



Raising the Rhythm

2nd November, 2010.

Dear Shareholders,

Your Company has announced its half yearly financial results for FY 2010-11. As compared to previous fiscal, your Company's turnover and profit have dropped when compared to corresponding period in previous fiscal. I appreciate the expectations you have set

for the Company and am in a position to understand your disappointment at this performance.

The global meltdown of 2008 put a spanner in our growth plans. As you know, nearly 50% of the Company's business came from overseas markets. Adverse conditions in some geographies, namely Europe and USA, have impacted sentiments for investments and implementation of biofuels mandates, even in other regions. Many contracts could not become executable for want of funding which in turn impacted sales. Profits also declined due to lower revenues, especially exports.

Also, for our business there is a lag effect which has seen us go into a down-ward spiral later than others and while other businesses in India have been recording an upswing, it may be a while before our business displays an uptick.

All I can say is that we have been through unprecedented times and we are making all efforts to turn the tide.

There is a reason to believe that the environment for our ethanol/alcohol business is showing signs of improvement while our new businesses are being ramped up. I will, ofcourse, share the progress with you in due course.

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Your Company has launched a program aimed at reviving the performance and rebuilding its growth momentum.

Apart from growth impetus to its current business, the program's charter will work towards consolidating new businesses.

As stated earlier, we have entered into the water business. This includes water and wastewater treatment for industrial and municipal applications. Business is flowing in. The other non-ethanol businesses are Brewery Engineering and Plants and Customized Engineering & Manufacturing. Business is flowing in. **We plan to increase the share of these businesses to 25% over a period of 2 years. While geographical expansion of the business is one part of the plan, we are also looking at inorganic expansion to foster this growth.**

Ethanol Technology & Plants will continue to be an anchor for your Company. Ethanol production is slated to grow to 120 bln litres from the current 85 bln litres by the year 2019* In USA, the opportunity is largely for second generation, cellulose to ethanol plants.

While your Company is working towards a long term growth program, I feel it is more prudent to immediately focus on the shorter term to bring the Company back on the growth path.

Technology

Your Company is exploring new frontiers of Biochemistry with the application of biotechnology and chemicals sciences. While one stream is biofuels, the work undertaken by Praj Matrix-the



innovation center has opened up myriad opportunities for us. This includes products which will either replace or integrate with fuels, chemicals, petrochemicals, food ingredients, cosmoceuticals and many more. Going forward, this is expected to provide a vast business opportunity.

The cellulose-to-ethanol program is also progressing well. We are also looking at partners for joint development.

*Source: IEA/OECD report.

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Restructuring the Organization

The Board of Directors of your Company has appointed Mr. Prakash Kulkarni as an independent, non-executive Director. Some of you may know that Mr. Kulkarni was the MD of Thermax till 2008. He brings vast experience of guiding Companies in similar businesses as also turnaround strategies.



Mr. Anil Joshi, who has been on the Board of your Company, retires with effect from 11th October, 2010. Your Company wishes to place on record its heartfelt thanks for his engagement with the Company.

As informed earlier, Mr. Shashank Inamdar resigned from the post of CEO & MD. I take this opportunity to thank him for his stewardship of the Company and his support. He will continue to be associated with the Company and provide his guidance through his involvement at the Board level.



The Board of Directors of your Company have approved the appointment of Mr. Gajanan Nabar as CEO & Managing Director effective 15th November, 2010. Mr. Nabar has over 22 years of multi-functional management experience. His last assignment was as Managing Director of Praxair India Private Limited (subsidiary of Praxair Inc., USA). He has served with many reputed national and multinational Companies prior to that which includes Monsanto, BASF and Asian Paints.

Mr. Nabar's appointment is another step towards institutionalization of the Company. His experience of handling businesses and customers in diverse industries globally, is complimentary to Praj's own diversified portfolio, especially the new lines of businesses of water & wastewater treatment solutions, process equipment and biobased consumables.

Investments

Your Company plans to invest Rs. 35 crores in establishing facilities which will create further opportunities. This includes a separate manufacturing shop for fabrication of high-end equipment for oil



& gas and general process industry. Biotech products, which includes distillery bionutrients, is being carved out as a prospective business. We are investing in a separate production facility for the same. Apart from that, we plan to augment the R & D center where new technologies are being explored.

While some investments are being made keeping shorter term in mind, some will focus on the long term opportunities like those related to R & D.

End Piece

All attempts are being made to put the Company on the growth path. We do see some traction in enquiries. There is also greater visibility of orders. Our new areas of business are also showing encouraging signs. In the short run the order book has been dynamic and as a prudent practice we will provide for possible delays and cancellations, but, in the long run, the visibility gives us courage to think that the end to the slack is in sight. Our international intake of orders has begun after a long dry spell and order sizes have been increasing. This puts the current order book over Rs. 600 crores executable in the next 15 -18 months.

Having said that, we will let our performance speak. We will strive to keep you informed on all future developments.

Here is wishing you a **VERY HAPPY & PROSPEROUS DIWALI!**

प्रमोद चौधरी

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Disclaimer :

Some of the statements made in the release could be forward-looking in nature. Such forward-looking statements remain subject to risks and contingencies particularly concerning but not limited to governmental policies, economic developments and technological factors. Praj Industries will not in any way be responsible for action taken based on such forward-looking statements.