Praj Industries Limited
Q4 FY23 Earnings Conference Call
May 26, 2023

Moderator: Ladies and gentlemen, good day and welcome to Praj Industries Limited Q4 FY23 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 hand the conference over to Mr. Anuj Sonpal from Valorem Advisor. Thank you and over to you.

Anuj Sonpal: Good afternoon, everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent 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 4th Quarter and financial year ending 2023.

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 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 cost under review.

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.

First we have with us Mr. Shishir Joshipur – CEO and Managing Director and Mr Sachin Raole – Chief Financial Officer and Director of Resources.

Now without any further delay, I request Mr. Joshipura to start with his opening remarks. Thank you, and over to you, sir.

Shishir Joshipura: Thank you, Anuj. Good afternoon everybody. I welcome you to Praj Industries' Earning Call for Q2 & H1 FY23. Trust all of you had the opportunity to go through our results presentation for the quarter ended 31st of March 2023.

I would like to start today's call with the news of an historic development in sustainable aviation fuel.

Last week, Praj Air Asia and Indian oil partners for India's first commercial flight powered by a blend of indigenously produced sustainable aviation fuel that flew the aircraft from Pune to New Delhi. The SAF blended in the ATF was used by Praj using indigenous feedstock, leveraging its relationship with the United States.

In another significant development, Minister of Petroleum and Natural Gas Shri Hardeep Singh Puri received this special flight at the New Delhi Airport. During the event, Mr. Puri had mentioned that the Government has plans to come up with mandates on SAF in near future. As India becomes signatory to CORSIA mandatory blending of SAF from 2027 in accordance with the agreement will create significant opportunity. If we target to blend 1% SAF blending in jet fuel, India will require around 14 crore liters of SAF per annum and this will translate to an additional requirement of 28 crores liter per annum of ethanol when things move on the ATJ pathway.

In another significant development, our board has given us principle approval for formation of joint venture with Indian oil for production of variety of biofuels. Production of sustainable aviation fuel is likely to be the first project out of this JV. India's EBP 20 program is moving ahead as per the plan. Over and above the EBP 20 targets OMCs have floated expression of interest for signing long term off take agreement with upcoming dedicated Ethanol plant for additional capacity of 300 crore liters from 8 ethanol deficit states, namely Tamil Nadu, Kerala. Andhra Pradesh, Telangana, Gujarat, Rajasthan, Goa, Odisha and Union territories of Jammu and Kashmir and Ladakh. This creates an additional potential opportunity for Rs 4000 crore.

The Government has launched 20% ethanol branded petrol at select outlets in 11 states in February, 2 months ahead of the scheduled 1st April launch, and it is expected that this will go nationwide by '25-26. India currently has the capacity to produce nearly 10 billion liters, which is expected to increase to 12.5 billion liters by end of 2023. Several state Governments have started to create supportive policies to drive ethanol production in respective states. The Tamil Nadu Government unveiled its TN ethanol blending policy 2023 in March 2023 with a mission to improve farmer income, revive the super industry in the state and to attract investments worth 5000 crore in molasses or grain-based ethanol production capacity. The targets for the policy term are to be self-sufficient and meet the estimated ethanol blending requirement of 130 crore liters.

Our board has given final approval for a CAPEX proposal of Rs. 200+ crores considering the potential presented by several positive developments in different business areas. We are setting up a modern manufacturing facility to be housed into a new subsidiary Praj GenX Limited. This unit will address the business needs arising out of significant developments in energy transition and climate action segment. We have a very strong pipeline of inquiries building continuously. The new facility will be set up near a major port with CAPEX of nearly 100 crores. We are moving ahead with project development and expect to start commercial production by last quarter of FY24.

To accelerate commercialization of bioplastics, we are setting up first of its kind demo plant for Polylactic Acid (PLA) with capex of around Rs. 60 crore at Jejuri on the outskirts of Pune. This pilot facility will be used for scaled production of Food Grade Lactic Acid and Polylactic Acid.

We are also setting up new catalytic lab at our R&D center Praj Matrix that will need investment of around INR 15 crore. This facility will be operational in August 23.

Now coming to our business performance, our domestic bioenergy business continued to build on its leadership position as we had discussed in the past. The majority of orders came for ethanol plants based on the starchy food stock. Sugar mills are also setting up dual feed plants now and are adding starchy feedstock modules to their existing ethanol, facility. Our inquiry pipeline is showing a strong continued demand for starchy and sugary fixed stock-based ethanol plants.

On international front, low carbon ethanol is developing as an interesting business opportunity in the United States, owing to slow down in the US market this activity, while developing very healthily, might be a little shift in timeline for project finalization. We are in the process of completing FEL studies for several projects which would then translate into firm business opportunities as soon as the economy returns to normal. In Europe region, we are discussing few potential opportunities for Greenfield 1G projects in non-EU countries.

Our services business is receiving promising response from customers in both domestic and international markets. Our strong offering of an entire suite compromising of Enzymes, Yeast and Performance enhancers is finding a high acceptance in the market. With a view to enhance our reach and service to customers we are building a strong distributor network in both domestic and international market.

On the 2G front, I am pleased to share that we have produced the first ethanol from our IOCL Panipat project. Our team is now focusing its efforts in establishing continuous operation and reliability enhancement of the plant along with the IOCL team.

As for CBG, our first rice drop based commercial plan for FCL has commenced bio gas generation and flaring. This high yield plant is now under stabilization and should start regular dispatch of CBG by end of June 2023.

The business landscape is developing favorably for our engineering business basket.

On the ETCA front, the opportunities arising out of increasing demand for sustainable energy and decarbonization of energy and downstream chemicals, blue/green hydrogen, green ammonia coupled with growing demand for waste to energy solutions is driving the demand for Modularized solutions in significantly positive way. Our traditional energy business of Oil & Gas, fertilizers etc is also seeing good traction, driving demand for our CPES solutions.

On the ZLD front, we are working on brining Modularization approach to our offerings. We have already received first order for a modularized ZLD system. This augers well for future business development.

The brewery & beverage business has reached pre-covid levels and we expect it to translate to capacity enhancement soon.

Fermentation is one of our key capabilities. We are capitalizing it to explore opportunities for PHS business in large size- High-Capacity fermenters space. We have received an interesting order for large-size fermenters for the pharma application from Oman. We have also booked our first order in the Semiconductor sector for ultra-high purity water. PHS has a healthy inquiry basket from international markets too.

The Union government is currently working on a policy- Bio-E3 (biotechnology for environment, economy and employment) that will boost biotechnology-based manufacturing for green growth. It aims to reduce dependence on petrochemicals in multiple sectors and attract over ₹10,000 crore investments. As a key stakeholder, Praj will be involved in developing National Bio-Chemical policy as a knowledge partner.

Overall, we remain very positive on continued development of potential across our bioenergy and engineering businesses. In spite of global economic challenges, we expect a favorable business environment aided by stabilized commodity prices and an ever increasing awareness to decarbonize global economy.

Before I conclude, I would like to share that our Chairman Dr. Pramod Chaudhari was bestowed with Eminent Engineer Award by Engineering Council of India (ECI) in the industry category for his exemplary contributions in engineering field.

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

Sachin Raole: Thank you, Shishir. The consolidated income from operations came to 10 billion in Quarter 4 of FY23 as compared to 8 billion in Quarter 4 of FY22. PBT for the quarter stood at 1 billion as compared to 718 million in the corresponding period of last year's. Profit after tax came to 881 million as compared to 576 million in Quarter 4 of FY22.

For the full year ended March 31st, 2023; income from operations stood at 35 billion as against 23 billion in FY23. PBT stood at 3 billion in FY23 as against 2 billion in FY22. The PAT of FY23 came at 2.3 billion as against 1.5 billion of FY22. Export revenue accounted for 17.4% of FY23, and out of the total revenue 73.8 came from Bioenergy, 19.3 from engineering and 6.9% from the PHS business.

Order intake during the quarter was 10 billion with 76.5% from the domestic market. Of the total order intakes 82.3% came from bioenergy and 10% from engineering and balance 7.8 from PHS business. As compared to last year, export order intake has seen 9% growth, almost 743 crores as compared to 679 of the last year. The order backlog of March 23 is 34 billion, comprising of 84.7% of domestic orders and 84% from bioenergy, 11.2 from engineering and balance 4.6% from PHS business.

Cash in hand as of 31st of March 2023 stood at 6910 million, that is 6 billion. The Board of Directors proposed the final dividend of Rs 450 that is Rs 4.50 paise per equity share, that is 225% of the shares value of Rs 2 per equity share for the financial year ended 31st March 2023. It is subject to the approval of shareholders at the forthcoming annual general meeting. With this I will conclude my remarks.

Thank you all for joining. We would now be happy to discuss any questions, comments or suggestions you may have.

Moderator: We will now begin the question-and-answer session. The first question comes from the line of Prathamesh Sawant from Axis Securities Limited. Please go ahead.

Prathamesh Sawant: Yes sir, congratulations for great set of numbers. So, just wanted to ask my first question with respect to your JV with IOC, just wanted to understand what would be your capital allocation policy for the same? What kind of IRRs would you be expecting in this project and what kind of rate on can you expect?

Sachin Raole: If you are asking what are the plans of the JV with Indian oil. To give the answer, currently we have both the boards have accorded in principle approval for this joint venture to go forward. When the joint ventures between public and private sector, there is a whole process that needs to be put in place that needs to be going through and therefore, we expect it to be become functional only towards the end of this financial year and as per the agreement, the joint venture will then obviously make out its business plans as it is not to go forward as I mentioned the purpose is to propagate the cause of bioenergy in the country, and they will we are expecting that the they will start out on a SAF project to begin with and as the development and the business model evolves, we will know what kind of investments will be called for, what role they will play in the SAF facility etcetera, but it is probably too early for me to make comments on internal rate of return for that joint venture that is little out in future. I hope I answered your question.

Prathamesh Sawant: Yes, sir and then secondly sir, some more light on the high purity business. So, do we see this demand for semiconductors positive for the high purity business?

Shishir Joshipura: Semiconductor manufacturing facilities also need more or less similar grade of high purity water, that of thermal application needs and that is why I had a specific mentioned that that is the first contract that came through for and of course not only for semiconductor or even their supply chain as well.

Prathamesh Sawant: Okay and finally sir, one last question from my end is with respect to the engineering segment. So, do we see good traction for the CPES and the business.. CPES modules?

Shishir Joshipura: As I mentioned the both the traditional sectors of CPES that CPES has been serving, oil and gas, fertilizers, chemical and on the other hand, the entire which will be served by CPES and Praj GenX, the new subsidiary which will be specifically addressing the ETC opportunities, both of them are seeing very good pipeline build for inquiry and traction and many of the solutions that either of them would offer to different segments would involve mobilization.

Prathamesh Sawant: And sir what portion of it would be going towards green hydrogen or the booming sectors?

Shishir Joshipura: So, we are right now not saying that I will only go and chase down hydrogen opportunities because our aim is to ensure that we are able to serve the needs of our customers. These are very focused customers. We do not have a very finite set of customers. So, if they have a specific need for meeting a challenge or the solution for either green hydrogen it could be a green ammonia project, it could be an LNG project. So, the nature of the project is one dimension, but what is important for us is that we are able to add value. So, we are not going to restrict ourselves to only green hydrogen or anything like that. It depends on how the overall progress of the project develops, but across the broad spectrum, and not necessarily limited waste to energy green hydrogen, blue hydrogen, green ammonia, there are different segments which are different needs and we will be serving all these segments.

Prathamesh Sawant: Okay sir. Thank you Sir, that is from my end.

Moderator: Before we take the next question. A reminder to all the participants, please restrict yourself to two questions. Next question comes from the line of Levin Shah from Motilal Oswal AMC. Please, go ahead.

Levin Shah: Congratulations on good set of numbers, sir. My first question is on the exports opportunity and specifically, you mentioned in your opening comments that the US market has seen some delay, but as we understand, there is a timeline under which this IRA benefits should be given to the companies who basically modularize their plant. So, is this a very short-term delay that we are seeing or there is the inquiries, how will we see this order inflow coming in from these inquiries?

Sachin Raole: Yes, great question so. When the IRA announcements were made, there was also for the industry-based energy, they are also seeking some clarifications on the laws that have been rolled out from the IRS because there are some tech breaks and credits that are announced there. So, how to avoid double counting? How do you go about specific counting, etc. So, some of those issues are being resolved that's number one, the banking crisis in United States has. So, this delay is not that we are everything is done by three years or anything like that, but at least definitely for two three quarters we see a delay.

Levin Shah: Ok and sir, some of the projects we were already at a like an advanced stage in terms of doing the project work. So, for that also have you seen some pause in the activity or progressing and it is only on the new inquiries that we are seeing something?

Sachin Raole: So, the way the US projects progress is that they go through an FEL levels of studies they call them and these studies are three stage some customers can go for two stages, but definitely two stage nobody goes for less than that. So, those studies have moved forward. However, once the studies are over, the next step of creating the big capital investment is something that is taking a little more time, obviously because of the funding issues, high interest rates in the economy, etc. So, I think those are what I would call as not long-lasting situation. So, as I said as soon as the situation turns we expect that this will come back on the table because as you rightly said, the IRS program still stay same they are not changing.

Levin Shah: Understood and sir the second question is on the CAPEX. So, interestingly, we had announced around I think 100 crores kind of CAPEX last quarter and now we are saying that we will do 200 crores with addition of this polylactic acid and the R&D CAPEX. So, this will be a polylactic acid plant would be this will be a pilot plant, right? We are not seeing any commercial sales coming out of this plant.

Shishir Joshipura: No, this will be a pilot plant and the idea is to demonstrate the technology for PLA. Just very briefly, I won't go into details, but that there are only couple of companies in the world who have the technology today and they are not letting it out external to themselves, so they are only using it for their own capacities and our attempt is to bring a very different dimension to this whole field and bring Praj's competence to play in terms of our understanding of the entire biological processes and ensure that we are able to provide a viable solution for PLA.

Levin Shah: Got it, sir and this 100 crore CAPEX on the ETCA part under part GenX, what kind of revenue potential will this hundred crore CAPEX entitle?

Sachin Raole: So, the idea is that of course 100 crores CAPEX as in the module business we have to create a basic facility which can lift and shift heavy material. So, that is why a lot of investment goes into that and then once the basic infrastructure is set up, we are in a position to then leverage that for making multiple modules over a period of time. So, we are this 100-crore investment could actually potentially be able to do almost 30 to 40 X kind of sale out of that facility, but over a period of time, some more automation will walk in, some specific machines can walk in so that will happen as the facility starts to develop, but the first installment of the first branch of 100 crores as we start to invest our expectation is by end of this financial year, we will be able to make it functional from a customer perspective.

Levin Shah: Thank you sir. I will come back in the queue and all the best.

Moderator: Thank you. Next question comes from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani: Thanks for the opportunity and congratulations for excellent set of numbers sir. Sir first, I would like to know the outlook on CBG orders, how we are seeing the pipeline and have we booked any orders in this quarter? Additional orders on the CBG plant.

Sachin Raole: So, CBG activity is still not at a very high level in the, I am talking about now market activity level, is still not very high. We are beginning to see an increasing interest from customers, but we still not somewhere where I can say, you know what, there's a very healthy pipeline that is building up for enquiry. As I mentioned and also one of the facts is that there have been lot of expectation around different feedstocks, the fact is that there is no proven capacity on ground which customers can rely upon and that is why the HPCL Commissioning takes a very important dimension, as I mentioned that by end of June, we will be in a position to start dispatching gas from there, which will clearly establish a high yield technology, which is one of the key requirements to go forward and become effective because there are also some more what I would call the last mile connectivity issues that need to get sorted out and I think everyone all the elements in the value chain are working on resolving these issues.

Shailesh Kanani: So, the traction is slow as of now, but when we expect it to pick up.

Shishir Joshipura: So, I think I am probably the better place to answer this question down the next quarter, somewhere around, because we need to see this performance establish and see how many of the issues are being resolved. We are very confident that our technology will showcase that we are able to produce best in class performance. Having said that we need to wait till the proof of the pudding is there on the ground, which is not too far also.

Shailesh Kanani: Fair enough, Sir. Just wanted to understand the accounting treatment of the 100 crores demo plants what we are putting in place which I think two plants in total for bioplastic as well? So, how would that accounting treatment go? That would be debited to premium or that would be capitalized in the book, I think that will be debited to premium, right?

Sachin Raole: Yes, so this investment is actually meant for not one product, but it is like a multi-product kind of a facility. So, it will sit in our assets and 100 crore will not come to P&L. For example, the way in which we have built up our demo plant for 2G or the demo plant for CBG for testing different feedstocks is sitting in our fixed assets and naturally the depreciation and operating expenses are getting debited to P&L and the asset block will sit on the balance sheet side and not on the P&L side.

Shailesh Kanani: I thought there would be amortization in the year, Sir. Only one more question Sir. Our book-to-bill ratio has reiterated obviously because we had excellent execution in FY23. So, it is directly now 1X TTM basis. So, how does the management view this and as we are entering are we entering into a territory where this can enter growth growing right growth rate going ahead? Last question for my side. Thanks a lot.

Shishir Joshipura: I couldn't get the question clearly Shailesh, are you saying?

Shailesh Kanani: Our book-to-bill ratio on TTM basis has deteriorated right? It is barely 1X in FY23 revenue terms from 1.2 what we had in FY.

Sachin Raole: So, your question is that our revenue booking versus the outstanding order booking that ratio is deteriorating, am I right?

Shailesh Kanani: Yes. Because the FY23. Yes.

Shishir Joshipura: Speaking the way the execution capabilities or capacities get built up, we have we started to build this capacity. GenX is one such example that I gave you. We are very confident that we will be in a position to continue to build. So, I don't see that to be concern point at all, whether we will be able to book and bill higher or lower number probably we will do a better performance. So, capacity is not the constraint. Having said that, as we go through the year this year, obviously there were some as I mentioned in the past as well, that the year of two halves one and the commodity prices were completely different than in the second half where they were stabilized well, the movement of labor force, etc. So, we are now in a position to say that we have reached capacity built and where we have been able to serve even higher book and bill. If we book during the year, we will bill that of course that also depends on A) Customer cycle times because as I am mentioning, especially for our 1G business where we are building more Starch based plants. Those project cycles are slightly different than a super based plant for the simple fact that there are many first time who are putting up these projects and therefore sometimes the timeline may get stretched.

Moderator: Thank you. Next question comes from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: Good afternoon sir and congratulations for good number. I just wanted to take this question from levin forward that low carbon opportunity, what we are talking about here is it more linked to the, say, 3-billion-gallon requirement of SAF only or is there a possibility that apart from SAF there could be increased demand for existing Ethanol base also just to get the landscape of this low carbon opportunity.

Shishir Joshipura: So, Vikram for production of SAF very clearly, and especially on the ATJ pathway where ethanol becomes the feedstock for SAF the requirement is clearly for low carbon ethanol, that's number one. So, all such applications where one wants to follow an ATJ pathway, a low carbon ethanol is the necessary input that is required. So plant will have to decarbonize the process that is number #1. #2 the process of decarbonization is also a process for improving efficiencies of the existing plants. It is not only decarbonizing; it also improves the efficiency significantly. So, there are plants who are not talking to us because it makes economic sense for them. Forget about the low carbon argument for the time being, they are saying it makes sense for me, for example one of the solutions will cut their steam convention by up to 90%. Now when that kind of a thing happens, their operating costs go down and margins improve. So, obviously they producers who are who are thinking in terms of being cost efficient, improving their margins, improving the energy efficiencies they are differently focused and please remember that a lot of capacities in United States were built at least 20 years and before that. Okay and therefore those lot of those plants are now coming up for refurbishment of SAF because they will need to improve, a benefit of all these would also be that they will be able to go to a low carbon ethanol and also there are different levers that would drive that market for low carbon ethanol. The big lever among them is obviously the requirements there.

Vikram Suryavanshi: Okay, got it and one more question on this CBG you highlighted about take SAF infrastructure will take some time to pick up, but just to get within that, if you look at the sugar Company side, particularly from press mud opportunity to CBG, how is the feedback coming from that? Probably they can have their own requirement for transportation requirement of the sugar factory and all that. So, can that ecosystem work in a closed loop or sugar companies from like press mud to CBG and used within their factories. How is that opportunity?

Shishir Joshipura: Yes Vikram. So, for the sugar companies, very clearly the press mud to CBG also offers a very attractive opportunity now on multiple counts and also let us understand because there is a proven commercial working model on the ground proven on both North and South of India. Having said that, I think what is also very important is to understand that for the last two years or so lot of mill owners and the customers were also busy setting up the ethanol capacities. So, this is also a question of prioritization at their end as to what they want to start first and then start next. The third is that press-mud based plants have a very positive thing in their favor that that the output, which also includes fermented fertilizer organic fertilizer that is of a high grade and that becomes very easy for them then to create an additional revenue stream as we move through the year we expect that a lot of our companies start thinking positively about setting up their own capacities.

Vikram Suryavanshi: Got it **a**nd before closing, can you share what was the grain and sugar order for this quarter?

Shishir Joshipura: Sorry is the question how much what percentage for our booking was starch based, is that the question.

Vikram Suryavanshi: Yes and sugar based this quarter.

Shishir Joshipura: So, sugary feed stock versus that was about 60% on the yearly basis, 60% of the capacity came on starchy feed stocks and 40% on sugary feed stock.

Vikram Suryavanshi: Got it and thank you very much.

Moderator: Thank you. Next question comes from the line of Lokesh Maru from Nippon India Mutual funds. Please go ahead.

Lokesh Maru: Thank you. Congratulations sir on an excellent set of numbers and execution. My first question is on the same breakup of sugar and starchy feedstock-based orders within bioenergy for the quarter Q4.

Shishir Joshipura: Sorry. So, what is the question Lokesh?

Lokesh Maru: Sir the same break up which you gave for the year 60-40, what would that breakup be for the quarter?

Shishir Joshipura: Pretty similar I mean nothing much to choose, fairly similar.

Lokesh Maru: 60 on starch and 40 on sugar. So, also sir one question on this side sugar side like you had highlighted last day in that India had the production of cane was at all time high levels of 40 million metric ton side, right year. Last year this time it has come down by 10% or so are you seeing any moderation on the sugar side and at the same time given that broken rice prices are quite contained at this point in time, is it helping you on the starchy on enquiries on the starchy feedstock order inflows by any chance? But how is it shaping up at this point I mean?

Shishir Joshipura: Yes, so Lokesh one clear thing is that in a manner of speaking, the sugary feedstock gets restricted to few states while starchy feedstock does not have that kind of a restriction, right? and as I mentioned, the Government is also pushing for "Ethanol" drought states to starchy feedstock. All these eight states that I mentioned are starchy feedstock, there is no sugarcane there. So, as we start to spread the EBP 20 program reach more and more ethanol would be required also to be served into non-sugary states which are not the traditional producers of ethanol. So, we do believe that there will be a push or there will be continued higher share of business for that starchy feedstock. Having said that, I think sugar mills are also understanding their very-very important role that they will play in this overall program and I do not think we are going to stop at EBP 20 is going to go. Ethanol is going to become a very important element of our overall energy mix and therefore they could get a very important dimension for us to remember. We have not talked about it before is the fact that sugar-based ethanol is low carbon intensity ethanol as far as India is concerned so this is a very important dimension in favor of sugary ethanol. Sugary feedstock based all, and we will have to see as to how it goes. There are many other questions to be so. But I am sure that as we go forward, we will see a different dynamic emerge on this page. As of today as we see it in the immediate future, yes, that starchy feed stock will be higher.

Lokesh Maru: Okay sir given that, if let us say the monsoons are lower than expected, the precipitation is lower than expected in that scenario, how is it? Are you expecting any policy from the Government to, so that these projects on starchy feedstock side as well and both sugar as well, they don't. They are not hurt from a margin point of view, if at all there is inflation within both these commodities, Agri commodities.

Shishir Joshipura: I have no view to give you on this as to what Government should or will do because we do not know that we are still forecasting normal monsoon. We will have to see how that thing develops out. I think what is very important though, that it should such a situation arise I think that is when we will start to understand the value of 2G ethanol that we have been talking about for quite some time, that the eventual solution lies in our ability to use the waste feedstock and I think that by that time, of course we have also, as I was mentioning earlier in my opening remarks, we will have stabilized IOCL Panipat Plant as well and I think that could be a very, very big test for us. All I mean, say, as with all of us, not only Praj, but all of us, who are the involved entities to ensure that we are in a position to create a sustainable path forward and we clearly see that as and when as we start to move to the future and not only for this monsoon, I am talking in general that there will be a definitive play for the 2G feedstock based ethanol production as well, because that is the lowest carbon intensity ethanol.

Lokesh Maru: That's also nice. Thank you.

Moderator: Thank you. Next question comes from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: Congrats on a good set of numbers, Sir, our outstanding order book, if you see on a year-on-year basis has grown by 20% and our win rate on order in flow if you see last five quarters it had more jump from 700 crores say six quarters back to now between 900 to 1050 crores. The question is sir, what is the kind of pipeline that you are seeing sir, which gives us some idea of the growth coming for us on a short to medium term, the long-term growth we have been seeding a lot of technologies which gives us comfort that there will be a growth but on a short to medium term on a high base if you can give us some sense of how the growth will pan out?

Shishir Joshipura: I will tell you a little bit of a story kind of an answer on this one. So, our Chairman always tells us that we have to move in terms of our mental thinking of being a single feedstock single product kind of an approach which was you put a one feedstock at one end and you get a ethanol at the other end to a multi feedstock, multi product thinking and I think that is what is going to play out in future as we go. We have already started to see some signs of it, CBG plants produce fertilizers. If we have ethanol plants, they produce energy they also produce CBG depending on how you treat, I think there are multi feedstock was no longer sugary. It is also starchy, it is also cellulosic. So, we are beginning to see a different dimension and once there are multiple feedstocks on one end and multiple products at the other end and I think that is what is going to be the future. Future is not what we have seen in the past. Future is very different than what we have seen, but it is very exciting. It is very big and therefore we believe that we will be in a position to see a completely different game play out, different segments will emerge. Coming back to the specific question that you had, as I have said in opening remarks as well for our 1G business, for 2G business, for our CPS business specially modularization and for the ETCA related business where which is completely different landscape opening, we see a very-very healthy if I say so. So, we see no reason why we should be going down in any case.

Amish Kanani: Thanks sir that helps and sir, on the margin front, we have seen double digit margin which we are always aspiring for the question is, two-fold if you can explain us if possible between you know what was helping richer product mix versus say commodity price inflation which is you know slowing down and in that context on a yearly basis, how should we look at the sales margins of FY 24? Thanks.

Shishir Joshipura: So, Amish as I had mentioned year of two halves. First half where we did not have we still had the impact of the ever-increasing commodity prices in a volatile fashion and second of the year saw that moderate and cool down and I think that is been let me not say anything and that has been a good big factor for us to be able to manage. The second is the fact that we are also in a position to move to a healthier product mix and by establishing higher value we have taken some tough decisions internally to ensure that we are able to protect our margins. Our teams are focused. We call it not just the growth but healthy growth and that is how many of our efforts have been focused in the direction both in terms of how we improve internal processes. We are not going to talk about it, but there is a big effort in the way and digitalization of our operations, driving standardization for our plants. So, there are different levers that we are using to ensure that we are able to become not only big but also healthy.

Amish Kanani: Okay, that helps and all the best.

Moderator: Thank you. Next question comes from the line of Utsav Mehta from Edelweiss AMC. Please go ahead.

Utsav Mehta: Thank you for taking my question. I just wanted to know the amount of customer advances on our balance sheet and what is the quantum of retention money?

Sachin Raole: So, the customer advance is in the range of almost 700 crores and retention amount out of the receivable should be in the range of 110 to 120 crores.

Utsav Mehta: So, just wanted to understand, we have seen almost a 300 crore increase in receivables that is as much as our EBITDA. So, is it primarily happening? I mean could not be happening only because of retention. So, if you could just throw some color as to why such a sharp increase in receivables?

Sachin Raole: Because that you are looking at in the absolute number, but if you look at in terms of number of days, receivable number of days rather there is a reduction of almost you can call it as a flattish, but from 86 days now it has reduced to 83 days. So 1000 crore turnover happening in the last quarter naturally because of the payment term that money is supposedly to start coming in this quarter. So, that is the reason why you are saying that jump can be absolute number of receivable but in number of days terms it is 83 days versus 86 days of the last year.

Utsav Mehta: Understood last bit on retention, so if you could just throw some color on what are your typical kind of retention clauses in your contracts?

Sachin Raole: So, we are actually trying to do away with retention to a great extent whenever there is a new contract, new customer, new territory, there might be a issue coming up on the retention. But otherwise, as a policy we are going away with retention and that is the reason we are seeing reduction in the number of retention over a period of time, even though the turnover is the top line has grown to this extent as compared to last year. Our retention absolute number has remained very-very range bound. Generally, we try not to have a retention, but yes, if there is a loss for retention, this money is linked to mechanical completion of our project and doing the trial run and subsequent to that retention money coming back to us.

Utsav Mehta: So, it is not typically 6 months or 12 months in terms of running.

Sachin Raole: No

Utsav Mehta: Okay, understood. This is very useful. Thank you so much for your time.

Moderator: Thank you. Next question comes from the line of Arpita Gupta from Nivesh Mitra. Please go ahead.

Arpita Gupta: Hi, congratulations on a great set of numbers. So, my question was regarding volume. So, when we look at the order book numbers there, I am sure affected by inflation and prices too. If you could give any clarity on what kind of volumes may be in terms of number of plants that were commissioned or you know any other way?

Shishir Joshipura: Arpita the problem is that there are six business areas and I find it very difficult to give you an equivalent unit number but just to give some idea, and I am not saying that is the correct measure or anything like that. But we also so you can imagine, have a similar problem on our shop floor. How do I determine what capacity I have got? So, one of the things that we did was to create an equal equivalent unit concept where we sort of reduced everything to in what we make. Okay, that is part of what we actually deliver to our customers in what we make and we saw on a yearly basis doubling of our output volume from the previous year on equivalent unit basis. I do not know whether that answers. Different businesses were going on and explain to you what is the equivalent capacity.

Arpita Gupta: No, that helps. So, doubling from previous year, that means FY22 versus FY23, right?

Shishir Joshipura: That is correct. Now again, that is what we make. So, again, the order list can change where what we make has a higher content compared to what we buy and sell because when we put our project there are lot of things that we buy for them pumps and valves, instrumentation that we just have to, but we have to integrate it into our system, but we do not make them. So, there are different. So, depending on the nature of the project, where are we putting it up? What is feedstock? What is the customer level of competence? I think there are too many of variables there so you can come and ask me. So, you double the unit then how come your sales did not double but that is not the way to look at it.

Arpita Gupta: So, I understand. Yes, fair enough, understood. So, any guidance for the next 3 to 5 years either in terms of volume, like the common unit that you mentioned or the top line or EPS estimates, any guidance for the next 3-5 years.

Shishir Joshipura: So, we would not be able to give you guidance of three to five years. I mean then I have a very different job if I could do that correctly, but having said that, I mentioned that the new investment that we are making in the Praj GenX facility for example, and that is just one of the things that we are doing though is likely to lead it will create a capacity equivalent to 30-40 times of the investment that we have made over a period of time and we will continue to do that in our other parts as well. So, where I need not do a Greenfield project, but a brownfield expansion of our own capacities and that is something that we have worked on a model where we have created some very highly dedicated vendor base for some of our technologies. For some of our offerings so they it is not my own work, but it is still they only work for me under my quality program under my supervision, even under my material. So, there are different models that we are deploying to see how we can use our capital.

Arpita Gupta: Alright, just the last question. Please go on.

Sachin Raole: Additionally, as a practice, we do not give a guidance. We talk about what are the business prospects and possibilities and opportunities. But we do not give guidance as a practice, alright?

Arpita Gupta: Just the last question from my side and pardon me for a basic question. But how do you compare ethanol blending versus the upcoming EV revolution in the Indian vehicles?

Shishir Joshipura: So, this is something on which we will be very happy to dialogue with you. Maybe you can set up a separate call and we have a very definitive view on why broadly one line for India or for that matter, any agrarian economy, the right solution is a flex fuel vehicle and not EV unless the electricity comes entirely from renewable sources, there is absolutely no case for electric vehicle, at least not on the grounds of pollution free and you know it reduce it does not reduce the pollution.

Arpita Gupta: But the targets of EV set up by the Governments will not affect our industry growth?

Shishir Joshipura: The point is, is that the industry is moving in direction and I think somewhere along the line we as consumers become more and more aware of this issue. I am sure that there will be a lot and I am not saying that there is no space for electric vehicles. Please do not read it that way. For that they will coexist along with the new technology, please appreciate that today we already have a huge vehicle park on the ground of nearly 100 million vehicles in India, which are based on IC engines, so we cannot just switch them away. They are already there. There is a whole setup in the infrastructure in the country to distribute fuel, we do not have for electricity. There are many-many things at the same time. We have to the enemy is not its engine. The enemy is greenhouse gas emission and that is the problem that we need to solve.

Arpita Gupta: Alright, that really helps. Thanks a lot.

Moderator: Thank you. Next question comes from the line of Aashav Patel from Molecule Ventures BMS. Please go ahead.

Aashav Patel: Sir, congratulations to the team for a robust set of numbers. So, over the last three years, our revenue base has shifted from close to 1000 crores top line annually to 1000 crores quarterly, which reflects our excellent execution skills. But in the meantime, margins have remained same around 9% range in other crude companies what we see is because of lean manufacturing structure as in when the top line increases multi fold, the operating leverage kicks in and margin expansion is visible but due to our steel RM increases, especially the steel prices we have not seen our margins increasing in line over last two years, so now as newer orders comes into the execution and proportion of older orders get reduced. How do you see margins going forward, say in FY24 and FY25, assuming the steel cycle remains, steel prices consolidate around the current level?

Shishir Joshipura: So, Ashraf, as Sachin said, we will not give you guidance for future numbers or anything like that is not the policy of the Company, but obviously the period that you described, we came through a very highly volatile and increasing price strength for commodity that is hopefully right now in front of us, so that obviously will help and it was damaging our project life cycles are long. So, when we get the order to the time we actually buy the material, there is a significant gap because we are engineers of the plant first. So, there was a COVID period. So, there are different what was the external adverse sectors? They have all sort of went away, so we expect that as we move forward, we will be able to manage a better performance. This is something that I said at the beginning of this year that as we go through the year, we will see year of two halves, first half again, on the lower side and you can see that from our quarterly margins as well and I had mentioned that we will move to a more healthier regime in the second half of the year and that is what we have been able to do.

Aashav Patel: So, that is all from me.

Moderator: Thank you. Next question comes from the line of Ajit Muroor, an individual investor. Please go ahead.

Ajit Muroor: So, congratulations on great set of numbers. First, my question is on the strategy. Are you as Praj Industries trying to get into actually making the biofuels versus just being the process consultants and process manufacturers process equipment manufacturers? Is that the strategic direction?

Shishir Joshipura: So, let me answer it like this. So, in our current businesses, our basic business model is from technology, engineering, manufacturing, production and in some cases in India even help customers with their operations, so we call it a tempo model and that is what has driven us so far and we have no reason to believe that anything else is required to be done for these businesses, but if a new business or horizon opens up, then that has a different set of dynamics in the market. We will have to react to that, right. We cannot say this is our model. Market dynamics can be anything. So, what we have said is that in our current businesses with our current business model, we are very confident that we will continue to grow that we have. However, if a new horizon opens up and that has a different set of requirements, just like I was mentioning to you, if you come to my Company three years ago, we would not heard the word distributor in our Company at all, that is not who we were, but now I talked about a distribution channel being set up both in India and international markets for our services business, for our PHS business, because that is the need of the hour. So, that business model will evolve with period of time. There is no such thing that we want to become producers of fuel, not at all. No, we have no plans right now to compete with our customers.

Ajit Muroor: Okay, got it. I think that was it from my side. Thank you for answering the question. Thank you.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to the Management of Praj Industries Limited for closing comments.

Sandip Bhadkamkar: So, thank you everyone for your time today. In case you have any more questions, feel free to write us at info@praj.net and we look forward to seeing you again next quarter for this interaction and have a nice day. Thank you.

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