



## Praj Industries Limited

### Q1 FY21 Earnings Conference Call Transcript

August 14, 2020

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**Moderator:** Ladies and gentlemen good day and welcome to the Praj Industries Limited Q1 FY21 earnings conference call. As a reminder all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing \* then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sandip Bhadkamkar from Praj Industries. Thank you and over to you sir

**Sandip Bhadkamkar:** Good day everyone. We welcome you to this Conference Call organized to discuss Praj Industries' Operating Performance and Financial Results for Q1 FY21 which were announced yesterday.

On this call I have with me Mr. Shishir Joshipura – CEO & MD, Mr. Sachin Raole – CFO and Director (Finance & Commercial), Mr. Atul Mulay – President Bioenergy Business and Dr. Pramod Kumbhar – CTO, at Praj Matrix R&D Center.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance were e-mailed to you. These documents, along with Quarterly Results Presentation have also been posted on our corporate website.

I would now like to handover the floor to Mr. Joshipura for his opening remarks.

**Shishir Joshipura:** Good afternoon ladies and gentlemen. I welcome you to Praj Industries' Earnings Call for Q1 FY21. Trust all of you had the opportunity to go through our results presentation for the quarter ended 30<sup>th</sup> June, 2020. I hope that you and your family members are safe and healthy and stay that way.

The quarter gone by was an unprecedented one given the backdrop of COVID-19 pandemic and the resulting lockdown. The restrictions on movement of people and material caused significant operating constraints and disruptions across the domestic and international markets. We began the quarter in lockdown mode with the suspension of operations, particularly in April and a large part of May. The second half of the quarter saw progressive resumption and opening of operations across facilities and project sites. In these unprecedented times, our focus was to ensure safe and secure conditions for our people, customers and partners while safeguarding the business.

Let me share a brief synopsis of what we have done to ensure business continuity during the quarter: We adopted a work-from-home model for all our employees empowering them with necessary IT infrastructure. To ensure employee safety, we have deployed the highest standards of safety norms and protocols across all our plants, offices and sites. Operationally, our focus during the quarter was on Cash, Cost and, of course, Customers. We have instituted optimal working capital measures to improve cash flows and conserve cash. We have undertaken concerted efforts towards cost management by rationalizing our fixed cost structures and overheads across all dimensions of expenditure. We are working even more closely with our customers to partner with them or solving the challenges across entire spectrum of our solutions space. We are thankful to our customers, supply-chain partners, employees and other stakeholders who are helping us navigate through these extraordinary times.

Let me now take you through the highlights in the developments for the quarter:

Praj has pioneered the Bio-Mobility™ platform that envisages the use of renewable biological resources to produce carbon-neutral transportation fuels across all modes of mobility that is surface, air and marine. Bio-Mobility™ platform comprises of biofuel both in liquid as well as gaseous form and are derived by processing feedstock such as Agri-residue, Molasses, Cane syrup, grains, oil seeds etc.

For production of ethanol, the industry has options of sugary feedstock - the most popular one being sugarcane, starchy feedstock - the grains, rice, maize etc. and cellulosic feedstock - the agri-residues. In a significant move the Government signaled permission for excess grains to be used as feedstock for ethanol production. State Governments have also realized the potential for enhancing the farmers income and employment generation that this policy shift enables. Several State Governments are now formulating their approach for attracting grain-based ethanol plant investment in their states.

Domestic market witnessed increasing traction for B-heavy molasses and bio-syrup to ethanol plants. This demand is spurred by expectation of good sugarcane crop and demand supply imbalance in sugar sector.

Due to increasing need of sanitization, there has been increased traction in Pharma grade alcohol demand across the world. Ethanol manufacturers around the world are keen to produce Pharma grade alcohol and are looking for efficient technology solutions. We are seeing increased traction in order enquiries and leads for this application across the globe. I am very happy to share that we have received a contract for our single largest Pharma grade alcohol facility for our customer in United States.

On the 2G front, all the project execution is progressing on schedule and we expect to commission the first plant by the end of next calendar year. We received the order for supply of critical equipment for the HPCL, Bhatinda 2G Bio-refinery Project as also order for supply of additional equipment for the BPCL project in Orissa.

On the CBG front, Ministry of Chemicals and Fertilizers has issued a fertilizer control order for solid bio fertilizer, a by-product of CBG plant. This will enable profitable disposal for the project promoter and remove one of the important bottleneck in the development of this business. RBI has recently included CBG projects under the priority sector lending. The new definition of MSME augurs well for the investment in CBG projects. We won a press-mud based project for a strategically important customer with high potential for repeat orders during the quarter. We have commenced commissioning of our CBG demo plant based on rice straw as a feedstock at our Matrix facility.

Praj and Automotive Research Association (ARAI) of India entered into an MoU to jointly address technologies to the reported the use of biofuel in a variety of applications including use in internal combustion engines in the transportation sector. Yesterday our Board has approved signing of a definitive Master Framework Agreement with Gevo Inc.

USA to collaborate on providing sustainable aviation fuel (SAF). Gevo and Praj will provide technology, plant and equipment and EPC services to customers to produce renewable Isobutanol from 1G feedstock namely cane juice, molasses, sugar syrup etc. as well as 2G feedstock cellulosic biomass like straws, Bagasse etc. The renewable Isobutanol will be aggregated and transferred to various refineries. Both parties will also provide technology, plant equipment and EPC services to refineries for converting renewable Isobutanol into SAF through the ASTM approved pathway of Alcohol-to-Jet (ATJ).

Praj's strategy has always been to expand its business horizon, leveraging our innovative technology solutions in the bio-economy. Building on the success of Bio-Mobility™, we are now foraying in the technology development for renewable chemicals and materials faced with Bio-Prism™. We are developing technologies to produce bio-based RCM which are sustainable alternatives to products made from the fossil resources. Praj's Bio-Prism™ portfolio comprises a variety of bio-industrial products including bio plastic as a priority along with cellulose-lignin refinery products and specialty products. In our RCM endeavor, we are working with leading companies across the globe and research institutions to explore different opportunities. This kind of development takes about a couple of years to see the path of commercialization.

Let me share updates on our Engineering business:

Our brewery business has been impacted very adversely by the pandemic situation with the industry leading to a freeze on CAPEX for the current financial year. Understanding the special situation of our customers, we have developed solutions that will create a revenue stream as well as reduce operating costs for brewery significantly and these solutions will be almost life-saving for all the existing breweries that are in operation.

On CPES front, we continue to establish strong relationships with select global technologies in EPC players. This quarter we received a very critical order from one of our key accounts who are seeking to develop India as an alternative to China. We are working with a US-based waste-to-energy technology player as well to develop modular design architecture and detailing for their plans.

Our water and wastewater treatment business has been receiving healthy set of enquiries for the zero liquid discharge system. However, due to the current uncertainties there have been delays in order finalization.

On the PHS front, we are witnessing good traction in both domestic and international market for Pharma enquiries. We are witnessing increasing interest from value chain of COVID vaccine manufacturers and API replacements. The push for localization for critical medicine within the geographical boundaries is also giving rise to traction in international business. While we are witnessing strong inquiry traction in certain segments of business, the current pandemic situation has slowed down the decision-making in others. Our ability to innovate at a very fast pace, centered on solutions for customer problems is helping us build positive traction in our business.

With this I will now hand over to Sachin for his comments on the financial performance.

**Sachin Raole:**

Thank you Shishir. I will now take you through some of the actions undertaken and the financial performance for Q1 FY21, following which we will open the forum for your questions and solutions.

Revenue from operations for the quarter stood at Rs. 129.55 crore as against Rs. 211.60 crore in Q1 FY20. EBITDA was at Rs. (13.17) compared to Rs. 8.11 crore in Q1 FY20. PAT was Rs. (10.50) as against Rs. 8.77 profit for Q1 of FY20. During the quarter export revenues has accounted for 26% of the total revenues, Bio-Energy accounted for 59%, 16% from Engineering and 25% from PHS business. The order intake for the quarter was at Rs. 310 crore with 41% from export market. Of the total

order intake 70% came from Bio-Energy, 17% from Engineering and balance 13% from PHS business. The order backlog as of June 30<sup>th</sup>, 2020 stood at Rs. 1,263 crore.

During this quarter, we focused on working capital management aggressively. Our focused approach helped us in faster collection of receivables, controlling the stock levels and maintaining the healthy payment cycles for our creditors. The effort put in by us resulted in improved cash and cash equivalent position to Rs. 274 crore as of June 30<sup>th</sup>, 2020 as compared to Rs. 226 crore as of March 31.

Before I conclude:

I would like to clarify one of the issues raised by some of you regarding the promoter's shareholding in the company. Over a period of last 5 years, because of the ESOP exercised by employees the overall capital base has moved from Rs. 17.74 crore shares to Rs.18.31 crore shares. This is resulted into percentage wise relative dilution of promoter's shareholding from 33.98% to 32.92%. Their holding in number of shares has remained unchanged at 6.03 crore shares. I now conclude my remarks and I would like to thank you all for joining us on this call is to be would now be happy to discuss any questions, comments or suggestions you may have. Thank you.

- Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question-answer session. We take the first question is from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Regarding the Brewery segment; you were telling some solutions being provided that will be released for them, so if you could allude to the point. What exactly have we done?
- Shishir Joshipura:** Considering the condition of the Brewery industry where we recognized that their focus for the next three quarters is going to be on absolutely reducing their operating costs on one hand and finding ways and means of improving their revenues from existing set of operations. So, our team has worked on solutions that helped them achieve that. So one of the solutions addresses reduction of energy footprint in the highest energy consuming section of the plant by over 50% and that creates a very definitive saving for them on the operating cost which is obviously a key requirement for them. We have also developed another technology that helps them to co-produce from an existing brewery another product line that would help them to recognize additional revenues compared to what they do today from the same set of operations. Both of these put together, we believe, will help them to address the current challenge that they are facing as an industry.
- Saket Kapoor:** The first point is clear that the power consumption you told and the second point was another line, I did not get that point.
- Shishir Joshipura:** It's a co-product that we will develop out of the stream from spent grains, yes, it is a co-product development stream that we will generate for them which will help them recognize additional revenue.
- Saket Kapoor:** Who are our key clients in this segment, already we are doing business with them.
- Shishir Joshipura:** As you probably know we have nearly (+75%) market share in this business over a period of time. So, that literally covers the entire market segment, all the big guys, UB, Heineken, Millers, you name the companies and we are supplying to them. So all of them are our customer base - AB InBev, Coors everybody.
- Saket Kapoor:** There were constraints about a lockdown and it's really tough for an engineering consult like us to take note of what the hazards are and continue with our work. So as the lifting of the lockdown being and the more testing going on and there is increase in the cases reported every day. So what is now our strategy, the number of sites where we are

working, what is the status exactly post June? How is business environment for July since and now we are in the middle of August?

**Shishir Joshipura:** There is a very definite to change because I think the focus has also come on making sure that the livelihoods is also safeguarded not only the lives. So, we have taken extraordinary measures at all our sites, our factories, our offices to ensure that we follow the norms that are prescribed by the medical community to ensure that people stay safe in terms of distancing, masking, testing, and sanitization. We have taken retail measures and implemented them across all locations that's one step that we have taken. The second is, of course, to start opening and that is what has happened. Our Kandla factory is now fully functional at 100%. Two of our other factories are not yet at 100%, they are at about 70% because as you know that in this particular case, the way the pandemic is spreading which also creates some localized zones and containment zones, for some of our customers for example have factories that are brought under containment zones for a period of time, so this is a shifting zone as we have all witnessed. In terms of our own operation and establishing supply chain, I can easily confirm that our Kandla work is 100%, our supply chains are more or less back to normal and our other two factories are ramping up and they are about 70% and we are gradually ramping them up to their full capacity. Our R&D centre is already working at full capacity.

**Saket Kapoor:** What kind of normalcy are we expecting for this quarter? The way we do business, the environment has definitely changed a lot, taking into the precautions that are needed, what percentage of utilization levels or if you could sum-up all the amount of work which is executable over a period of nine-months whatever is left for this financial year, where are we currently in terms of that?

**Shishir Joshipura:** As you rightly said it is important that we are able to ramp up safely and that is our top most priority and we are very focused and are staying in terms of a dynamic response because a situation may demand a very different response 15 days from now than it has today because of the way the whole thing is, till the time vaccine is found that is going to be true for everybody in the globe not only for us and that we need to be staying very alert and agile in our responses to situations that may arise and that's what we are doing. As I was mentioning to you we are ramping up our facilities gradually and when I say gradually it is because of the restrictions that get imposed, travel or their ability to reach one place, the supply chain being able to supply everything, on time as if times were normal. So those are the factors on the factory operations. On the other hand, as I was mentioning we created a business continuity plan that allowed us to very quickly move in fact in 24 hours we were able to move all our employees to work from home. And I think that was significant reflection of the way we run and plan our operations that in 24 hours we are able to move almost entire population of our employees to work from home. So many of our employees are even today working from home and they are contributing as you probably witnessed this quarter saw a very improved order booking performance from us and that is because we are still continuing to be in close touch with our customers. In the new order of things because everybody is equally impacted, travels are restricted for everybody, so customers are also very comfortable speaking to us because we are able to fulfill their needs working remotely and connecting remotely with them and all of that is combining to help to build us to the current momentum level where we are.

**Moderator:** The next question is from the line of Vikram Suryavanshi from PhillipCapital.

**Vikram Suryavanshi:** We have seen good growth in Hi Purity, so was there any bunch of the products or how do we see the outlook going ahead? Anyway, Pharma is doing good, so will that translate to sustainable growth for us also? So if you can comment on that.

**Shishir Joshipura:** You are right. As I was mentioning earlier also there are the customer segments who want us to move faster than we can because they have a demand on their side to fulfill, customers who want to put up Pharma grade Alcohol facilities, almost all our customers on the pharmaceutical side especially for the PHS business. Some of our ZLD customers

are also pushing us, though not all, some of those for whom we are already constructing the plant because they would like to make sure that as there is no relaxation on deadline etc. that they have to be ready to fulfill their production norms. So its different strokes for different folks of sorts, so different demand from customers there are, we know in domestic market right now there's a great interest as I was mentioning earlier to see how in the coming season the B-heavy molasses and the syrup and Bio-syrup become the feedstocks of choice. So a lot of action that is happening around that as well and there's a whole host of activities that is happening with the grain based alcohol opportunity. So, we see a very high level activity building up and that according to me augurs well as we move into the future and like all of us, we are all hoping that things come gradually under control on the pandemic side and we are able to return back to the working we all need to do.

**Vikram Suryavanshi:** And on the bio-gas side I think government has done notable job in terms of long-term pricing and then now fertilizer control act, by-product, also will get good traction in terms of the project designing. So, are we seeing or by when we can see the traction in this biogas or have, we received some orders even in this quarter?

**Shishir Joshipura:** So Vikram as you rightly said I think some very progressive announcements on the CBG Policy front. There were three big issues as I saw it. One was on the pricing which has been resolved. The other one was around environmental clearances to under what category these projects will fall and there was somewhat I would call as an exchange of information between the Central Pollution Control Board and several state pollution control boards. Of course, we were also called to provide information and so now we have been able to win for our first project in UP, a Green Zone Certification from the environment clearance perspective and I think that's a very positive development because that can become a precedence now for setting up the balance projects. So that's been a very constructive development in that field. The latest announcement around RBI signal to include CBG projects in the priority sector lending will also then make it possible for banks to fund these projects. So I think some very constructive developments are happening and it only augurs well for the business and we are also seeing an improving interest from several of our customers.

**Vikram Suryavanshi:** And last question, now our association with Gevo and many other partners are now evolving with most other products also, how will the financial arrangement be? Will it be like royalty or any other kind of, if you can give some more light on the kind of arrangements which will have financial impact for us?

**Shishir Joshipura:** So it depends on the nature of agreement and licensing in terms of who will license at what moment in time. In Gevo's case as we have mentioned even some of their internal requirements, they will license the licensing part of the technology will stay with them but the execution part of the technology will stay with us. So we will have to approach the customers to arrive at, what I would call as, an acceptable arrangement with the customers to see as to how the licensing, part licensing is with them, part licensing with us, so how will they get paid and how will we get paid. These are some of the commercial agreements that we have to do with our customers. Per se our working with them does not involve us paying any royalty to them.

**Moderator:** The next question is from the line of Sandeep Sabharwal from [asksandeepsabharwal.com](http://asksandeepsabharwal.com).

**Sandeep Sabharwal:** My question was more on the order booking pipeline, you have done very strong order booking in the first quarter, a very tough period. So is all that because of some orders in the pipeline which got just finalized or is the pipeline actually looking strong?

**Shishir Joshipura:** So Sandeep, as I was mentioning there are some very positive drivers in the market. For example, Pharma grade alcohol or Pharma sector itself to whom PHS is serving. We are seeing the CBG as we begin to see it now moving forward. So there are segments of our business which are witnessing strong traction on the enquiry inflow for interest. On the

other hand there are also as I was mentioning earlier, there's a Brewery segment which has a different set of challenges to overcome and we are finding innovation as a lever to actually make sure that we create a different path for ourselves and help our customers overcome their problems as well. So overall I would say that the traction is on the positive side.

- Moderator:** The next question is from the line of V.P. Rajesh from Banyan Capital.
- V.P. Rajesh:** What I was asking is that in your order book there is a significant growth, so I was just wondering if one of the drivers was that because you were not able to execute during the quarter therefore the ending quarter order book is higher. Is that a fair assumption or am I mistaken in that?
- Shishir Joshipura:** So if you look at our order inflow for the quarter and I think that's the first indicator that I will use; it is higher than the previous quarter but also much higher than the same quarter last year. So, that is the major reason that has built our order book to where it is today. Yes, you are absolutely correct and you are not completely off the mark in saying that because we were not able to execute orders for 6 weeks; we were obviously carrying some additional order into this quarter. That you are correct but we actually asked this question to ourselves and we did the math and we found that. So we are roughly carrying 40% higher order book in compared to same time last year on the 1<sup>st</sup> of July and if I had adjusted it for that period of time and we said we were similar to last year performance on the sales side then it looks like to be a something like a 30% additional order book. So it is a constructive order book not only because 6 weeks were lost in lockdown.
- V. P. Rajesh:** So my second question is out of this order book how much of is going into the Pharma sector whether it is in the HiPurity or whether it is in the other business? If you can just give some color on that?
- Shishir Joshipura:** When you say Pharma sector you actually mean Pharma companies?
- V. P. Rajesh:** That's right so the clients are Pharma companies whatever you are doing for them either on the water side or on the CPE side or anything else?
- Shishir Joshipura:** So let me put it like this and I hope I am catching the spirit of the question here. If we look at our order book for Pharma grade alcohol plus what we are supplying to other product lines to Pharma companies; if I put them together then that is roughly about one-third of the order book.
- V. P. Rajesh:** And lastly this SAF, by the way congratulations on signing that agreement. My question is what are the near-term opportunities you see for this collaboration, sort of the market opportunity, the size basically?
- Shishir Joshipura:** I am very happy that you asked me question and as you speak with me; I have a very happy announcement to make on this call. First of all, as you know sustainable aviation fuel is a requirement for the airline industry; all aviation industry let me put like that not necessarily only airlines. The aviation industry to meet its GSG norms but there are some other sectors also that working in terms of energy security etc. so we had actually submitted a sample to Indian Air Force for testing on their engine base. So I am very happy to share with you that only late last night we have received an approval from Indian Air Force that yes this fuel is fit for use into the Indian Air Force fleet as well. That's a very significant development because our collaborators Gevo had already tested this on what's popularly called as Western Fleet which is the aircraft that is made in United States or Europe or Western Europe versus the Eastern Fleet which is more around Russian and those kind of technologies but with Indian Air Force testing and certifying it, is now tested for both fleets. So, this is a very positive development so far in this business.
- Moderator:** We take the next question from the line of Hareesh Hinduja from SVS Securities.



**Haresh Hindocha:**

Just want more detail on this single largest Pharma grade alcohol facility. What is the size or is this the first order in US and couple of details about it?

**Shishir Joshipura:**

It is not the first order for us in US. We have built several plants in United States but as I was mentioning that the pandemic has given a new found rise to the requirement of Pharma grade alcohol. So if you earlier looked at the alcohol market, we were looking at fuel ethanol which was one largest segment followed by potable alcohol which is a drinking part of it and then third there was a small section of industrial alcohol but now Pharma grade alcohol has walked in as third largest segment in my opinion, in our understanding. So this is creating a big demand so that's first positive development in the market. Catching on that, one of the leading producers of ethanol in United States wanted to set up this facility at their Wisconsin plant to produce Pharma grade alcohol and Praj has a technology which is absolutely unparalleled in terms of its efficiency and its output characteristics. So different markets in the world have different requirements, different specifications for Pharma grade alcohol. United States happens to be the toughest and this is where our technology won head over heels for everybody else and we are building this facility for them now. The current capacity, the plant that we are building is 50 kilo tonnes per annum.

**Haresh Hindocha:**

So what must be the, our part of the project cost in that particular order roughly?

**Shishir Joshipura:**

It's roughly about Rs. 50 crore contract for us.

**Haresh Hindocha:**

And what is the execution time?

**Shishir Joshipura:**

As I was mentioning that people who are putting up Pharma grade alcohols, they want everything yesterday.

**Haresh Hindocha:**

I know, the big boom in Pharma sector, that's why I am asking you.

**Shishir Joshipura:**

A big push in demand and so we are contracted to supply this plant towards end of this year, calendar year.

**Haresh Hindocha:**

What is the situation in India in the Pharma industry? Are you getting the same response from the Indian Pharma sector?

**Shishir Joshipura:**

The Indian Pharma grade alcohol, specifications are different.

**Haresh Hindocha:**

Then also what is the response in that sector, I mean domestic sector?

**Shishir Joshipura:**

Two things, probably I can mention here that if you were to talk to my friends in the ethanol producer, the sugar companies that are producing ethanol today; they will tell you that this boom in sanitizer application has actually helped them realize better margins in their businesses because they are able to divert part of their production, for the production of hand sanitizer etc. So as I was mentioning there are different requirements in each market for different applications but in the toughest market in the world which is United States our technology has stood clearly differentiated compared to our competition.

**Haresh Hindocha:**

Out of the total order the export order is of 18%. So after this US, according to you, being the toughest grade of alcohol they are manufacturing, are you getting the enquiry for the same alcohol in other parts of the world like say Europe?

**Shishir Joshipura:**

Yes, so as I was mentioning I think I must clarify this. I had mentioned that in my opening remarks as well that there is a big push for what I call as localization of capacities and this localization is within boundaries of a country and we are seeing that there is an increased awareness, even requirement from a several countries to set up Pharma grade alcohol



facilities within their geographical boundaries. They do not want to be dependent upon imports. People are happy to import other forms of alcohol but not this. So that's something that we are seeing good traction. In fact across the parts of the world whether it is Southeast Asia, Africa, Europe, America, we are seeing, including Middle East, we are seeing a demand for producing Pharma grade alcohol locally. So we are seeing a good traction there, yes.

**Haresh Hindocha:**

Can you just give details of the HPCL Bhatinda 2G bio-refinery project? What is the size and what is the acquisition period because it's a PSU I do not know when it starts and what is the timeframe? So can you have just ballpark number because I know you must be getting this order after maybe 1.5-2 years of all the formalities? So can you just, what is the execution period and whether that project has been started or not?

**Shishir Joshipura:**

As you probably know we are building under the Government of India plan. We are building 4 advanced bio-fuel oil refineries in the country that is what we got the contract for. So one is for IOCL in Panipat, the other one is for BPCL in Orissa and the third one was for HPCL but our original site that was awarded to us was a place called Badaun in UP and fourth one is for MRPL in South. You are already aware of the first two projects that have taken off IOCL and BPCL that are progressing. HPCL was third but at that time HPCL wanted to build the first project in Bhatinda and second one in Badaun. So for Bhatinda they had selected another technology partner however after certain developments on the other end, where HPCL felt that no it is better for them to utilize our technology because it was proven, where other guys were still trying. They switched the license from Badaun to Bhatinda for us and they have actually moved extremely fast. They have moved very-very fast so from the time they took the decision to now, this has been like a 3-4 months development. What we have been dialoguing with them some time but this is almost like last 4-5 months development that has resulted into this and they are now going full stream ahead.

**Haresh Hindocha:**

And the good news what you have shared for that aviation. Now what is the next step, you have got an approval from the Air Force. So will all refineries are going to put the plant for that or what is the, can you just, just say a ballpark number?

**Shishir Joshipura:**

The way this sustainable aviation fuel business works is that first and foremost you need an approval from the user that yes, I approve that this will if available, I can use in my fleet. If you don't have that there is no further business. So this was a very important step for us to win this approval. So that's what we have done now. This first approval has come to us and we have won this from Indian Air Force. In terms of commercial fleets, Gevo has already tested this on airlines like United Airlines, on Lufthansa; they have an agreement with Delta. So those aircrafts are more, there are only two makers in the world more or less. So Boeing plane or an airbus, so there I need not prove again but in the Defence sector there is different cup of tea. So that is the first step then you go and dialogue with of course, we will have to dialogue with on multiple fronts about.

There is an initiative called Clean Skies for Tomorrow that has been launched with the help of World Economy Forum in India which is trying to build the platform for saying what India should do as a country to address this need for clean skies. How we can create a higher independence out of producing our own sustainable aviation fuel rather than depend on imported crude and then refine it. So there are several dimensions that get involved into this. As a model what we are proposing is that a sugar mill can actually produce another molecule called IBA, bio-isobutanol which is what, today they produce ethanol, they can also produce Isobutanol and then three or four of these Isobutanol producers will supply IBA to refinery and that refinery will use a process to convert that IBA to sustainable aviation fuel. That's the model with us, so it has many advantages. It distributes the risk; it does not concentrate at one place so risks are minimized. It involves farmers; it has many-many positives to its dimensions. So we are going to work on that now.



Any thoughts on buyback, as you have postponed now, I mean cancelled? The buyback is still in your thought or just cancelled?

**Shishir Joshipura:**

Yes, it was called off at that time because when we thought about it and then when the whole situation unraveled on the pandemic I think our Board took a very courageous but an absolutely correct decision to preserve the cash of the company and I think because at that time it was completely unknown what will happen. Subsequently we have been able to align ourselves, all our efforts extra as Sachin was mentioning and we have actually improved our cash position but the fact is that we are still in uncertain times. Isn't it? The number of cases is much more than they were on 15<sup>th</sup> of April. So from that perspective, the problem is not gone away. It is very much here. It's just that we are now more familiar with it, so I don't think we are living in a mindset which says there is no problem, life is back to normal. Life is not back to normal but at least we understand what we need to do. At least we are better prepared than we were when this whole thing started, that perspective, yes.

**Moderator:**

The next question is from the line of Ritika Agarwal from Quest Investment.

**Ritika Agarwal:**

My first question is in the current order book, how much of order is pending from 2G and what is the total order that you expect to receive from the 2G segment in FY21-22?

**Sachin Raole:**

The outstanding order book from 2G is around Rs. 340 crore out of the Rs.1,263 crore number and balance order if you look at we have already received three critical equipment orders from three companies. One critical equipment order is pending and whatever we will be bidding for other equipments in other projects. So I just can't put a number right now but that's the scope which is still available for us.

**Ritika Agarwal:**

So in the current quarter have we received any 2G orders?

**Sachin Raole:**

Yes we have received two orders, one the critical equipment order and another one also for the other equipments.

**Ritika Agarwal:**

And if you could quantify out of the Rs. 310 crore order intake in the current quarter; how much is from 2G?

**Sachin Raole:**

Rs.135 crore.

**Deepika Agarwal:**

Second question is on is there any update on the Europe 2G segment that we were eyeing on?

**Shishir Joshipura:**

Yes Ritika, so the REDII implementation is got a little delayed on account of this pandemic which has happened globally. So what we are seeing now is, so there is almost a 6-9 months delay that has set in the process of rolling out RED II and therefore what seems to be happening in Europe is people are saying but in order to meet the target over the next 2 years at least because these projects take time to build, so what we are expecting is that over the next 2 years some 1G capacity may also get built which otherwise would not have got built in Europe. And the dialogue on 2G plants has resumed post the first quarter and we are seeing increasing interest from a few customers there. As you are aware, we had announced our working with a company - Sekab in Sweden and Sekab has developed a technology for treatment of soft wood and conversion to so we will work with. They have given a sub agreement and now we have entered in an agreement with them that we will improve their technology and help them commercialize it for addressing forest residue and soft wood conversions to ethanol. So that's another step that will happen in Nordic countries. So I am sure that in the coming quarters you will hear more about it.

**Ritika Agarwal:**

You were mentioning about the Pharma based ethanol traction. Could you explain more on that in terms of domestic, how are we seeing that traction and also internationally?

Sure Ritika, so as we all know sanitizers are now integral part of our lives; for all of us globally not only for us but in addition to that in the hand sanitizer there is also a lot of space sanitization, goods sanitization, the whole host of applications that are opening up because I think we are now understanding the importance of sanitization in our lives and therefore we see, globally, a demand for Pharma grade alcohol which is a basic ingredient increasing for that reason. Having said that and as I was mentioning that's one factor. The second is also when this pandemic happened there were, because of no movements of goods; so even if one country wanted some particular good they would not receive it because there was no way to transport them across borders. So, I think there is a growing realization that this is a necessary good for saving lives and therefore several economies are actually showing interest to set up their own local facilities for the purpose of Pharma grade alcohol construction within their own production within their own boundaries. So that's the second driver that is happening and of course with the demand increasing, the margins are also higher. So it is also a commercial attractive proposal so we are seeing an all across increase in interest across the world from different boundaries and geographies, from different continents about the capacity for Pharma grade alcohol. Even in India you have probably heard many-many of our customers who are producing ethanol has switched to the need of the hour and they have very quickly established lines for making of sanitizers, using their current ethanol production facility, diverting part of their production for this purpose and that's the trend as I was earlier mentioning that the specification for Pharma grade alcohol are different in different countries and there is nothing right or wrong about it. It's just that they have different standards. So depending on that there is a market demand that is coming up for us.

- Moderator:** The next question is from the line of V. P. Rajesh from Banyan Capital.
- V. P. Rajesh:** Just wanted to know your net cash position at the end of June quarter?
- Sachin Raole:** Its Rs. 274 crore.
- V. P. Rajesh:** So that's the net cash on the balance sheet?
- Sachin Raole:** That's right. We don't have any debt in any case so it's a net cash position.
- Moderator:** Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for their closing comments.
- Sandip Bhadkamkar:** I would like to thank everyone for your time. In case you have any more questions feel free to write us at [info@praj.net](mailto:info@praj.net). Thanks again for your time and have a nice day.
- Moderator:** Thank you. On behalf of Praj Industries that concludes this conference. Thank you all for joining, you may now disconnect your lines.

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*Disclaimer - The following transcript has been edited for language and grammar; it however may not be a verbatim representation of the call.*