

Praj Industries Limited
Q1 FY '26 Earnings Conference Call
August 12, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Praj Industries Limited Q1 FY '26 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 this conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

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

Anuj Sonpal: Thank you. And good afternoon, everyone. 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 to discuss the 1st Quarter of Financial Year 2026 performance.

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 belief, 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 conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter 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. We have with us Mr. Ashish Gaikwad – Managing Director, and Mr. Sachin Raole – Chief Financial Officer and Director of Resources.

Without any further delay, I request Mr. Sachin Raole to start with his opening remarks. Thank you, and over to you, sir.

Sachin Raole: Thank you, Anuj. Good day, everyone. I welcome you to Praj Industries' Earning Call for Quarter 1 FY '26. Trust all of you had the opportunity to go through our results for the quarter ended 30th June 2025.

The consolidated income from operations stood at Rs. 6.4 billion in Q1 FY '26, as compared to Rs. 6.99 billion in Q1 FY '25.

PBT before exceptional items for the quarter stood at Rs. 96.09 million, as compared to Rs. 788.8 million in the corresponding period of the last year. Profit after tax stood at Rs. 53.4 million in Q1 FY '26, as compared to Rs. 841 million in Q1 FY '25.

Of the total revenue, 60% is from Bioenergy, 28% from the Engineering, and 12% is from PHS business. Export revenues accounted for 39% of Q1 FY '26.

The order intake during the quarter was Rs. 7.95 billion, with 55% from the domestic market. Of the total market intake, 80% came from Bioenergy, 12% from Engineering, and balance 8% from PHS business.

The order backlog as of 30 June 2025 is at Rs. 4.45 billion, comprising 62% of domestic orders. Cash in hand as on June 30th stood at Rs. 4.5 billion.

Geopolitical scenario and uncertainty around U.S. tariff have slowed down the CapEx-related decisions impacting the order booking. Customers in domestic market are facing liquidity challenges, resulting in delayed and extended project execution.

Profit mainly impacted by drop-in volume, increased site-related expenses because of delayed execution cycles, and GenX business expenses with no corresponding revenues. It has also affected the absorption of fixed cost. It is pertinent to note that there is no loss of orders or the loss of market share for Praj.

Effective tax rate for Q1 FY '26 in consolidated financials is 44% because the deferred tax asset on the losses of Praj GenX is at lower rate as compared to the rate of tax for Praj Industries.

In yesterday's AGM, shareholders have approved the payment of final dividend of 300% per share.

With this, I now hand over to Ashish for his comments on the Business Performance and other updates.

Ashish Gaikwad:

Thank you, Sachin. Good day, everyone. Yesterday, on the occasion of World Biofuel Day, Praj introduced BioVerse. It is a movement to promote innovation, collaboration, and additional applications to further develop the Indian and international bioeconomy.

I would like to go to the Business Updates now.

First, on the domestic bioenergy business. As you know, India has achieved its EBP20 target ahead of its scheduled target of 2025 end. The current installed capacity of ethanol production

in the country now exceeds EBP20 requirement. The discussions are ongoing regarding additional blending mandates. The industry is anticipating a firm announcement on the same.

The excess installed capacity has led to temporary slowdown in conversion of new inquiries into firm orders and new greenfield ethanol plants. We believe this short-term situation will improve once the government announces its plans to increase in ethanol blending.

Introduction of flex-fuel vehicles and engines will also give new impetus. As mentioned by Sachin, despite slow orders, our market share at Praj is intact. Government of Maharashtra has made an announcement of Viksit Maharashtra 2047. This is a positive development. It talks of bioenergy policy that promises Rs. 28,000 crores in investments over the next five years in various products derived from sugarcane.

While we are witnessing slowness in inquiries of greenfield plants, we are focusing on offering plant medications as well as solutions as co-products such as Distillers Corn Oil called DCO, rice protein, etc. These are gaining increasing interest from the existing ethanol producers.

On the existing projects and on the execution front, liquidity challenges are resulting in extended execution cycles. In few cases, we are witnessing delays in site preparedness and pre-commissioning readiness due to the lack of funds.

Moving on to the international bioenergy business:

Despite good inquiry basket from America, there are some delays in order bookings. Some of these are due to the tariff-related developments. There is now a clarity on 45Z policy, which is a tax credits policy contained in the new Big Beautiful Bill. It is an encouraging development for us. However, the uncertainty regarding tariffs may act as a headwind.

CBG business:

There is a healthy pipeline of inquiries for projects in CBG. The success of our press mud-based CBG plant is well accepted by the customers. New opportunities based on Napier Grass as the feedstock are also developing. The decision-making is delayed in some cases due to financial challenges.

We have a unique offering of combined CBG and Bio-bitumen plant. This unique offering from Praj improves the project ROI and payback period. We have initiated discussions with customers regarding the addition of Bio-bitumen modules. Since it can significantly improve the viability of the CBG plants, we are witnessing increasing traction.

As mentioned in the last quarter, we have signed a term sheet with BPCL for developing 10 CBG projects. We are in the process of finalizing the JV agreement.

Services business:

This business is continuing its journey on a healthy growth path with a good performance. Apart from our performance enhancer solutions, we also have a healthy inquiry pipeline for biogenic CO₂ capture solutions.

On the SAF business front, we have received an order for detailed engineering for commercial-sized SAF plant in the USA. This is for a detailed field engineering package. This is going to help us in capability development in ethanol-to-jet projects.

On the policy front, UP government is expected to come up with Sustainable Emission Fuel Manufacturing Promotion Policy 2025. This is aiming to establish the state as a leading hub for SAF production in India.

In one more SAF-related development, Praj has entered into a partnership with IATA and ISMA to advance SAF Carbon Assessment and Certification in India. This collaboration aims to conduct a comprehensive life cycle assessment, or LCA, of SAF produced from Indian sugarcane feedstock using the ethanol-to-jet pathway. The goal is to determine an accurate carbon intensity number for SAF and establish a certification methodology suited to the Indian context, aligning with the international standards.

Moving on to the engineering businesses:

On GenX front, tariff uncertainty and the reduced prioritization of energy transition projects have affected order bookings. Several projects are either delayed or on hold. The fixed costs at GenX facilities coupled with limited revenue activity has negatively impacted our bottom line. We are closely monitoring developments on the U.S. tariff front. We expect to be in a better position to comment on its long-term impact on the energy transition and the climate action business by next quarter. Expanding application of modularization across industries and geographies is going to be the driver for capacity utilization of our GenX facility.

On PHS front, we have a good pipeline for our solutions for segments of high-capacity fermenters, complex injectables, and blood plasma. We are also exploring opportunities in emerging sectors like batteries, solar cells, and semiconductors.

On bioplastics front, we have now started discussing our offerings with potential customers and the inquiry pipeline is building up.

Overall, despite challenging business environment, our core fundamentals are strong, our growth vectors are intact, and therefore, we remain committed to our long-term growth vision.

I now conclude my remarks, and I would like to thank all of you for joining our call today. We will now be ready to discuss any questions, comments, or suggestions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: My first question is on the domestic execution. It is pretty slow in the third quarter. I think it is around 3.9 billion, Rs. 390 crores versus Rs. 530 crores in the best quarter. Do you think things will improve in the next couple of quarters or it is going to be a very, very delayed recovery? And is the lack of blending mandate also impacting the execution?

Sachin Raole: Sorry, Mohit, it was a little difficult to understand your question. Are you basically interested in understanding what is the scenario in the domestic ethanol market?

Mohit Kumar: Yes, sir.

Ashish Gaikwad: All right, Mohit. So, certainly we need some impetus in the current domestic market, as we mentioned. We would like to see a new additional blending mandate, which is probably being discussed now. And, of course, that will give us more traction as far as the new capacities for the ethanol plants is concerned.

Apart from that, we are also looking at other opportunities that can come up. One of them I talked about recently is on SAF, the sustainable aviation fuel, and the pathway that takes ethanol to SAF. So, that is the other set of opportunities that we would be looking at.

And the third one is also an opportunity that we are excited about, which is diesel. Today, diesel is not being blended by any alcohol. And if we get that mandate for blending in diesel as well, then that will give us a pathway to increase the alcohol production in India. All of these will positively impact our order bookings. This probably may not happen in the very immediate future or this quarter, but over a period of time, certainly this is a positive trend.

Sachin Raole: And Mohit, if I may add to your question related to the prospects for ethanol in the domestic market, there are two ways of looking at this entire scenario. One is completely based on what is going to happen on the mandates. If there are mandates, then what Ashish was describing is going to happen.

Rather, there are a couple of more things which have happened. Yesterday we witnessed on the World Biofuel Day, witnessing unveiling of ethanol-based mobile gensets and next-gen flex-fuel vehicles for both two-wheeler and four-wheeler. It will also facilitate additional demand for ethanol in near future. So, that is one element based on what is going to happen to the ethanol demand.

Another element from our offerings point of view, let's assume there is no additional blending mandates coming up in the near future. We have a solution of advanced technology and customized services for our customers for enhancing their capacities or their yields or their performances, which is very healthy business. Might not be top-line accretive, but will add to our bottom line.

And in addition to that, we have started our services business in a small way in the last couple of years, but it is taking a very big shift now, especially providing the performance enhancers to our customers, providing the services in addition to operations and maintenance. So, there is a big bouquet or big basket of services which are also getting provided to our customers. So, that is an additional element for the domestic market which will add on with irrespective of whatever is going to happen to our blending mandates.

Mohit Kumar: My second question is on CBG. Of course, you are executing a very large order of CBG of around Rs. 500 crores. How has been the experience and how do you see the finalization of new tenders in the near term?

Ashish Gaikwad: So, Mohit, on CBG, I think the industry has been learning over the last few years. And that learning has now, at least for Praj, resulted into doing these projects with much more efficiency and much more standardization. Especially for the press mud, which is a feedstock for CBG, we now have three successful projects which are producing CBG at capacity. And that is certainly good news.

There are more inquiries coming up, especially there is an interest in a feedstock like Napier Grass, and we are working on our proposals and working with the customers to see how we can take a fair share of that market as well.

Overall, it is still a developing market, CBG, and it will take some time for it to become extremely stable. And we are engaged with that market. So, we will keep you posted.

Moderator: The next question is from the line of Atul Tiwari from J.P. Morgan. Please go ahead.

Atul Tiwari: Sir, my question is on order inflow. So, if the extension of this blending mandate has not come beyond 20%, say, for this year, can we still maintain about Rs. 800-odd crores of quarterly order inflow run rate or do you expect it to slip further from here?

Ashish Gaikwad: Yes, good question, Atul. You have seen that our current order booking is in that range, what you mentioned. We, of course, aim higher, based on the inquiry pipeline that we see, but the decisions can sometimes get a bit delayed. So, that is what I can say at this point in time, that it is fair to assume that type of a run rate.

Sachin Raole: So, Atul , just to add on, while answering a question of Mohit, I was very specifically saying that if there is no additional blending mandate, maybe our top-line growth will not be there to that extent. Indirectly, that means there will not be a run rate of domestic order book in that zone which we are discussing right now because naturally there will be very few Greenfield orders coming up in the picture in that case.

But there will be other opportunities which are available to us in the form of advanced technologies, which may not add on to our top line, but that will add on to our bottom line. So, you may not see the numbers on top line, but you will see a number on bottom line.

Atul Tiwari: And starting with margins, you know, in this quarter, we have seen at EBITDA level 4.9%. And as far as I can see, it is probably the lowest over past at least 15, 16 quarters. So, in this kind of environment, I mean, assuming that the mandate is not extended and beyond 20% and the tariff uncertainties continue for some more time, is this the new normal or the new normal is more like 8%, 9% or even the double digits?

Sachin Raole: So, from the margin point of view, yes, you are right. This quarter happens to be the lowest one, mainly on two accounts. There will be a minor couple of more, but major two. We have seen a drop in top line by almost Rs. 220 crores as compared to March quarter. We just contributed heavily on not having the margins because the fixed costs to that extent are not getting recovered. One.

Two, the subsidiary of our GenX facility which is completely operational, completely functioning, but not correspondingly generating revenue at this point of time. That is second one.

And third one, in the other expenses, we have seen some kind of spike in the site-related expenses because of couple of sites where the work was continuing. We had some challenges on getting the labor for those particular sites, which actually added into our cost. So, that is another reason.

Whether this is a new normal or new normal is going to be different? According to us, yes, new normal is going to be completely different. This is like an aberration in this quarter, which we have seen, that top line dropping to this extent, costs going up to whatever extent which I mentioned.

We are not expecting this situation to continue definitely. Some pains might continue till quarter 2, but from quarter 3, from H2 onwards, we are not expecting this situation to continue. So, the new normal which you are expecting that can we be in a little larger single-digit EBITDA margin, I think that is what we will be looking at going forward.

Moderator: The next question is from the line of Sandeep Sabharwal from Asksandipsabharwal.com. Please go ahead.

Sandeep Sabharwal: Hi, Mr. Gaikwad. So, I have been tracking the company for almost 25 years. Last few years, there have been several growth opportunities which the company has talked of, which were supposed to become big, starting with the 2G, ethanol, to CBG, to SAF, to bioplastics, etc. But all of these largely seem to be remaining on paper. And the company's shareholders seem to be working for the employees of the company, like the salary to turnover ratio of your company is extraordinary.

You have set up a new facility, a huge new facility, which is not executing anything. I haven't seen any company ever do such kind of thing. So, what are shareholders supposed to expect from it? If you actually go and listen to your company transcripts when you were not there, conference call transcripts last 4, 5 transcripts, this sort of decline in turnover and the challenges you are talking of, these were never talked of earlier.

Ashish Gaikwad: Yes. So, first of all, Mr. Sabharwal, you tracking our company for 25 years certainly is a good thing. And I appreciate your comments that you have given.

See, we are also a technology company. You know, we develop a technology. We develop that in the field of the bioeconomy. And it is a developing economy. So, there are timelines which are extended.

You talked about 2G, CBG, SAF, and also bioplastics. 2G, for example, our technology is now working as far as 2G plants are concerned. And we are quite hopeful and we are working towards making our first 2G plant to be operational by end of the year, right? So, I think that will build more confidence. And there are two more projects that will follow, which are already being executed by Praj after this first one that I talked about. So, there is a timeline we have in mind, and technologies like 2G, we are quite excited to really make them successful.

Bioplastics is the same thing. You know, it is driven by a little bit of regulation side as well. But we believe that these trends are correct. And these are difficult technologies to work with. Praj has always done difficult things. Even ethanol, when you see, several years ago, when Praj was talking about ethanol, nobody else was talking about it. And now you clearly see the success of the way ethanol is being blended in gasoline, ethanol-to-jet as the pathway, et cetera. So, patience pays, and especially in the technology field that we operate in, there is a definite reward to the patience.

Sandeep Sabharwal: I don't think you covered the aspects which I talked of, but in any case, now Mr. Chaudhari came out with a Vision 2030, where he said that you are looking to triple turnover and I think grow profits by some levels, which I don't remember now. And immediately after that, the

growth of the company has started declining. So, can you just comment on that? What are the assumptions which went into giving that Vision 2030 and how you are going to achieve it?

Ashish Gaikwad:

Certainly. So, first of all, the vision that was set by our Chairman, Dr. Pramod Chaudhari, we still are very much committed to delivering that Vision 2030. And the reasons for that, Mr. Sabharwal, are pretty well known. The reasons for that are the fundamentals, the core fundamentals are still the same.

Our growth vectors, which I will quickly touch upon, are also intact. And therefore, while we see some of these hurdles like the tariff that we talked about or some of the slowing down of the domestic ethanol Greenfield demand etc., those will be overcome when we are looking at a 5-year period.

The growth rates that we are still quite gung-ho about is number one, we believe that ethanol will have more pathways for sure, right? And I touched upon couple of them already. We also believe that CBG as a market will develop and we will have a fair share in CBG.

Number three, in our growth aspirations, we are internationalizing our offerings and our services, and certainly, we will have opportunities to grow it beyond the borders of India.

Bioplastics also, although it has moved slowly, but it will have the market opportunities developing. We can see those opportunities developing as well.

So, when you look at the growth vector that we are talking about, both in the biofuel side and the renewable chemicals and materials side, which is how our portfolio is balanced, those are going to take off.

On the equipment and the modularization side, we have had this slowness, which Sachin mentioned, but we will explore new opportunities in new industries as well as new geographies so that we are able to better utilize our GenX facility.

So, I hope some of your points that you raised, which are valid points, some of those are addressed by my answer.

Sandeep Sabharwal:

Thank you. Just one observation because I have covered my two questions, that your company, when it was much smaller, used to have margins in the late teens or early 20s, if you go back into history. And as it's become bigger and bigger, the margins are actually declined, whereas it should work the other way. I hope that you take initiatives under your guidance, as you have just taken over, to improve the profitability of the business.

Ashish Gaikwad:

Certainly, sir. I think profit remains one of the top focus areas for us. And as you mentioned, you know, we will certainly take action so that we can maintain a certain level of bottom line.

Moderator: The next question is from the line of Shivkumar Prajapati from Ambit Investment Advisors. Please go ahead.

Shivkumar Prajapati: Sir, my first question is, in the presentation, we have highlighted that the current capacity is, you know, exceeds the EB, like ethanol blending rate of 20%. So, just want to understand, is the capacity marginally extra or is it something that can serve up to 25% of blending rate?

And if possible, would you be able to share the split between the Greenfield versus the Brownfield part of the ethanol order book? And what part of overall ethanol production is being made from sugarcane, rice or say any other grain?

Sachin Raole: So, the composition of sugar and grain is more or less reaching to a 50-50 kind of a proportion from the production point of view. Is the current capacity good enough to take care of 25%? Because there are so many regional imbalances still there and because of which this extra capacity looks like to be an extra capacity, but that extra capacity, so-called, will not be in a position to take care of additional blending mandates.

Even if it happens to be 22%, 23%, we will immediately see the capacity requirement coming up from all the corners. So, we don't think that existing capacity will be able to take care of the additional requirement because there are multiple factors which plays a role in the installed capacity and the utilized capacity and that to region by region. So, I don't think that we will see that kind of a scenario.

What was the other component of your question?

Shivkumar Prajapati: Sir, the order book split for ethanol between Greenfield versus Brownfield.

Sachin Raole: So, right now, we have majority of our order book is coming from Greenfield. There is a small component of Brownfield. And at Brownfield, what I was earlier referring to from the advanced technology kind of a scenario, where people are looking for capacity tweaking or shift up, adding the new line in their existing sugar line with the grain line or the yield improvement. So, maybe 80% will be Greenfield, 20% will be Brownfield, more or less.

Shivkumar Prajapati: And sir, my next question is on GenX. So, far, GenX has contributed around Rs. 20 crores of top line. So, what is the overall expected contribution from this segment, given that there is no contribution in Q1 so far? And if you can provide any further updates on a new audit that has been conducted and any new long-term contract that has been signed because I think 8 audits have been done and 3 contracts have been signed. And if you could also highlight the order book that we will be able to execute in the remaining 9 months of this year, given we have Rs. 4,500 crores of outstanding order book.

Sachin Raole:

So, in the GenX, it is a very peculiar situation in GenX. Let me first tell you that we also added two more framework agreements during this quarter for the GenX, which are basically based on the new client's inspection of our facility and then signing this framework agreement. So, that is the positive news on that front.

On the overall opportunity which we are looking for from the GenX in the next year's point of view, we have more than Rs. 1,000 crores firm proposals sitting with our customers, where the decision-making is yet to happen. In the last call, we had mentioned that we are working on RFQs, that is requests for quotations, which we had submitted to our customers as a firm commitment, and those we are waiting for finalization.

The trickiest part of this Rs. 1,000 crore is that almost 70% are for the U.S. customers and 30% are for non-U.S. customers. Rather majority of them for U.S. customers, but the export is supposedly to happen to U.S. to the extent of 70%. 30% is supposedly to happen to the European region. So, that is the mix of what I can say firm commitments which are sitting in the market from our side.

What we had to see how this current scenario towards the tariff and the uncertainty towards that, which is delaying the decision-making for my customers, how it is going to span out over a period of next couple of quarters. And that is what is going to decide to what extent out of this Rs. 1,000 crore is going to get materialized in the order booking for us. But that is one segment.

Is that the only segment which we are concentrating on? That is not the case. Currently, we are working on multiple other requirements of the requisitions from other regions too. If you look at GenX facility, it is not meant for a set of customers, it is actually a modularization facility which can cater to different industries too.

So, our focus is now looking at what has just recently happened in the month of August, especially in the form of tariff. We are working out alternatives to utilize this capacity. Maybe it will take a quarter more time for finalization of the entire new regions or new industries for us, but that is the work which is going on.

It is a little premature to answer the question whether what will be the order booking for GenX at this point of time for a simple reason, because that additional 25% tariff is supposedly to kick in from, what, 28th of August. So, we will have to wait and watch for some more time to find out how this entire scenario is going to play out for us.

Shivkumar Prajapati:

My next question is on exports. So, basically, it is on export opportunities. Okay, we will exclude the U.S. tariff impact. I just want to understand, currently, U.S. contributes around less than 10% to our revenue. So, post this approval of 45Z and 45Q announcement, what opportunity size do we look in U.S.?

And in last year, same quarter, you have highlighted that we had the opportunity to convert 20 plants to low-carbon ethanol plants. So, is there any update on this? And plus, Brazil has also raised their mandate from 27% to 30% for gasoline, whereas for biodiesel, it has been raised to 15% from 14%. So, just want to understand how much does Brazil contribute to us and the opportunities after this mandate update from Brazil.

Sachin Raole:

I will try to answer this question a little in short because there is a long queue of questions which are standing in the line. So, answer is very simple. For U.S., 45Z, rather, this was a mixed bag for us. 45Z is very positive development because it is an extension of the credits which are supposedly to be available from 2027 to 2029. That is one positive.

Second thing, there is a complete clarity of how the credit is to be given to our customers. So, that is another positive for which we were waiting actually for last 2, 2.5 years. So, these are very, very positive development on the low carbon ethanol and credits available under 45Z.

Only the downside, which is coming up in the form of this 25% plus 25% tariff at this point of time. And that may delay some decision-making till we have clarity. And what I answered in your earlier question, that tariff is going to get some kind of clarity in a clarity zone by end of August. I think that will tell us what is going to happen on the opportunity which is available to us on the 45Z.

Second question is related to Brazil. Brazil, we believe that there is an increased blending mandate which will definitely open an opportunity for us in the Brazil market. But again, we like to see it is not only India and Brazil. There is U.S. again sitting between Brazil and U.S.

What is going to happen from the export of ethanol from Brazil to U.S., which is a very common factor, what will be impact on their export because of their tariffs, because they are also in a very large kind of a tariff number, and what kind of a capacity expansion they will be looking at. That is, again, we like to wait and watch.

So, there is a very minuscule, not minuscule, maybe 10% to 15% kind of an impact, as you rightly said, from the direct U.S. business of ours. But there are many factors which will indirectly affect us because of this kind of a scenario. So, we will have to wait and watch on this front at least for a month till we see what happens on the balance 25% tariff.

Moderator:

The next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani:

My question pertains to, again, the GenX facility where you did highlight the peculiar situation which is currently there. I just wanted to understand this is prior comments that we will be winning few orders and then the execution can happen in H2. So, now is that situation there?

And second thing is you talked about geographical diversification and some other diversification for GenX. So, in the event of 50% tariff, are we also exploring the option that since this was 100% export-oriented unit, we will be looking for domestic orders and which other industry diversification you are talking about, if you could explain in more detail about the GenX facility in the event of tariffs?

Ashish Gaikwad:

Maybe I can take that question, Amit. Thank you for your question. Yes, first of all, we are right now heavily sort of weighing on the U.S. tariffs, and that is why it is important to say that the facility, which Sachin also mentioned earlier, is not just only for USA. It is certified and getting certified for multiple geographies as well. And the customer base that we are trying to target is in the U.S., but also outside of the U.S.

Secondly, we would like to have a proper analysis of the other markets other than U.S. so that we will be able to, in the next call, give you more qualified answers based on our study that we are doing. Because naturally, like us, many other companies are also struggling with these tariffs and we will have to find new geographies to start working on.

The third thing that you wanted to know was about new industries. So, firstly, we were focusing in the last couple of years when there was a lot of discussion around the energy transition and climate action type of projects, they were mostly green hydrogen or blue hydrogen or green ammonia oriented. And somehow those projects are either slowed down or on hold.

And therefore, the other industries which can be certainly looked at and the facility at GenX allows us to manufacture these modules or equipment for them will be the non-ETCA or non-energy transition and non-climate action type of industries. And those are the ones that we would be exploring.

As far as the geographies are concerned, we are looking at the Latin American geography, where we already have presence, and, of course, Europe and the U.K. as well.

Amit Anwani:

Second question, sir, you talked about the liquidity challenges faced by our customers. And I am assuming this is, I think we are working with sugar and then grain-based plants. So, why is this arising? And are we sensing any impact on our working capital? Is this a challenge for the current order book? And then what is the exposure of current order book where we are facing liquidity challenges from the customer?

And second, since now 1G has kind of dried up, we at the peak used to get about Rs. 3,000 crore order intake, typically from 1G. Are we expecting less than Rs. 1,000 crores since there is no orders and even EBP further mandates will take a lot of time to materialize because of different challenges? So, more clarity on these points.

Sachin Raole:

So, Amit, your first question related to working capital, I must accept and admit that, yes, there is some kind of a strain. We have seen to some extent accumulation of inventory and receivables in this quarter, but not alarming.

Rather, that was the main reason when we took a decision that we don't want to keep on dispatching the goods to our customers without having cash on table. That is what has actually affected the revenue coming down from last quarters of 860 to 640 of this quarter. So, that was a very conscious call which we took, that if we are not seeing the money on the table, we will not continue with dispatches of the goods.

Let's understand what this liquidity problem is. All our customers technically have sanctioned loans from their banks. It is not that they don't have money in that sense, but they have a sanctioned loan. So, these cases are completely backed by financing.

The problem which my customers are facing is very simple. As you know, Amit, that we generally do 40% or maximum 50% of the entire Greenfield project of any of our customer. So, let's assume a project size is Rs. 100 crores and I am doing a project of my component is Rs. 40 crores. The sanctioning of a loan is for the entire Rs. 100 crores.

What bankers are saying that we would like to see the development happening on the project, across the project, and not only what Praj is doing. And if there are any delays in other vendors' work which they are supposed to carry on, or the civil work which my customer is supposedly to take care of, is affecting the disbursement of loan for my customers. And that is the reason why we are working with them. We are helping them to figure it out how they can move forward so that our components can also get dispatched.

That is what has impacted from the execution cycle point of view, what we had mentioned in our opening remarks, that the execution cycle time is getting elongated because of that. But your question is right. We have seen some kind of a strain on the inventory being getting piled up because of the dispatches, they are not happening. But that is a running inventory, so we are not worried on inventory. And we didn't allow our receivables to go completely out of our hands. And we are working with our customers for recovery of that money, too.

Sorry, Amit, what was the second part of your question?

Amit Anwani:

The second part was on the, since 1G orders, we are clocking Rs. 3,000 crores, FY '23, '24, '25, and since there would be absence of 1G orders, are we seeing order intake drastically declining on 1G front? Since you said there would be only service orders, and I am assuming that the non-ethanol-based or non-EBP20-based order would be maybe Rs. 200 crores, Rs. 300 crores more. I am just understanding.

Sachin Raole: Understood. So, I may not be able to exactly give what that number is going to be, whether it is going to be less or more. But we are only right now talking about domestic ethanol. We are also working in other geographies. U.S. happens to be one of that. But other geographies which Ashish was mentioning, especially in the Latin American market, rather this quarter, we got an order, a big order from the Latin American market in the international segment. So, we are looking at not only domestic market, but we are looking at international market.

Rather, let me put it in another way, we are not only looking at U.S. and India, we are looking at other geographies where a lot is happening because those countries are looking for increased mandates also. So, there is a possibility of, I may not be able to comment whether it is going to be Rs. 3,000 crores or Rs. 2,000 crores or Rs. 4,000 crores, but there will not be a drop-drop to that extent in which you are looking at.

I don't think that that is the scenario which we are aiming for. We will not be getting into that kind of a zone. Only the composition of my bioenergy basket may change. Yes, there might be some drop in domestic, but we will get compensated from some other basket. That is what we are looking at.

Moderator: The next question is from the line of Shiwani from Monarch Network Capital Limited. Please go ahead.

Shiwani: Most of my question is already taken up, but a quick one. One is that we have already talked about bioenergy and engineering, but can you give me a sense of what we are doing in the value-added area? When we can see revenue realization kicking in? So, that is my first question.

And second question is on diesel-ethanol blending. So, although we have been hearing about it for a long time, but what is the scenario on ground, if you can give us some sense?

Ashish Gaikwad: Sure. Thanks, Shiwani, for the question. The first one is on the value-added products or co-products, as we call them. What we are trying to do here as a technology company is to see an existing asset and get more and more out of that asset. So, therefore, we have add-on modules to an existing plant.

For example, if you have a corn-based ethanol plant, we can provide what is called as a Distillers Corn Oil module, DCO, as we call it. And therefore, the producer can get an extra income by producing that Distillers Corn Oil, which then gets into various applications, one of them being the input for biodiesel.

Also, there is something called as rice protein. So, if you have an ethanol plant that is working on rice as a feedstock, then we are able to extract a good quantity of protein from that, which is human-edible and also something which is very beneficial. So, there are multiple such add-

ons that we are working on which will help the existing assets and get more return from those assets. So, that is the first part of your question. The second part...

Shiwani:

So, if I can intervene. So, can you also talk about the Bio-bitumen and bioplastic bit? Because we have been doing CapEx for that. And when we can see the revenue realization coming in for that? I understand most of it is also in the R&D phase, but some visibility or some commentary on that?

Ashish Gaikwad:

Sure, Shiwani. So, for Bio-bitumen, Bio-bitumen comes from our CBG plants right now. And therefore, you know, this is a unique offering that Praj is developing where we are able to give a combined offering of production of CBG as well as Bio-bitumen, which enhances the return on investment and also reduces the payback period for the CBG plant investors. And this is something that we want to take to our customers as a differentiator from Raj.

That also is a value-added product, the Bio-bitumen. And its use, as you know, is in the highways and the road building. We can blend up to 10% to 15% of Bio-bitumen into the fossil-based Bitumen. That also helps in reducing the import of bitumen in India. So, it is a good product. It is a good offering, and we would like to promote it more as we go forward.

Bioplastics also, it was a developing technology in the past, but now we have a collaboration with Uhde, who is a part of Thyssenkrupp company, and with that collaboration between Praj and ThyssenKrupp, we are able to give a complete end-to-end facility for what we call as PLA, which stands for Polylactic acid. And this is a polymer, which is a bioplastic, which is biodegradable. It can be industrially sort of degraded or composting if possible. And that is available right now as a technology. We are making firm offers to some of the customers as we speak. And we are hopeful that this is the market that will develop going forward.

Shiwani:

And on the next question on diesel-ethanol blending?

Ashish Gaikwad:

Sorry, on the diesel blending, an update you wanted. Yes, we also believe just like in the case of gasoline or petrol, we are able to blend alcohol. And that is a very successful program in India, as you know. It is completed before its stipulated time period. We believe that diesel can also have a similar blending mandate. We can blend alcohol into diesel. And as you know, the diesel usage in India is 2.5x to 3x more compared to petrol.

So, that is another pathway for our type of technology, which produces alcohol, that can give a blending into the diesel, which is a drop-in fuel, as we call it. There is no necessity to do anything else. It just blends into the diesel, and therefore it can be used without any problems in the diesel engine.

The other thing I would like to mention here is, while EVs can be popular, electric vehicles, they are for short distances. But the diesel engines, which are used in trucks for long-distance freight

forwarding, you don't have a very good alternative as EV. And therefore, blending such as what I am talking about, the alcohol blending in diesel, can be really helpful for our nation to reduce pollution as well as to find an alternative to the fossil diesel.

Moderator: The next question is from the line of Vikram Suryavanshi from PhillipCapital (India). Please go ahead.

Vikram Suryavanshi: Good afternoon, sir. Just wanted to check on this multi-feed distillery opportunity for sugar companies, given their crushing days have come down. How is that fanning out? Should I ask another question or?

Sachin Raole: Yes, you can go ahead, Vikram. You can ask your second question.

Vikram Suryavanshi: And in terms of opportunities with the new raw materials which are evolving, how is that coming from the bamboo as an opportunity and will it be scalable? And how much time it will take, you can address. I think these are the two questions.

Ashish Gaikwad: So, on the first question, the states across India are stepping up the support for the bioenergy sector, as you know. And you have seen that in Maharashtra, there is a new biofuel and bioenergy policy that is expected to attract approximately Rs. 28,000 crores over the next 5 years, right? So, there is an impetus being given with this policy here.

The state is offering incentives such as capital subsidies, as you know, interest subvention, 100% GST refund as far as the state GST is concerned, and waivers on electricity and stamp duty as well. So, cooperative mills will also benefit from this equity support and with provisions for the PPP and the BOOT models, the build, own, operate, and transfer models, this will encourage some private investment is what we are expecting right now. Does that answer your question?

Vikram Suryavanshi: Yes, and just you can highlight further on this multi-feed distillery CapEx for the sugar companies, how it is shaping.

Sachin Raole: So, Vikram, just to answer that question, people are looking at it. They are very, what I can say, very much interested into it. But we have not yet seen a very meaningful kind of order book building out of that. But that opportunity is definitely finding some kind of an attraction for the sugar mill for adding the traditional, what I can say, line for grain too.

So, we are actually discussing with our set of customers. We are holding the seminars and educating them to let them know what benefits they can derive by having this additional line. So, it is right now more of a development kind of a stage has yet to result into some kind of a concrete numbers for us.

Vikram Suryavanshi: And another question was on how is the opportunity coming for the...

Sachin Raole: Sorry, Vikram, your question was related to bamboo. Yes, right now, everyone is talking about it that we can use the, what I can say, the excess land which is available for cultivating bamboo for converting it into ethanol.

Actually, it is a moment. We like to see how this moment catches up and how the development can happen. I can just assure you from the Praj point of view that from the technological side, yes, we are ready to offer those kinds of solutions. And we will see how the opportunity develops under this segment.

Vikram Suryavanshi: And just one clarification I need. Should I go ahead?

Ashish Gaikwad: Yes, go ahead, Vikram. Go ahead.

Vikram Suryavanshi: This diesel planting, what we are talking as we are primarily looking as opportunity with ethanol with a binder or Iso-butanol?

Ashish Gaikwad: Yes, I think it is a good question, Vikram. Thanks for asking. We believe that with a binder, etc., it could get even more complicated. So, given a choice, we would say that we should have a material that will easily blend and is a drop in fuel, as we call it. And that is Iso-butanol at this point in time. So, we are doing some experiments with different agencies who can certify it. And the test results are really encouraging. But more we will share with you as we go forward.

Vikram Suryavanshi: Thanks for the clarification.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

S. Ramesh: So, when you mentioned about advanced technology being a profit generator, can you mention some indication of what will be the scale of profit you can do for the next one or two years or what percentage of your earnings will come from that because your turnover may not improve much? Can you give us some sense on that?

Ashish Gaikwad: Sure. I think what Sachin already covered in the previous answers was that while the current quarter looks extremely challenging, the one that you see the numbers for, but our aim is to go for high single-digit EBITDA percentages. I think that is what we are working on. There is much more action behind it, but if you have to just look at what is it that we are going towards, it is that single-digit high percentage of EBITDA. That is what we are aiming for.

S. Ramesh: I understand that. But when you mentioned advanced technology, you said it will add to the bottom line. So, it will be difficult for us to estimate EBITDA if we don't get a sense on the top line. So, if you can give us a broad indication of what will be the bottom line you can expect in value or percentage of your earnings for one or two years.

Ashish Gaikwad: It will be difficult to give an exact percentage. But like I said, it is the high single-digit percentages at EBITDA that we are looking at.

S. Ramesh: So, in terms of your order details you have given, in terms of the current order book and order inflow, what is the kind of order book and order inflow we would expect, say, by the end of FY '26 assuming some progress in the execution of the orders over the next 3 quarters?

Sachin Raole: So, Ramesh, we generally don't give any kind of a specific guidance. We basically tell you the scenario, how it is building up and how we are working on that. Unfortunately, we don't give a number saying that, oh, we will do X crores of rupees on order book and Y crores of rupees on EBITDA. Extremely sorry. We don't have a policy of giving that kind of a guidance. Please excuse us on that.

S. Ramesh: No, the only reason I ask is you see the last three years financial kind of being flat compared to the growth you saw in FY '23. So, structurally, you know, I know you are going through some challenges. So, when do you actually see the growth momentum recover in terms of all the three segments? And do you see some additional traction in the high-purity chemical segments where there is an increase in the share of your overall order inflow? So, at what point in time can we expect some kind of growth momentum to come back?

Sachin Raole: So, Ramesh, your question is valid. And let me just tell you why we came out with 2030 kind of a vision picture. In the most 2023, so seven years kind of a gap which we were looking at from '23 to 2030. That was mainly based on what kind of qualitative changes or the structural shifts which we are going to see in our businesses.

Initially, we were only looking at ethanol, ethanol, and ethanol, and we said that, no, it is not going to be ethanol, but there will be something more which is going to happen over a period of time. And as Ashish mentioned earlier, we are absolutely intact with those kind of targeted numbers for us for 2030. Complexion may change here and there because the business models are also going to undergo a complete change over a period of time depending on how the market is going to react to our offerings.

Having said that, the growth not necessarily is going to be in a linear form. It will have its own challenges and exactly those challenges we are seeing at this point of time. But we are confident that we will be able to add on to other avenues of growth irrespective of all these current changes which we are seeing at this point of time. So, we are aware about those challenges. We are working on that. And we will see that this growth vector comes into the picture the way which I had already said.

That is what I can say at this point of time, Ramesh, instead of giving you some kind of a numbers kind of a thing, how the entire game is going to get played out over FY '26.

S. Ramesh: Yes, I appreciate it. I wish you all the best.

Sachin Raole: Thank you very much, Ramesh.

Moderator: The next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani: Sir, just one clarification. This is the first time where we are saying that it may happen that EBP program will not get extended beyond 20%, right? We are talking about services or product enhancements, plant enhancements. So, is there a bit pushback from the government side?

Sachin Raole: Sorry, Shailesh. We are not saying that there is no movement. We are saying that two extreme scenarios. One extreme scenario, no movement at all. Yes. It is from the planning point of view. It is not from the policy point of view. We don't know because there are definitive talks which are going on for increasing the blending mandates. But whether it is going to happen today or tomorrow and whether it is going to happen X% or Y%, we don't know.

We are saying that do we have a plan B ready for if blending mandates doesn't happen. That is what we were saying. We were not commenting on whether there will be increase in blending or not.

Shailesh Kanani: So, I just wanted to clarify that because this is the first time, I was hearing something on that front because in the past, correct me if I am wrong, our always commentary has been that the blending would not end at 20% and there is a roadmap ahead as well. So, that remains. There is no change in that.

Sachin Raole: Absolutely. No, there is no change in that view.

Shailesh Kanani: Okay, that's comforting. Sir, second part, on the Mangalore facility, now there has been some delay for last few quarters. We have been discussing for various reasons, right? Some of them are uncontrollable. So, I just wanted to know from the management side, what are the controllables in the sense that how we can kind of control overhead over there or any other measures, any other levers that we have apart from what you mentioned in terms of exploring new products and geographies, the Mangalore facility?

Ashish Gaikwad: No, that is a fair question, Shailesh. So, yes, of course, there are some controllables that we need to re-look at. First of all, we will have to re-look at our order pipeline, right? Because some of these orders are there. We have made proposals. Sachin talked about Rs. 500 crore worth of proposals still in the play. But maybe some of these will get on board or they will get delayed. So, we having analyzed that pipeline, we will have to look at our cost structure and we will have to see where we can, therefore, put those control levels. And accordingly, we will try to readjust ourselves as far as our GenX business is concerned.

That is the process that is going on right now. I will not be able to comment on that right away because that exercise is not yet completely done. The tariff scenario is just evolving. And as Sachin mentioned that depending on what happens during August, we will be in a better position to talk about it in our next conversation.

Shailesh Kanani: Fair enough. Just a clarification on that side, when we say Rs. 1,000 crores of firm orders, that means we have backed the order, we are L1, what does it imply?

Ashish Gaikwad: No, no. I said Rs. 1,000 crores of pipeline, which means the request for quotations had come to us. We have made proposals to our customers who have certified our facility. And now they will be evaluating different bids, including Praj's bids, and then there will be a success out of that. But some projects, because they were oriented towards energy transition and climate action type of projects, those may get held up or those may get delayed.

Shailesh Kanani: Fair enough. So, just last question from my side. Any CBG orders we have bagged during the quarter or we are L1 for anything? And how is the industry position in terms of meeting the blending targets are ticking next year?

Ashish Gaikwad: So, on the CBG, if we are selected or L1 but not yet announced, I will not be able to comment on that because as you can appreciate that I will not be able to divulge. We have not booked any firm order in the past quarter that we are talking about as far as CBG business is concerned. And what was your other question? Sorry, I forgot the other one.

Shailesh Kanani: So, how is industry placed in terms of capacity to meet the blending mandates which are getting take from January 2026?

Ashish Gaikwad: I think you are talking about CBG blending?

Shailesh Kanani: Yes, CBG blending.

Ashish Gaikwad: Yes, I think the industry is hoping that it will go in that step-wise approach of 1% to 5% in the steps of 1% each year. And industry is getting geared up for it, both in terms of infrastructure as well as the plants. And we are also aligned to that.

Shailesh Kanani: So, my question was, is the pipeline kind of robust? Is the pipeline building up? Or there is...

Ashish Gaikwad: No, pipeline is there. Sorry to interrupt, but yes, I think a short answer to your question would be yes, the pipeline is building up and it is looking good.

Moderator: The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: As in two parts of the first question, both the EBP20 program and how it picks up from here, on what issues is it getting stuck? And again, part B of this question, more linked to the bio CNG

kind of thought process. We have seen certain customers, your peers getting orders most likely at a higher pricing/costing model, which supposedly the ROI is fairly decent for the developer as such, whereas then in that case bio CNG stock. So, yes, those things which are stuck for now on what aspects are they stuck from a scale up perspective?

Ashish Gaikwad: I will try to address that, Aditya. Thanks for your question. The first one was on EBP20 and what is coming in the way? That was your question, right?

Aditya Mongia: Yes, so expand it from that number. Is it a feedstock issue? Is it a mileage issue? Where is it stuck at this point of time in a discussion with the government?

Ashish Gaikwad: No, I think maybe I need to recalibrate this. There is no problem with EBP20, which is 20% blending into gasoline or petrol, right? There is no problem there. In fact, India achieved this target way ahead of the...

Aditya Mongia: I am talking about a further target than 20.

Ashish Gaikwad: As far as we are concerned and we are going by the science experiments and everything else that we have the data for, there is no technical or any other problem as far as the higher blending of another 7% to 10% that can be added. In fact, the vehicles and the engines that they come up with nowadays is able to take that fuel, which is a blended fuel, up to 30% of ethanol. That is what is my information. So, there is no technical challenge at all. It is a question of how the policy comes out and how the additional blending mandates are announced by the government.

And feedstock may also not be a, yes, that was the other point that you had, sorry. Feedstock may also not be a constraint because there is enough feedstock both in terms of grain as well as sugarcane that can be available to make the ethanol, enough ethanol to meet those mandates.

Aditya Mongia: On the bio CNG front as in ROI is good for developers, 80% CNG prices are ex of maybe Bio-bitumen being factored inside and still the scale up not happening for the sector as such.

Ashish Gaikwad: Well, I think the scale-up earlier was not happening, possibly because many of the plants took time to reach the 100% capacity for which they were designed. But now there is a fair bit of success. On that, I can speak for Praj. And like I said, press mud plants have already reached and exceeded the capacity for what the plant was designed for. And we believe that for other feedstocks, the plants are yet to come, like Napier Grass. There is no plant yet fully commissioned. So, I will not be able to comment it for those. But we at Praj are confident that we will be able to deliver those capacities.

And the Bio-bitumen part, that is the second part of your question, we believe that the ROI and the payback period will be even better when we combine the CBG and the Bio-bitumen together. And that is what is a unique offering from Praj.

Aditya Mongia: The second question from my side over here, somewhere there was a comment made on profitability meaningfully improving in the second half of the year. Any specific assumptions in certain sectors that are being taken when that kind of prognosis is being talked about at this point of time?

Sachin Raole: So, Aditya, the second half, we are seeing that the existing orders which are taking some time in the execution cycle, they will continue to come into this execution period in any case. The execution will start happening on that. Some of the orders from the international market which we received in the March quarter and this quarter; they will start actually full-fledged execution from the second half of this year. So, these are the basic assumptions which we are considering from the improvement in profitability point of view.

Of course, there are other factors, but these are the two major ones which I am right now highlighting because we are looking at, in some pockets, some order booking to happen. We are executing some designing orders for our customers. Those will start giving the numbers from the bottom-line point of view. So, there are many factors which are going to start contributing from H2 onwards.

Aditya Mongia: I will get back into the queue.

Sachin Raole: Thank you, Aditya.

Moderator: Thank you, sir. Ladies and gentlemen, due to interest of time, that was the last question for today. I now hand the conference over to management from Praj Industries Limited for closing comments. Over to you, sir.

Sandip Bhadkamkar: Thank you, everyone, for your time today. I am sure there are many more questions, but I request you to write us at info@praj.net and we will address your questions. Thanks again for your time, and we look forward to interacting with you very soon. Thank you.

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