
Dalmia Bharat Sugar & Industries Limited (TTM)	3,026 Cr.	539 Cr.	266 Cr.	3,801 cr	14.30
Dhampur Sugar Mills Limited (TTM)	1,890 Cr.	229 Cr.	91 Cr.	1295 Cr.	14.30
Dwarikesh Sugar Industries	1,480 Cr.	142 Cr.	33 Cr.	1,221 Cr.	36.80

Limited (TTM)					

7. Conclusion:

In conclusion, Godavari Biorefineries Limited (GBL) operates in a highly regulated industry with tight government controls, particularly in sugar production. The business faces challenges from low margins due to regulated sugarcane prices and limited bargaining power. Additionally, its bio-based chemical segment operates in a competitive low-margin market. With a high price-to-earnings (PE) ratio of 146, the company's valuation appears stretched, especially considering the inherent risks in its core businesses and the cyclicality of the sugar industry. Therefore, investors should carefully assess these factors when considering investment opportunities.