

February 1, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	751		804	
Sales (Rs. m)	42,302	56,529	49,656	61,682
% Chng.	(14.8)	(8.4)		
EBITDA (Rs. m)	4,653	7,179	5,959	7,834
% Chng.	(21.9)	(8.4)		
EPS (Rs.)	17.6	27.9	23.6	31.5
% Chng.	(25.7)	(11.2)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	34,663	33,931	42,302	56,529
EBITDA (Rs. m)	3,718	3,308	4,653	7,179
Margin (%)	10.7	9.7	11.0	12.7
PAT (Rs. m)	2,834	2,162	3,228	5,136
EPS (Rs.)	15.4	11.8	17.6	27.9
Gr. (%)	18.2	(23.7)	49.3	59.1
DPS (Rs.)	6.0	4.7	7.0	13.4
Yield (%)	0.9	0.7	1.1	2.1
RoE (%)	24.1	16.2	21.2	28.1
RoCE (%)	25.6	16.2	22.3	31.3
EV/Sales (x)	3.2	3.3	2.6	1.9
EV/EBITDA (x)	30.0	33.6	23.6	15.1
PE (x)	41.0	53.7	36.0	22.6
P/BV (x)	9.1	8.3	7.1	5.7

Key Data

PRAJ.BO | PRJ IN

52-W High / Low	Rs.875 / Rs.448
Sensex / Nifty	77,501 / 23,508
Market Cap	Rs.116bn / \$ 1,340m
Shares Outstanding	184m
3M Avg. Daily Value	Rs.955.36m

Shareholding Pattern (%)

Promoter's	32.81
Foreign	18.63
Domestic Institution	18.19
Public & Others	30.37
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(23.1)	(10.4)	26.8
Relative	(22.4)	(5.5)	17.4

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Muted Q3; delays in GenX facility impacted margins

Quick Pointers:

- Order intake remained flat at Rs10.5bn led by strong intake in HiPurity
- Delay in construction of GenX facility led to deferment of orders to Q4FY25 while related other expenses worth ~Rs800mn were booked in 9MFY25, impacting margins.

We revise our FY26/27E EPS estimates by -25.7%/-11.2% accounting for higher D&A and other expenses associated with the Praj Industries' GenX facility amid order delays. The company reported a mixed quarterly performance, with revenue increasing by 2.9% YoY, while EBITDA margins contracted by 478bps YoY to 6.9%, primarily due to order booking and execution delays in the Engineering segment. Despite these near-term challenges, Praj's growth prospects remain robust. Starch-based ethanol plants continue to witness strong traction both in India and key international markets, including Brazil, Argentina, Panama, Paraguay, and Africa. Additionally, its product differentiation with new product offerings, such as bio-bitumen, distillers, corn oil, and rice protein are expected to drive the next phase of growth. Its joint venture with BPCL to set up CBG plants across India further strengthens its order pipeline. Despite a slowdown in USA SAF orders, management expects gradual recovery in medium term.

We remain positive on PRJ in the long run given 1) its leadership in domestic ethanol projects (50-55% market share), 2) healthy export outlook in Engineering driven by ETCA, 3) large pipeline in SAF in the US and domestic CBG, 4) focus on new technologies such as 2G ethanol and biopolymers, and 5) improving margins owing to growing share of exports & services. The stock is trading at a P/E of 36.0x/22.6x on FY26/27E earnings. We roll forward to Sep'26 and maintain 'Buy' rating with a revised TP of Rs751 (Rs804 earlier), valuing the stock at a P/E of 33x Sep'26E (34x FY26E).

Execution delays in the Engineering segment led to flattish revenue growth:

Consolidated revenue grew 2.9% YoY to Rs8.5bn (PLe: Rs10.0bn) primarily driven by BioEnergy and HiPurity partially offset by execution delays in Engineering segment. Gross margin declined by 237bps YoY to 43.4% (PLe: 46.2%) likely due to poor sales mix EBITDA declined 39.3% YoY to Rs586mn (PLe: Rs1.3bn). EBITDA margin decreased by 478bps YoY to 6.9% (PLe: 12.5%), as the gross margin contraction was further driven by relatively higher other expenses (up 11.6% YoY to Rs2.2bn. Adj. PBT declined 36.0% YoY to Rs588mn (PLe: Rs1.2mn) on account of higher depreciation (up 114.5% YoY to Rs233mn) Adj. PAT declined 41.6% YoY to Rs411mn (PLe: Rs915mn) as the higher other income on account of exchange gain (up 175.1% YoY to Rs279mn) was partly offset by higher tax base (30.1% vs 23.4% in Q3FY24).

Order finalization delays led to YoY order intake decline in Engineering segment:

Q3 order inflow largely remained flat at Rs10.5bn primarily driven by a 59.6% YoY growth to Rs1.2bn in HiPurity order intake partially offset by order finalization delays led order intake decline of 32.3% YoY to Rs842mn in Engineering segment. BioEnergy order intake was flat at Rs8.5bn. Domestic/export inflow mis stood at 60%/40% (vs 86%/14% in Q3FY24). Order book stands at Rs43.4bn (1.3x TTM revenue) – 77%/6%/17% in Bio Energy/HiPurity/Engineering and 67%/33% in domestic/exports.

Exhibit 1: Unfavorable sales mix resulted in gross margin decline of 237bps YoY to 43.4%

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Revenue	8,530	8,286	2.9%	10,038	-15.0%	8,162	4.5%	23,684	24,477	-3.2%
Gross Profit	3,700	3,790	-2.4%	4,637	-20.2%	3,870	-4.4%	11,258	10,597	6.2%
Margin (%)	43.4	45.7	(237)	46.2	(282.8)	47.4	(404)	47.5	43.3	424
Employee Cost	912	852	7.0%	873	4.4%	847	7.7%	2,535	2,369	7.0%
as % of sales	10.7	10.3	40	8.7	198.6	10.4	31	10.7	9.7	103
Other expenditure	2,203	1,974	11.6%	2,509	-12.2%	2,082	5.8%	6,328	5,772	9.6%
as % of sales	25.8	23.8	200	25.0	82.0	25.5	31	26.7	23.6	314
EBITDA	586	965	-39.3%	1,255	-53.3%	941	-37.8%	2,395	2,457	-2.5%
Margin (%)	6.9	11.6	(478)	12.5	(563.5)	11.5	(467)	10.1	10.0	8
Depreciation	233	109	114.5%	210	10.8%	206	13.2%	640	287	122.8%
EBIT	353	856	-58.8%	1,045	-66.2%	736	-52.0%	1,755	2,169	-19.1%
Margin (%)	4.1	10.3	(620)	10.4	(627.1)	9.0	(488)	7.4	8.9	(145)
Other Income	279	101	175.1%	220	26.9%	56	400.3%	507	435	16.6%
Interest	44	38	14.2%	45	-2.6%	47	-7.1%	140	60	135.2%
PBT (ex. Extra-ordinaries)	588	919	-36.0%	1,220	-51.8%	744	-21.0%	2,121	2,544	-16.6%
Margin (%)	6.9	11.1	(420)	12.2	(525.6)	9.1	(222)	9.0	10.4	(144)
Extraordinary Items	-	-	-	-	-	-	-	282	-	-
PBT	588	919	-36.0%	1,220	-51.8%	744	-21.0%	2,403	2,544	-5.6%
Total Tax	177	215	-17.6%	305	-	206	-14.0%	612	630	-2.9%
Effective Tax Rate (%)	30.1	23.4	-	25.0	-	27.7	-	25.5	24.8	-
Reported PAT	411	704	-41.6%	915	-55.1%	538	-23.6%	1,791	1,915	-6.4%
Adj. PAT	411	704	-41.6%	915	-55.1%	538	-23.6%	1,570	1,914	-18.0%
Margin (%)	4.8	8.5	(368)	9.1	(429.6)	6.6	(178)	6.6	7.8	(119)
Adj. EPS	2.2	3.8	-41.6%	5.0	-55.1%	2.9	-23.6%	8.5	10.4	-18.0%

Source: Company, PL

Exhibit 2: Execution delays in Engineering segment dragged the revenue growth

Segment Revenue (Rs mn)	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Bio Energy	6,230	5,860	6.3%	6,937	-10.2%	5,600	11.3%	16,870	18,717	(9.9)
HiPurity	740	700	5.7%	799	-7.3%	630	17.5%	1,900	1,751	8.5
Engineering	1,560	1,730	-9.8%	2,302	-32.2%	1,930	-19.2%	4,910	4,008	22.5
Total	8,530	8,290	2.9%	10,038	-15.0%	8,160	4.5%	23,680	24,476	(3.3)
Mix (%)										
Bio Energy	73.0	70.7	3.3	69.1	392.3	68.6	442	71.2	76.5	(6.8)
HiPurity	8.7	8.4	2.7	8.0	71.8	7.7	96	8.0	7.2	12.1
Engineering	18.3	20.9	(12.4)	22.9	(464.4)	23.6	(536)	20.7	16.4	26.6
Geographic Revenue (Rs mn)										
Domestic	6,739	6,546	2.9%	7,528	-10.5%	5,958	13.1%	18,080	20,073	(9.9)
Export	1,791	1,740	2.9%	2,509	-28.6%	2,204	-18.7%	5,603	4,404	27.2
Total	8,530	8,286	2.9%	10,038	-15.0%	8,162	4.5%	23,683	24,477	(3.2)
Mix (%)										
Domestic	79.0	79.0	(0.0)	75.0	399.7	73.0	600	76.3	82.0	(6.9)
Export	21.0	21.0	(0.0)	25.0	(400.1)	27.0	(600)	23.7	18.0	31.5

Source: Company, PL

Conference Call Highlights

- **Order intake for the quarter was flat YoY at Rs10.5bn.** Order intake mix was 77%/17%/6% for BioEnergy/Engineering/Hi-purity while Domestic/Export mix stood at 60%/40%. The company aims to move towards an equal mix of domestic/export in the order booking and expects international order booking to grow at much faster pace than domestic. During the quarter, finalization delays led to lower order booking in the engineering segment and these orders are expected to defer to Q4FY25.
- **1G Domestic:** 100% of the order booking during Q3FY25 was on starchy feedstock.
 - Owing to the liquidity challenges and financial closure of these projects, the average execution cycles have been extended from 12 months to 16 months and beyond.
 - During the quarter, there was an upward revision in Ethanol price for C heavy molasses by Rs1.39 per liter. Also, the FCI rise procurement prices have been reduced from Rs29 to Rs22.5 per kg. leading to better project viability for Praj.
 - India is expected to achieve ~18% Ethanol blending in ESY 2024-25, in line with its targets of achieving ~20% ethanol blending by 2025.
- **1G International:** On the international front, company is seeing strong enquiries from,
 - Brazil, where its has increased its ethanol blending mandate to 30%
 - Argentina & Panama have announced their plans to increase the blending mandate
 - USA has permitted year-round sale of E15 fuel in eight midwestern states
 - Praj received significant contract from a customer in Tanzania to set up sugary feedstock-based ENA plant.
- **2G Domestic:** Praj has achieved good progress with the IOCL 2G ethanol project in Panipat. 2G ethanol space will also see 2 other projects on the anvil during the current calendar year. Furthermore, the low carbon ethanol requirement in SAF is also driving the prospects of 2G ethanol in domestic as well as international markets.
- **SAF:** Management believes that the delay in the SAF projects has been concluded and concrete projects may come to fruition in the next 18 months. Praj sees no adverse impact of recent government change in USA on its SAF business prospects. Out of the total 3bn gallon of SAF required by 2030 in the USA, the first 1-1.5bn gallon will come from different routes and then onwards remaining will most likely come from ATJ route where Praj is competing.
- **Praj GenX facility:** Praj's GenX facility is ready with a capex investment of ~Rs2bn and ~Rs800mn of operating expenses in 9MFY25.

- The land acquisition and construction of the factory was delayed for 6 months leading to delay in order booking and revenue recognition. Management expects to start booking orders in Q4FY25 and revenue recognition shall come from H2FY26.
- Following the approvals by key customers, enquiries have started coming in for Praj's GenX facility.
- The orders for the GenX facility are usually large contracts with ticket sizes of three-digit crore orders. These orders typically have longer gestation periods.
- Higher finance costs and D&A expenses from GenX facility weighed down on consolidated margins.
- **CBG:** Despite the slower pace of CBG development in India, Praj's CBG business is seeing increasing traction for Napier Grass based projects. Praj also formed a JV with BPCL for setting up of CBG plants across India. More details about the JV are expected to come in next 2-3 months including its capital structure, capital commitment, number of plants and detailed scope of work. Praj is currently able to handle all feedstocks except MSW and offer solutions for agribusiness, stock industrial, organic waste, chicken, farm waste etc.
- **New Technologies:** PRAJ has enhanced its focus on developing co-products such as bio-bitumen, distillers, corn oil, rice protein, etc. as solutions which will significantly alter the financial viability of bio-energy projects, and these patented technologies will significantly differentiate PRAJ in the market and create unique, sustainable competitive advantage.
- **Traction in Bio-Bitumen:** India currently imports 50% of the Bitumen required. With Praj's Bio-Bitumen acting as a substitute for this imported Bitumen, Praj is well placed to capitalize on this opportunity by enhancing the financial viability of the bioenergy projects. The central and state governments have announced some support for bio-bitumen, further bolstering Praj's prospects.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	34,663	33,931	42,302	56,529
YoY gr. (%)	(1.8)	(2.1)	24.7	33.6
Cost of Goods Sold	19,621	18,221	23,055	30,639
Gross Profit	15,042	15,710	19,248	25,890
Margin (%)	43.4	46.3	45.5	45.8
Employee Cost	3,187	3,427	3,934	4,748
Other Expenses	1,950	2,562	2,834	3,731
EBITDA	3,718	3,308	4,653	7,179
YoY gr. (%)	20.8	(11.0)	40.7	54.3
Margin (%)	10.7	9.7	11.0	12.7
Depreciation and Amortization	441	864	887	918
EBIT	3,278	2,444	3,767	6,261
Margin (%)	9.5	7.2	8.9	11.1
Net Interest	98	187	140	158
Other Income	595	645	677	763
Profit Before Tax	3,775	3,184	4,304	6,866
Margin (%)	10.9	9.4	10.2	12.1
Total Tax	941	812	1,076	1,730
Effective tax rate (%)	24.9	25.5	25.0	25.2
Profit after tax	2,834	2,372	3,228	5,136
Minority interest	0	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,834	2,162	3,228	5,136
YoY gr. (%)	18.2	(23.7)	49.3	59.1
Margin (%)	8.2	6.4	7.6	9.1
Extra Ord. Income / (Exp)	-	210	-	-
Reported PAT	2,834	2,372	3,228	5,136
YoY gr. (%)	18.2	(16.3)	36.1	59.1
Margin (%)	8.2	7.0	7.6	9.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,834	2,372	3,228	5,136
Equity Shares O/s (m)	184	184	184	184
EPS (Rs)	15.4	11.8	17.6	27.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	7,536	8,386	9,236	10,086
Tangibles	7,536	8,386	9,236	10,086
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,464	4,328	5,215	6,132
Tangibles	3,464	4,328	5,215	6,132
Intangibles	-	-	-	-
Net fixed assets	4,072	4,058	4,021	3,954
Tangibles	4,072	4,058	4,021	3,954
Intangibles	-	-	-	-
Capital Work In Progress	1,106	1,106	1,106	1,106
Goodwill	-	-	-	-
Non-Current Investments	1,367	1,183	1,242	1,341
Net Deferred tax assets	78	78	78	78
Other Non-Current Assets	80	68	85	113
Current Assets				
Investments	4,021	4,241	5,076	6,501
Inventories	2,209	3,068	3,709	4,801
Trade receivables	8,360	8,552	10,199	13,474
Cash & Bank Balance	2,127	2,554	2,992	3,130
Other Current Assets	5,370	5,429	6,345	8,479
Total Assets	28,864	30,429	34,944	43,096
Equity				
Equity Share Capital	368	368	368	368
Other Equity	12,377	13,646	16,009	19,854
Total Networth	12,745	14,014	16,377	20,222
Non-Current Liabilities				
Long Term borrowings	1,417	1,417	1,417	1,417
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	276	276	276	276
Trade payables	4,968	4,741	5,795	7,744
Other current liabilities	9,535	10,057	11,155	13,514
Total Equity & Liabilities	28,864	30,429	34,944	43,096

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	3,775	3,184	4,304	6,866
Add. Depreciation	441	864	887	918
Add. Interest	0	187	140	158
Less Financial Other Income	595	645	677	763
Add. Other	(206)	-	-	-
Op. profit before WC changes	4,010	4,235	5,330	7,942
Net Changes-WC	(971)	(636)	(1,127)	(2,351)
Direct tax	(1,045)	(812)	(1,076)	(1,730)
Net cash from Op. activities	1,994	2,786	3,128	3,861
Capital expenditures	(885)	(850)	(850)	(850)
Interest / Dividend Income	159	-	-	-
Others	625	(220)	(835)	(1,425)
Net Cash from Invst. activities	(101)	(1,070)	(1,685)	(2,275)
Issue of share cap. / premium	9	-	-	-
Debt changes	-	-	-	-
Dividend paid	(827)	(1,103)	(865)	(1,291)
Interest paid	(94)	(187)	(140)	(158)
Others	(327)	-	-	-
Net cash from Fin. activities	(1,239)	(1,289)	(1,005)	(1,449)
Net change in cash	654	427	438	137
Free Cash Flow	1,101	1,936	2,278	3,011

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	15.4	11.8	17.6	27.9
CEPS	17.8	16.5	22.4	32.9
BVPS	69.3	76.2	89.1	110.0
FCF	6.0	10.5	12.4	16.4
DPS	6.0	4.7	7.0	13.4
Return Ratio(%)				
RoCE	25.6	16.2	22.3	31.3
ROIC	36.9	22.0	32.0	45.2
RoE	24.1	16.2	21.2	28.1
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	59	74	70	68
Valuation(x)				
PER	41.0	53.7	36.0	22.6
P/B	9.1	8.3	7.1	5.7
P/CEPS	35.5	38.4	28.2	19.2
EV/EBITDA	30.0	33.6	23.6	15.1
EV/Sales	3.2	3.3	2.6	1.9
Dividend Yield (%)	0.9	0.7	1.1	2.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	10,186	6,991	8,162	8,530
YoY gr. (%)	1.5	(5.1)	(7.5)	2.9
Raw Material Expenses	5,741	3,304	4,292	4,831
Gross Profit	4,444	3,688	3,870	3,700
Margin (%)	43.6	52.7	47.4	43.4
EBITDA	1,262	868	941	586
YoY gr. (%)	20.7	21.7	20.9	(39.3)
Margin (%)	12.4	12.4	11.5	6.9
Depreciation / Depletion	153	202	206	233
EBIT	1,109	666	736	353
Margin (%)	10.9	9.5	9.0	4.1
Net Interest	38	49	47	44
Other Income	160	172	56	279
Profit before Tax	1,230	789	744	588
Margin (%)	12.1	11.3	9.1	6.9
Total Tax	311	229	206	177
Effective tax rate (%)	25.3	29.0	27.7	30.1
Profit after Tax	919	560	538	411
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	919	560	538	411
YoY gr. (%)	4.3	(4.5)	(13.7)	(41.6)
Margin (%)	9.0	8.0	6.6	4.8
Extra Ord. Income / (Exp)	-	282	-	-
Reported PAT	919	842	538	411
YoY gr. (%)	4.3	43.5	(13.7)	(41.6)
Margin (%)	9.0	12.0	6.6	4.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	919	842	538	411
Avg. Shares O/s (m)	184	184	184	184
EPS (Rs)	5.0	3.0	2.9	2.2

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	BUY	804	800
2	29-Oct-24	BUY	804	700
3	07-Oct-24	BUY	804	761
4	28-Jul-24	BUY	804	700
5	08-Jul-24	BUY	815	733
6	14-Jun-24	BUY	815	700
7	31-May-24	BUY	671	522
8	12-Apr-24	BUY	636	520
9	05-Feb-24	BUY	636	474

Analyst Coverage Universe

Sr. No.		Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	6,657
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	4,332	3,733
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,583	1,245
7	Cummins India	Accumulate	4,139	3,164
8	Elgi Equipments	Accumulate	607	548
9	Engineers India	BUY	247	182
10	GE Vernova T&D India	Accumulate	1,962	1,991
11	Grindwell Norton	BUY	2,511	1,850
12	Harsha Engineers International	Accumulate	561	493
13	Hindustan Aeronautics	Accumulate	4,692	4,110
14	Ingersoll-Rand (India)	BUY	4,467	3,800
15	Kalpataru Projects International	Accumulate	1,306	1,245
16	KEC International	Hold	997	1,049
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	804	800
20	Siemens	Accumulate	7,716	6,297
21	Thermax	Reduce	4,275	3,982
22	Triveni Turbine	BUY	800	739
23	Voltamp Transformers	BUY	12,531	9,682

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
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