

**Praj Industries Limited**  
**Q3 & 9M FY24 Earnings Conference Call**  
**February 02, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Praj Industries Limited Q3 Nine Months FY24 Earnings Conference Call.

As a reminder all participant 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.

I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisor. Thank you and over to you sir.

**Anuj Sonpal:** Good afternoon everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We manage the Investor relations of Praj Industries Limited. On behalf of the company, I would like to thank you all for participating in the Company's Earnings Call for the third quarter and nine months ended of the financial year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, let me now introduce you to the Management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. Shishir Joshipura – CEO and Managing Director and Mr. Sachin Raole – Chief Financial Officer and Director of Resources.

Without any further delay, let me request Mr. Shishir Joshipura to start with his opening remarks. Thank you, and over to you, sir.

**Shishir Joshipura:** Good day everyone. I welcome you to Praj Industries' Earning Call for Q3 & 9M FY24. Trust all of you had the opportunity to go through our results for the quarter ended 31st Dec 2023.

I would like to start today with a very exciting development. It gives me immense pleasure to share that Hon. Union Minister Shri Hardeep Singh Puri inaugurated the first-of-its-kind fully integrated Alcohol to Jet (SAF) demonstration facility at Praj Matrix on 20th January 2024. This is a milestone achievement in Praj's pursuit of sustainable decarbonization of transportation sector. Building SAF Production Capability from Biomass will lay pavement for making India an export hub for SAF for Global Aviation Industry.

Yesterday hon. Finance minister presented the Interim Union budget 2024, with aim to create a conducive environment for business growth, innovation, and socio-economic development. There is a clear focus on leveraging captive resources in the energy mix, which is aligned with the vision of Energy Independence by 2047. Initiatives such as Phased mandatory blending of compressed biogas (CBG), financial assistance for procurement of biomass aggregation machinery are aimed to give boost to the bioenergy sector. The budget has also announced scheme for Bio-manufacturing and Bio-foundry sectors. These will provide environment friendly alternatives such as biodegradable polymers, bio-plastics, bio-pharmaceuticals and bio-agri-inputs. These green growth initiatives will facilitate energy security while achieving the climate action objectives of the nation.

We, at Praj Matrix had already envisioned the necessity of bio-manufacturing for the energy security and the sustainability agenda.

Coming to the business performance,

This quarter demonstrated that our efforts to broad base our product mix have begun to yield targeted results. Our order book maintained its momentum with visible changes in its constitution. CBG, ETCA, Services and PHS have all contributed to this quarter's momentum.

**In Our domestic bioenergy business**, the supply chain dynamics in the sugar sector were changed as the government ordered ban on use of sugar syrup for ethanol production in the 2023-24 supply year with immediate effect. Later the government revised the order that allowed use of both sugar syrup and B-heavy molasses but with cap for diversion of up to 1.7 million metric tons of sugar for ethanol production. The government followed it up by announcing an incentive of Rs 6.87 per litre for encouraging ethanol production from C Heavy molasses.

In order to promote other feedstock, the government has made an upward revision in price by Rs 5.79 per litre to Rs 71.86 per litre for ethanol produced from maize.

Due to these sudden policy changes, we witnessed a very unusual quarter with no order finalizations for the sugar-based ethanol plants. However, we strongly believe that this as a temporary situation. Praj has already developed solutions for mitigating the feedstock challenge for our sugar customers. We are working with customers on converting their existing

single feedstock plants to multi-feedstock. We are confident that these solutions will help restore the opportunity next year. Though the sugary feedstock based enquiries couldn't result into orders, we witnessed steady flow starchy feedstock based enquiries getting converted into orders.

**On International front,** Global biofuels alliance is developing positively. 22 countries and 12 International Organizations are now part of GBA. Praj has already initiated dialogue with 10 countries and has interacted with 7 organizations.

Low carbon ethanol opportunity in the United States continues to be viable. However, clarity on section 45(Z) of Inflation Reduction Act (US) is still awaited, resulting in delays in decisions on capital expenditure. These clarifications are now expected before June of 2024, which can help us in converting our engineering contracts to supply of equipment in 2nd half of FY 25.

We have intensified our focus on growth of services business in both domestic international markets. We are in the process of establishing a strong distributor network in chosen markets to offer entire suite of solutions comprising of Enzymes, Yeast and Performance enhancers.

**On 2G front,** IOCL plant recommissioning is underway. In an agreed two stage program with IOCL, we will establish the performance of the plant in the first quarter of FY25.

**As for CBG,** the business landscape is evolving positively. The government has announced CBG Blending Obligation (CBO) that mandates blending of CBG in CNG & PNG from FY 25-26. CBO mandates are expected to increase gradually from 1% in FY 26 to 5% from FY 29 onwards. It will encourage investment of around Rs 37,500 crores and facilitate establishment of 750 CBG projects by 2028-29.

We received four more orders which were part of five project LOI with one of the conglomerates. We are also witnessing positive developments on overall enquiry pipeline in this segment.

Energy Transition is a very important growth agenda for our Engineering and Modularization business. I am glad to report that almost 2/3rd of the orders booked for this business are from the ETCA segment. Our work on GenX facility at Mangalore is in full swing. We have completed all statutory compliances for commissioning of operations. We expect to start the commercial production activity by mid-February.

**Our PHS business** witnessed development of strong order book that has already crossed the entire OB of FY 23 in the 9 months of FY 24. We received first international order for high-capacity fermenters. We also completed the first order of water system for lithium iron batteries' plant, that has similar requirement like semiconductor application.

**Zero Liquid Discharge** business is experiencing healthy enquiry inflow. While we are close to deliver our first modularized ZLD plant, we have received 2nd order and discussions are progressing positively with several customers.

Earlier I mentioned the union budget provisions to boost biomanufacturing and biofoundry sectors. Praj has always believed to invest in unfolding future and in line with that I am happy to share that the installation of our demo plant for PLA is nearing to completion and we expect the demo plant operations to start by April 2024.

Overall, the business outlook continues to be positive for our business.

Before closing, it gives me immense pleasure to inform you that Dr. Pramod Chaudhari has been conferred with the coveted 'Atal Sanskruti Gaurav Award 2023' that recognizes individuals who have demonstrated exceptional dedication and contribution towards excellence.

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

**Sachin Raole:** Thank you, Shishir. Good day everyone. Let me take you through the financial highlights for the quarter and 9 months year ended December 31, 2023

The consolidated income from operations stood at 8.28 billion in Q3FY24 as compared to Rs. 9.11 billion in Q3FY23. PBT has increased by 7% and stood at Rs. 919 million in Q3FY24 as compared to 859 million in Q3FY23. Similarly, Profit after tax stood at Rs. 704 million in Q3FY24 as compared to Rs. 623 million in Q3FY23.

We have seen an improvement in margin in this quarter because of Sales mix, higher exports and engineering (services) orders and softening of material costs. Also, the decrease in one-time other expenses and lower site activities during this quarter.

For 9MFY24, Income from Operations was Rs. 24.4 billion as against Rs. 25.2 billion in 9MFY23. PBT stood at Rs. 2.5 billion in 9MFY24 as against Rs. 2.1 billion in 9MFY23. PAT of Rs. 1.9 billion in 9MFY24 as against Rs. 1.5 billion in 9MFY23.

Export revenues accounted for 21% of Q3FY24. Of the total revenue, 71% is from Bio-energy, 21% from engineering and 8% is from PHS business.

The order intake during the quarter was Rs. 10.3 billion, with 86% from the domestic market. Of the total order intake, 81% came from Bio-Energy, 12% from engineering and balance 7% from PHS business.

The order backlog as of September 2023 is at Rs. 39.5 billion comprising of 75% of domestic orders. Cash in hand as on Sept 30, 2023 is Rs. 6.4 billion.

I now conclude my remarks and I would like to thank you all for joining us on this call. We would now be happy to discuss any questions, comments, or suggestions you may have.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Anwani from PL Capital. Please go ahead, sir.

**Amit Anwani:** My first question on the sugarcane based feedstock plants, just wanted to understand the revenue loss which might have happened this quarter, the quantum and will there be any impact in 4Q. And as you said, we got no orders on that front. Just wanted to understand in the prospective order prospects, what could be the quantum of loss which can happen because of the sugarcane based feedstock plants?

**Shishir Joshipura:** So, Amit, what happened on the revenue side is that, there is a because of the policy announcements, there's a clear shift, as I would call it a temporary old obviously customers had to reassess their projects, the bankers had to reassess the funding that they were making. So since the time period very short some announcement to the time we actually the quarter ended, so it has led to a situation that contracts have got shifted in execution, so they are not gone away. They have just shifted in execution cycle. And normally, the plants that we design for sugar sector have either a molasses C as feedstock or B as feedstock. And then there is a separate plant which can also have syrup feedstock. So depending on how the customers have chosen their project, but they had to reassess from the perspective of their feedstock situation in terms of what will they, what options will they work with. And obviously, this has led to temporary shift of the timeline for the project execution.

In terms of our own response, we decided that we will enable our customers to meet the challenge differently and therefore, at Praj we created solutions which now allows them to go to multiple feedstocks and not necessarily just stay limited to sugary feedstocks. So we have offered solutions which can combine sugary and starchy or sugary and starchy as well as lignocellulosic in terms of bagasse. So we have now different solutions that are being offered to customers. They are all trying to understand their own supply chains on the feedstock side and then they obviously realign their projects. So this is a, as I would call it a short term adjustment that is required but we don't believe that, because the ethanol demand continues and therefore we are sure that industry will find a solution based on our technology offerings to move forward.

**Amit Anwani:** Sure. And so wanted to understand on CBG we already got four orders. So, now just wanted to understand any assessment on the pipeline for the next 12, 15 months. And also wanted to understand, though there are policies surrounding by the government because of the promotion of biomass is, your experience with current customers is there a stronger viability

which can shape up in coming quarters and what is the current IRR on that aspect, if you can highlight?

**Shishir Joshipura:** So, as you rightly said, the numbers that we reported include the four contracts for CBG in our order book. As we move forward, we see a healthy pipeline developed for the CBG products to be in the field. There are again, as I was mentioning earlier as well, the key question that every customer or project promoter is trying to solve is accessibility to the feedstock. And that is why you probably see in the budget as well, that there is a clear provision made for by the government indicated that they will also provide assistance for collection and establishment of supply chain by the feedstock side. So we clearly see a very positive development and a healthy pipeline for the CBG products as we move forward. The CBO announcement that I also mentioned in my opening remarks will also give it a positive push. Typically, these projects would take anything between 12 to 15 months to come fully online. And from that perspective, the financial year '25-26 we are 1% for blending has been announced, we will give them necessary runway needed for development of projects for the promoters.

**Amit Anwani:** So lastly, on the bio manufacturing which government announced and we have been working since quite a long on bio plastics. So any assessment in what shape it is going to come, whether it will be demo plants initially with PPP mode or any assessment with respect to quantum or the investment, if we would like to highlight?

**Shishir Joshipura:** So Amit, there's no details of the policy announcement made available yet that is the fact. However, having said that what's important for us to notice is two things one, there is a clear intention to promote bio manufacturing and bio foundry, that's the direction in which the policy will move, that is a very, very positive development. And the second point that I would like to mention here is the fact that, as a leader in this business we recognize this opportunity developing much ahead of its time, and therefore we are able to anticipate the put R&D money behind development of solution. And now, we are even putting up a pilot project as I mentioned, which was commissioned in first quarter of next year, next financial year. And that augurs well, because we are now setting the pathway for the unfolding future if I can use that word. And we are very, very positive and very excited with this development in the budget.

**Moderator:** Thank you. The next question is from the line of Prathamesh Sawant from Axis Securities Limited. Please go ahead sir.

**Prathamesh Sawant:** Sir my question is with respect to the CBG again. So you mentioned we have a 37,000 crore opportunity. I just wanted to understand so what kind of a competition we'll be facing in this front. So, can we expect a similar market share like we had in bio ethanol where we had 66%, 70% market share. So, do we see any competition here and if yes, who are the competitors?

**Shishir Joshipura:** So, Prathamesh first of all the sector has now got a visibility of its growth path which is very important the CBO policy actually creates a pathway for sector to grow, which is a very, very

important thing. The second is that, when an opportunity arises obviously competitive forces will come into play. CBG is a technology in several parts of the world. Not exactly the same kind of a scheme that government of India has got. SATAT is very, very unique, but in terms of its basic technology construction has been present in different parts of the world with different feedstock's. We ourselves have built over 50 plants in India, where biogas is produced by treating of effluent in distillery. And as feedstock, ecosystem develops different solutions will come out. Now press mud based gas plant, rice straw based gas plant. So, depending on how the supply chains on the feedstock side develop, we will see a clear development on the CBG side as well. In terms of competition, yes, there is competition and sometimes, competition in a very new emerging field is also a good sign, because that shows that the potential is really and truly there it's not just one person's imagination. And then the third is, which is also equally important, market share will develop over a period of time, all of us will try and I'm sure all of us will find a customer who will buy the story that we put out as organization. But what's important is to actually go out in the field and prove this performance and promises. And depending on how each technology performs I am sure the market share will build based on competitiveness dimension. So to comment on market share is probably a little bit early. But we are very excited with potential that this opportunity now promises.

**Prathamesh Sawant:** Great to hear sir, because I believe we had announced something prior that, the renewable gas technology has highest yields in the market so?

**Shishir Joshipura:** Yes, it is you are right. Yes, it has. The point is that, eventually the market share is up is a function of time as well we have to go through this, now that the potential pathway at least appears to be much more clearer than it was before. We assure that as we travel along, we'll talk about it as we build the share. We have no intention to be anything but the leader in the business.

**Prathamesh Sawant:** Great to hear sir. Second question is with respect to your successful SAF flight. Sir are we seeing any interest from US economy post that, as in new demand for economic plants since we have a proof of concept now in hand?

**Shishir Joshipura:** Sorry, could you just repeat the question?

**Prathamesh Sawant:** Since you have a proof of concept with respect to the SAF fuel now, so have you seen any upgraded traction in the US economy, and Europe economy for the plants?

**Shishir Joshipura:** Okay. So in United States, the Inflation Reduction Act has actually set a goal of creation of three billion gallons per year capacity for SAF by 2030. Now, off this I'm just putting some rough numbers out. So of the 3 billion about 1.6 billion is expected to go on the HEFA route. But beyond that, there is no feedstock for HEFA route, the balance 1.4 billion is likely to be on what's called as alcohol to jet route and where ethanol will obviously play a very, very, probably the most important role as we move forward. The ethanol that is required to for this SAF

production needs to, cannot be this normal ethanol it needs to get to what is called as low carbon ethanol status. So there are already a lot of ethanol plants in United States. And the capacity exists on the ground. But now they need to become low carbon ethanol so that creates the opportunity to convert those plants into low carb and ethanol and as I was mentioning in the last quarter not the December quarter but in the quarter ending September, we announced our first order for creation of a low carbon ethanol solution for an upcoming SAF project in United States. So that was the one that we announced. Also, because every gallon of or every liter of SAF that we need to produce on alcohol to jet route we will need the twice volume of ethanol. So for every two liters of ethanol, we will get one liter of SAF so it does create a very significant opportunity. As I mentioned, there are some clarifications that are required under the IRA when the incentives were given by the government from their internal revenue service on how the calculations for taxation, et cetera will happen and that's 45-Z provisions as I was mentioning, we did expect it to be clarified in about four to five month's timeframe. As soon as they are clear, we will see the next moment forward.

**Moderator:** Thank you. The next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead sir.

**Mohit Kumar:** My question is on the CBG. Are we seeing more inquiry or do you think this is to some time away till the time the first plant is commercialized and we can see a slightly higher number maybe end of FY25 when the first plant, first of power plant start producing?

**Shishir Joshipura:** So, Mohit I will give the answer in two stages one, the CBO program is announced from FY25-26. So it's still a little away and it will take that kind of timeframe to build a plant and actually create the capacity in the country. So we expect that as we move forward through the year and maybe to the later part of the year, we'll start to see a much more healthier and volume development as far as inquiry members are concerned. In terms of commissioning the project we have already commissioned. As I was mentioning earlier, as well, there are around 50 projects that we have commissioned on the spent wash base, which is the waste coming out of distillery, where we can produce the CBG. We have also commissioned on press mud, so that is also there and we also in the process of commissioning, based on rice straw. So all the three major groups of feedstock that are currently known are being covered under this, we are building other four where some newer feedstock's, like cotton stock, napier grass, et cetera will also come into play. So as this ecosystem starts to develop, you are right, as more and more projects come on the ground probably that will create a higher degree of knowledge and learning about what needs to happen on the overall ecosystem. So, we will definitely see a positive development as we move forward.

**Mohit Kumar:** As you spoke about the US opportunity you said 3 billion SAF by 2030, is there a intermediate target, does it mean that 2030 target we get the IRA clarification, it may or may not happen given that the US, the election in the US and this may get delayed, which means that we may not see a material order inflow from the SAF opportunity in FY25 or so?



**Shishir Joshipura:** So, Mohit this is a very good question, there is no intermediate target however, there is a international agreement that has been signed, United States is signatory India is a signatory. That starting 2027, 1st January 2027, 1%, blend increasing every period of time to 50% blend will start and it will be obligatory and mandatory for all the airlines to follow. So that is going to create a definitive market now. So from the market side, there is going to be definitive pull where the SAF demand will emerge and is the market side there is a pull I am sure that the capacities will start to get created. The clarification under 45Z that I mentioned about is an important one because that changes very significantly and very favorably the economics of a project and that is why it is critical for customers. We are right now working on several engineering projects so customer said okay let's get the engineering part done let's get the feasibility report done. So that when this notification is come as expected, then we can start the project and don't lose the time right now.

**Moderator:** Thank you. And the next question is from the line of Ankita Shah from Elara Capital. Please go ahead.

**Ankita Shah:** Sir, my question was on margins so given that could sales mix improve export and your materials positively aided these margins performance to this quarter. How do you see it going forward will we likely to continue and given that our export orders should increase post the new plant commissioning so, do you think this should sustain going forward?

**Sachin Raole:** The reasons which I mentioned earlier on the margin improvement are yes, mainly on the sales mix export orders coming up in a big way as compared to the normal orders, then your services orders have contributed and one major component which we need to definitely look at and if you look at my last year, last December quarter results, we have seen the great impact coming up on account of softening of the material cost. So, there are some elements which will definitely continue to give us the relief on account of improvement in the margin. And there will be some, which might come back for example, I mentioned that site activity was less as compared to the last quarter, which may come up in the next quarter. So the trajectory for our margin going forward is going to be definitely on the improvement part, but not necessarily in the same proportion there might be some here and there. But yes the margin improvement we will be keeping in the coming quarters also.

**Ankita Shah:** Got it and how is the order inquiries for the new plant that is expected to commission from next quarter onward in Mangalore. How are the inquiries building up for that?

**Shishir Joshipura:** So, that's a great question. So what we are seeing now is a clear change, clear diversification of our order book, and energy transition and climate action is a very, very big part of new dimension and that's where Mangalore facility will be serving this particular need, the enquiry is building up very, very well for this in-line with our expectation and we see no reason to be or any cause of concern we actually are very optimistic that this will continue to develop

positively because this is energy transition is a very, very real phenomenon especially in the Western part of the world.

**Ankita Shah:** And sir, I remember you were mentioning about the pilot project for the RCM bio plastic plant also which was under way and is expected to start production, so any update on that?

**Shishir Joshipura:** Yes Ankita, as I had mentioned it earlier as well. We foresaw this need for developing an indigenous technology for bio plastics and our PLA project is for which we had announced the capital expenditure at the earlier part of this year is absolutely underway and we expect that in the first quarter of the next financial year, we will be able to commission and demonstrate and then of course from there onwards take it to business development.

**Moderator:** Thank you. And the next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead sir.

**Shailesh Kanani:** Sir, I wanted to understand out of this bio energy order book what we have around 3000 crore, what quantum would be slow moving and also the order inflow for this quarter 400 crores I assume is from the CBG order. So, what is the remaining 450 odd crores which we have got?

**Shishir Joshipura:** So, Shailesh first of all let me start in the reverse order. So, as we mentioned that, this quarter was a very different quarter in its constitution because we did not see any sugary feedstock based ethanol projects getting finalized during the quarter for reasons that we already elaborated. But the starchy feed stocks continue. So, what you see is the other half that you mention is about the starchy feedstock based order book that continues to build. So, there is no let up on that part. It was just that as we mentioned that there should be a small three, four month kind of a recalibration that is required for the projects that were solely syrup based because of the change in environment and a lot of industry is now thinking saying do I need to go and diversify to multiple feedstock, et cetera. So that is the impact that we are seeing.

**Shailesh Kanani:** And the slow moving part offers this 3000 crores order, order backlog?

**Sachin Raole:** Yes, that's right 39.5 billion order backlog is what we are seeing, your question is related to?

**Shailesh Kanani:** The bio energy part which is roughly around 3000 crores. So, how much of that would be say slow moving should not be incrementally contributing to our revenues?

**Sachin Raole:** Related to the syrup-based plants the order book size is around 250 crores.

**Shailesh Kanani:** And B-Heavy would be?

**Sachin Raole:** B-Heavy will be another 450 crores kind of a thing.

**Shishir Joshipura:** But Shailesh B-Heavy also has C molasses built into that, it is not a single feedstock plant.

**Shailesh Kanani:** So, that means that would still continue as envisaged?

**Shishir Joshipura:** Yes, so pure syrup project is what Sachin was mentioning it about 250 crores they obviously have delayed execution now. But other than that, it is B, then B is also with a C, so that you can alternate the feedstock already and many customers are now opening the dialog to say all right apart from this, can I connect the starchy module to this, can we discuss even a bagasse based ethanol production, but whereas I was mentioning, diversification of feedstock is critical to this and that is the effort that we have already made anticipating this kind of a need. So we are able to offer a solution to these customers and I'm sure that this will help them overcome this challenge.

**Shailesh Kanani:** Fair enough. Sir my second question was, with respect to our international order inflow and engineering revenue booking as well. So, there has been some disappointment there at the quarter and so, if any components in the international order book which is slow moving or has a longer gestation than what been, longer executions period than normally what we have in the past?

**Shishir Joshipura:** So, on the international order book front, yes there were some minor shifts in the order booking cycles but, the inquiries are very much healthy, they have all stayed. We do not foresee a situation where the pipeline is anywhere near in fact it's only filling up. I can't even use the word drying up because it's only filling up for more and more. So from that the energy transition is a clear phenomenon we clearly see, as we move forward, yes being project business in nature sometimes timelines maybe one quarter here or there they are not exactly aligned to the calendar months as we would like to do it, or as Sachin would like to close the year on 31st of December, so that may not happen. But more than that, what's important is the pipeline stays healthy and growing from the targeted segments and customers and we have absolutely no reason to believe that we will have anything but success in their path.

**Sachin Raole:** And Shailesh one more thing regarding to engineering international orders, our Genx have taken almost one more quarter for coming up for the commercial production. So it has taken some kind of time for trying for arranging the customers visit, getting their approval and all. That is also one more reason for engineering orders from the international side, taking some kind of a delay of almost a quarter for that matter.

**Moderator:** Thank you. And the next question is from the line of Sandip Sabharwal from Ask Sandip Sabharwal. Please go ahead, sir.

**Sandip Sabharwal:** Shishir my question was specific to the second generation ethanol plant, which have been under execution for a very long time now. Even the Panipat plant which you are saying it will be finally into commercial production by the first quarter. Now the feedback from the company, the oil company which you are executing is that the technology has not stabilized

and the commercial production is not happening despite so much time having passed. So, can you just give some clarity on this, what's happening on that front?

**Shishir Joshipura:**

Sure. So yes, delay is something that is visible to all of us. So there's no denying of the fact that the project didn't get a delay from the original target that we had. However, what's important to understand is that #A, the challenges of feedstock supply chain and I did mention that even in the earlier part the government has also recognized the need to establish and support establishment of a supply chain and the feedstock side. So one is the physical availability of the feedstock that itself because you appreciate that in the whole 365 days of the year, the feedstock is only available for 15 days in the years. So we have to make arrangements for the rest of the 350 days for it to be stored and used, et cetera, et cetera. So, that's one clear dimension that has been learned as this project were getting commissioned. The second is about the quality of the feedstock, because there are one has to understand there is a feedstock that is available today. And then one year down the line when the demand for the feedstock goes up how to ensure that the quality of the feedstock is correct, this is the second one. The third is of course, then these varying degrees of quality inputs, how do you stabilize the plant, what is important is, as far as process is concerned we have proven end-to-end – input feedstock at one end, you do get ethanol at the other end and there is absolutely no problem. We have already produced over one and a half lakh liters of ethanol in that project. But now overcoming this situation, we have now agreed on a plan with our customer with Indian Oil in specific to go through a because they would like us to go through two stage commissioning, re-commissioning of the project that is what we are doing and that's why I mentioned that first quarter of next year we will see that happen. We are already working on it. It's not that we'll start somewhere now. Our team is already there and we expect the results in February, you will see it in three month's timeframe that project up and running, okay.

**Sandip Sabharwal:**

But then, taking it up further like when such a big order is placed by the customer wouldn't it be too obvious that they would think through the feedstock issues at that stage and not five years after the project was awarded?

**Shishir Joshipura:**

Well, the point is this that, this is very new, there is no precedence. There is no supply chain established you would agree with me that the only way this feedstock was dealt was by a farmer who burn the thing standing. So from completely destroying it in one shot through light up a match. We are now saying of establishment of so it does take time. This is a experience worldwide it's not only in India. So, the feedstock challenge is clearly understood because there are different dimensions to it as to who harvest the feedstock, at what cost, who puts the capital, who puts the land, who stores it, who supplies it, there are different dimensions to this. And some of those dimensions were very complex in nature and now there is a clearly better understanding that is emerging, and we will see the results soon.

**Sandip Sabharwal:**

And secondly on this biogas plant which has been just inaugurated in UP where there was a mention by the Oil Minister also, so for that plant has the production stabilized?

**Shishir Joshipura:** Sorry, could you just repeat your question, please?

**Sandip Sabharwal:** About the new plant in UP which was just inaugurated by the Oil Minister on the compressed biogas. Has the production stabilized for that?

**Shishir Joshipura:** No. So just to share with you, from the day you inaugurate that is the first start. The cycle is almost a 90 day cycle by the time you go to stable production levels, because that's the bacterial cycle degradation of biomass. First, start will take that long afterwards it is obviously a continuous process.

**Sandip Sabharwal:** So this order was for HPCL right?

**Shishir Joshipura:** Yes.

**Sandip Sabharwal:** HPCL also announced eight more plants in UP. So are you in line to get any of those?

**Shishir Joshipura:** Time will tell, we need to first commission this one and prove it to them. And they have announced it but obviously, it's a public sector. So they like to go through a procurement process, we will bid for it and be assured that we will stay competitive and win.

**Sandip Sabharwal:** Okay. And out of the 900 odd plants which might be planned over the next few years. What do you estimate like how many private sector will do and how many the public sector will do?

**Shishir Joshipura:** Tough call, we are in initial days so for me to sit on a crystal ball and say, private will do so much, public sector will do so much what's important is that both the sectors are building the plants. And to me, that is a good sign if not that only a public sector is building or only private sector is building which clearly goes to show that there is a clear future for this form of solution, that there is a viability for these projects. And, the good news is that there are several large conglomerates both on private and public sector side who are supporting this and are partaking in this. So, from that perspective it's a very positive sign, but what will be the distribution between two of them only time will tell.

**Moderator:** Thank you. And the next question is from the line of Manish Bedia from Investor. Please go ahead, sir.

**Manish Bedia:** So we are trying to become long term investor of Praj, who just wanted to understand, if you could just help us build conviction, if you reiterate your FY30 target, you have said about 3X revenue. So is that still achievable, that's the first. The second is on the margin, so we almost reaching double digit PAT margins. So, is this something we should look forward with more export that is higher margin and also services business contributing more, so double digit margin is possible or not. The third is, we are less capital intensive, the ROC and things are very good. So what will be our capital allocation policy, like dividend, buyback or execution or whatever so what will be our capital allocation there, thank you.

**Shishir Joshipura:**

Thank you Manish. So let me start first, we have absolutely no reason to believe that we will not meet or beat our target that we set out of 3X growth. In fact, if you go and see, we were saying some things in that conference as well, where we had set out a vision for the company, where an important segment was around bio manufacturing and we are delighted that the government has also indicated the same in their policy direction as well. So in bioenergy already there is a big push, sustainable aviation fuel there's a big push, the global CBG there's a big push. Now on the bio plastics and bio manufacturing there's a big push. So all the sectors that we are serving, and where we have a leadership in the business and domestic market as well. Very clearly the indicators are that those are all potentially growing pathways. And if the business is growing obviously we have no reason to believe that we will, as I said earlier as well that we absolutely no intention to give up on our leadership position, internationally as well we see two, one is the SAF which will drive development of capacities worldwide, United States to start with.. India, there are several other factors that favor India as a preferred destination for SAF production and we will talk about it as we travel through the year, over the next 12 months. The next point that I want to make with you is, that the global biofuel alliance that I mentioned in my opening remarks has become a very, very strong platform. Already 22 countries are a member and all the important organizations that need to be part of an ecosystem to make things favorably developed, are already the member. We are already in dialogue with several, if I remember correctly 10 member countries to see how we could develop help and develop their own bioenergy programs and what role can technology play. So everything that is in terms of potential, in terms of landscape, in terms of pathways is positively developing in all our business areas. The one more business area is around energy transition that I already mentioned, that is also developing very, very positively. And we expect that, that will become a very, very significant component of our business numbers as we move forward. So fermentation is going to become a big technology. So that is the core strength of Praj. So several our business it's not only in energy side, bioenergy, renewable chemicals and materials, PHS all of them will benefit from this strong core strength of Praj which is fermentation. So overall, both even international markets and domestic markets the drivers are all in positive direction. We expect that that is why I'm so confident that the 3X direction guidance that we have given will be met without any problems.

Coming to your second question was on around the margins. We remain confident, as Sachin already explained that, and I'm saying this that margins don't happen overnight. So we've been working very consciously at improving our margins over a period of time. Several actions that we have taken in terms of changing product mix, focusing higher on international, getting a higher role for technology, of course softening prices of raw materials have also helped no question about it, compared to the period two years ago. We have also seen this particular quarter where the site activity is a little less which is a little less margin business for us, going down and maybe they'll go up again in the fourth quarter again in terms of market dynamics changing. So it's an overall mix, we are very confident that we will continue to be positively

developing as we move forward, it may move it may have different quantum's of change, but all the quantum will be on the positive side that is our confirmation and commitment.

**Manish Bedia:** And, on the capital allocation?

**Shishir Joshipura:** Yes, on the capital allocation side, I don't think I can play the role of my entire Board because this is a Board matter to be discussed into how we will do about, go about allocating our capital, what's more important is for us to understand is, that we will continuously be focusing on development of the new.. because we strongly believe that the whole renewable chemicals and materials landscape will start to unfold in front of us in mid to long term. And that will call for investments now. So we will make sure that we don't shy away from those investments and we make prudent investments. So, a lot of our capital allocation will go towards building capacity and capabilities both. In terms of what happens the dividends, et cetera is not for me to discuss it's a Board matter. So as and when that comes up, we will let you know.

**Moderator:** Thank you. The next question is from the line of Faisal Zubair Hawa from H. G. Hawa and Company. Please go ahead.

**Faisal Zubair Hawa:** What is the kind of R&D spend that we are targeting going forward and secondly, if there is this one product which we have still not marketed enough or we are not getting enough traction, but you feel deeply that this will succeed big time, what could be that product and is there some target within the company also that new products should at least contribute like 1/3 or 1/4 of revenue three years hence?

**Sachin Raole:** So, on the R&D spend our momentum will continue Faisal, because.

**Faisal Zubair Hawa:** Do you have a percentage to it?

**Sachin Raole:** I will not be able to give exactly percentage per se, but I will say that we are looking at for the next year the CAPEX in the range of again maybe 30 to 40 crores, the revenue expenditure which will be mainly on the development side and the facility which is coming up now or PLA another 30 to 40 crores we will be investing on the OPEX side. So total investment which will go in R&D in the next year will be in the range of 70 to 80 crores, whatever will be that percentage of my next years turnover.

**Faisal Zubair Hawa:** And sir about the blockbuster product that could come up and the strategy with the new products?

**Sachin Raole:** So, when you're talking about new products, if you look at starting from second generation to CBG to SAF and now PLA, these are the new offerings which are coming up in the market from our side. They are of course at different stages of commercialization but we believe the potential and I'm sure you will also believe the potential for all these segments is pretty, pretty

huge going forward. For example, CBG, we were talking about CBG since last two years and now it is really taking its roots. And if you look at the technology naturally got developed at our end and technology is absolutely unique from the form of the yeield which someone was already mentioning about or from the preservation of feedstock, there are many unique features which we have introduced because of our R&D development on that side. Same thing is happening on SAF. SAF we just mentioned about inauguration of our fully integrated demo plant which is one of its kind, which showcases the entire end to end kind of production capability, technology and facility which can be built up. And the best part it is on a modularized form.

**Faisal Zubair Hawa:** Are we doing anything to improve our branding at an international level where we could stand strong against the Japanese suppliers and really build up a large amount of trust. So any kind of branding initiatives that we are doing today, I know it's a B2B business but still?

**Shishir Joshipura:** Faisal, it's a great question. We are very conscious in ensuring that our brand presence is felt. And what better to say the proof of this than to say that the Nobel equivalent of prize equivalent of bio economy, which is the Carver Award was awarded to Dr. Chaudhary who is our Chairman, and who's the only non-American to have receive this award over the years. So, that's treated as Noble of the industry and there have been several other accolade that have come out whether it was through Bloomberg, whether it was through Biofuel Digest. So, in relevant platforms, we are making sure #A, that we are known, we are present in those forums, we are contributing to those forums. We are a go to company when people think of customized solutions, we are a go to company when people think of multiple feedstocks, when it goes to the whole the entire effort that G20 conference launched around word biofuel, global biofuel alliance, that is something where we are playing the role that is expected of us. We are contributing in any which way we can. Of course our customers are our biggest ambassadors. So in countries of over 100 countries we have plants and solutions that we established, those guys are our real ambassadors in respective geographies. So, yes, as you rightly said, we are not a B2C company. So you will not see us doing Jingalal on television. But surely there are forums where we make our presence felt through contributions that we make, and the participation that we do.

**Faisal Zubair Hawa:** It will also help to have much better LinkedIn presence because there our updates are pretty not very regular. And secondly sir is there anything that we plan to do on the waste to energy front also, because that could be also very big sector in India. And Hitachi has bagged very big project also from Waste. So do we have a very good product there also?

**Shishir Joshipura:** So we have a lot of focus on what we call an agri waste to energy, obviously those CBGs a solution in that space, second generation ethanol solution be a solution in that space, even first generation ethanol for that matter. Our energy transition and climate action solution or modernization has a, within that business there's a segment of waste to energy where we are working with some of the companies in the world and Sachin mentioned that, there our ability



to conceptualize a process to an engineering solution and then convert that to a modularized solution is something that is finding a lot of takers. So different strokes, maybe but yes definitely waste to energy will also be, but right now there is no plan at our end to work on municipal waste to energy projects, directly as a technology development.

**Moderator:** Thank you. And the next question is from the line of Dhawal Shah an Individual Investor. Please go ahead.

**Dhawal Shah:** I just have a query, we had announced a JV with IOCL six months back. And then there is no further update about that JV what we are going to do about it. Similarly, in last few concalls you had announced and detailed description about Europe going for 2G ethanol plants. So then there is no further update how we are addressing that market?

**Shishir Joshipura:** Alright, thank you. Sorry, that was a miss out from our end. Thank you for pointing that Dhawal. So on IOCL JV both the Boards have approved the JV, we have agreed on the language of the agreement. The structure of the JV. It's a process because this is now public sector to a private sector partnership. So there's a process of approval through Neeti Aayog and DIPAM, et cetera which is currently underway, nothing that we can influence directly. It is a process that will take its natural course. And we expect that soon we will hear about an approval and once that approval comes we will be able to develop, all these activities we're doing in anticipation of that approval on the sidelines. And you'll hear about them as soon as this right now my lips are sealed. But once the JV is formally announced, in terms of approved by Neeti Aayog and DIPAM we will be able to talk about, we are already working on the sidelines, to development of a pipeline of products IOCL JV.

Coming to Europe 2G then, yes you are right. There has been a bit of a slowdown in the activity in Europe that we witness, but now the activities we have picked up and we are now beginning to see active dialogue that is taking place with a couple of interested parties who now want to go ahead and evaluate. The critical dimension of course to this is the fact that we also have to commission the IOCL project at Panipat is what I mentioned that we will be able to commission it in the first quarter of the next financial year. And as soon as we do that, I'm sure that we will be able to showcase that it is possible to do this, and then we'll be able to show some positive developments on that. Thank you so much.

**Dhawal Shah:** One more thing sir, we're not showing any top line growth this year, can we expect some momentum in topline growth going into FY25 can we have some topline growth and numbers also aligning to our vision?

**Shishir Joshipura:** So, Dhawal it's a very good observation and as I was mentioning in answer earlier, that because of this. So there are two major shifts that happen on the domestic side. One was the policy and FCI rights allocation, and second was on the use of syrup for ethanol production. In both, what we have seen is that this has meant that customers had to reassess as well as their bankers had

to reassess the project viability and look for alternative resources. So that has led to delay so you will actually see an order book that will carry forward into next year, which is a very healthy one and that will indicate to you how the whole year will unfold. Yes, there is a delay and this delay has meant that and the announcement came at such short notice that we did not have time to find an alternative because time period was too short. But you will be able to definitely see a healthier order book being carried forward.

**Dhawal Shah:** Great sir. We hope that everything aligns as per the vision because we are aligned to your visions since long.

**Moderator:** Thank you. And the next question is from the line of Sagar Dhawan oven from Valuequest. Please go ahead sir.

**Sagar Dhawan:** My question is on 1G ethanol. Just wanted to understand, what kind of feedback are you getting from your sugar based ethanol customers on the viability of their operations with sea route and possibly dual feed as well. So with the kind of incentive increase that we are seeing right now from the government side as you mentioned on sugar as well as maize. What is the level of viability that right now they are seeing?

**Shishir Joshipura:** Sagar, the question is that, this is a question of product mix for the sugar companies, how much sugar and therefore, how much ethanol, and that mix is something that, how much is their export, how much is their domestic sales, what's the price of the sugar versus what's the price of sugarcane, what's the cash flow situation on sugar side, versus what is the cash flow situation at the ethanol side. So, that's a balancing that they will have to do. And that's what I was mentioning that we understand that this could be with a, it's not a straight line equation it's a complex equation. And we want to help them solve some of these by actually offering the multi feedstock plants to them saying, all right if one feedstock does go in a different direction, that does not allow you to produce ethanol, for reasons of economics well you can always opt for another feedstock that will enable them produce because the demand for ethanol is not going away that's the fact. The EBP20 program is very much here. The economy is running, India is growing so all those directions are ticked. So, what has to happen is that we need to create flexibility at the input side and that is what we're attempting to do. And we do see, we clearly see this dialogs are starting but I'm sure that over the next four, five, six months, we will see a development of dialogue where only sugary feedstock based companies or ethanol production facilities will look for diversifying their feedstock.

**Sagar Dhawan:** Okay, got it. And sir when you say diversifying would that mean that, the domestic plants will have sugar as well as maze as an input you that capability to provide that kind of a plant?

**Shishir Joshipura:** Yes, we can.

**Sagar Dhawan:** Okay, sure sir. And can you tell us about the enquire pipeline right now that you seeing on dual feed any quantum?

**Shishir Joshipura:** Already enquires have begun, customers we also built a plant for couple of our sugar customers which have dual feed plants, they are already there up and running. So, there is proof on ground. We had already anticipated this, we had been dialoguing that customers to diversify their feedstock, some of the guys, the early leaders have taken, what I would call it that step already in anticipation. Some will take now because now they see a different reality in front of them.

**Sagar Dhawan:** Okay, got it. And sir our last question on this front, what is your current, in the current order book what is the mix of dual feed plants in 1G?

**Shishir Joshipura:** We will get back to you, I don't have that available readily on my hand.

**Sagar Dhawan:** Sure, sir. Last question from my side, actually from SAF. So you mentioned that you are working with some of the customers already in the US on the engineering side just to be ready before hand. Sir just on the pipeline on SAF side, we're working with some customers on engineering side, you mentioned earlier also you had given some number so you are working with some customers, can you just tell us how many customers are you working with right now. How many plants are you already working with on the SAF?

**Shishir Joshipura:** We are already working on six projects where this engineering is underway.

**Moderator:** Thank you. And the next question is from the line of Lokesh Maru from Nippon India Mutual Fund. Please go ahead, sir.

**Lokesh Maru:** Sir, just one question from my side wanted to understand what is the kind of two things on when we say that we will be able to provide a multi-feed solution to our existing customers, so what is the kind of additional cost it might take to add this functionality to the existing plant. And then what kind of loop do these customers have to go through if for example say they need 25 crores extra for 100 KLPD will they have to go back again to the banker for to approve the loan, and just want to understand the cost and the addressable market for us and your view on how much of that addressable market we will be able to convert in next 12 months, because more than looking at it as a challenge, I see this more as an opportunity for us to actually cross sell our solutions.

**Shishir Joshipura:** Yes, Lokesh. So, you said it very correctly, because we have always believed that when the challenge is present in the ecosystem, it actually creates an opportunity as well. You just need to do different thinking and that is how this whole multi feed stock option came about. We've been talking to some of our customers and that is what I was mentioning earlier answer as well that, we have actually already built a commercial scale plant which are running with multiple

feed stocks on ground so that's number one. Coming to your question then, what's the feedstock, what's alternative feedstock, what capacity do they want the alternative feedstock to actually be built for because sometimes somebody will say I want 100% capacity to be built so I have 100% standby, somebody will say I am okay with 50% for some time if that becomes a question. So there are many of these questions that needs to get answered for me to give you a saying that, and depending on that and how much cash, their cash allocation or capital allocation policy is, they may or may not have to go to a banker or a financial institution for funding, they may even fund it internally. The thing is that you are an existing producer, the demand for end product continues to remain same. And now we are diversifying only to address the feedstock challenge. So that depends on the location of the plant, there are many factors we will not be able to give you one ready kind of number.

**Lokesh Maru:** Sure, sir. And sir a similar opportunity like this to cross sell dual feed solution, does it exist in maybe other geographies, like Brazil, US, Europe, even in Southeast Asia, are there what is the kind of competition that would be seen?

**Shishir Joshipura:** The multi feed stock thing is India, but we are also beginning to see this emerge in Brazil.

**Lokesh Maru:** Okay. And the kind of competition?

**Shishir Joshipura:** Every market has a different competition. So, Brazil has its own competitor, the structure of the market is different. India will have its own competition with structure market is different here. So good competition is good, we have no problem with competition, it's good to have competition because that keeps everybody the whole entire ecosystem very healthy and competitive. So that's good for everyone's concern. Maybe we have more to talk about it a few couple of quarters down the line when things start to crystallize. This is very new, this is just literally a month old phenomena that has happened. And what is very important is for customers to see what the forward future looks like in near term as well as midterm and that will decide how they will move on.

**Moderator:** Thank you. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to management of Praj Industries Limited for closing comments.

**Shishir Joshipura:** So thank you everyone, for your time today. In case you have any more questions, please feel free to write us at [info@praj.net](mailto:info@praj.net) we will try to answer all your questions. Thanks again for your time today and have a good day.

**Moderator:** On behalf of Praj Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.