

March 24, 2025

Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	751		751	
Sales (Rs. m)	42,302	56,529	42,302	56,529
% Chng.	-	-	-	-
EBITDA (Rs. m)	4,653	7,179	4,653	7,179
% Chng.	-	-	-	-
EPS (Rs.)	17.6	27.9	17.6	27.9
% Chng.	-	-	-	-

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 (%)	1.0	0.8	1.2	2.3
RoE (%)	24.1	16.2	21.2	28.1
RoCE (%)	25.6	16.2	22.3	31.3
EV/Sales (x)	2.9	3.0	2.3	1.7
EV/EBITDA (x)	27.2	30.4	21.3	13.6
PE (x)	37.3	48.8	32.7	20.6
P/BV (x)	8.3	7.5	6.4	5.2

Key Data

PRAJ.BO | PRJ IN

52-W High / Low	Rs.875 / Rs.462
Sensex / Nifty	76,906 / 23,350
Market Cap	Rs.106bn/ \$ 1,228m
Shares Outstanding	184m
3M Avg. Daily Value	Rs.704.54m

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	6.0	(24.2)	8.0
Relative	2.6	(16.3)	2.3

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GenX kickoff amidst persistent CBG challenges

We met with the management of Praj Industries at a conference, where they provided insights into the progress of Praj's GenX facility and the growth prospects across its business verticals. The orders for the GenX facility are anticipated from Q1FY26 while the facility is expected to contribute peak revenue of ~Rs10-25bn per annum. Challenges persist in the CBG sector due to concerns over operational and economic viability. However, Praj remains confident in its prospects, supported by its multi-feedstock technology. The potential imposition of reciprocal tariffs by the U.S. is not expected to have a material impact on Praj's ultra-low carbon ethanol prospects. Meanwhile, it continues to receive increasing inquiries for 1G ethanol from international markets, including Brazil, Argentina, and Panama. On the domestic front, ethanol blending reached ~19.6% in Jan'25 and the management expects next phase of order booking to be driven by prospective mandate for 25% ethanol blending.

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 32.7x/20.6x on FY26/27E earnings. We maintain 'Buy' rating with a TP of Rs751 (same as earlier), valuing the stock at a P/E of 33x Sep'26E (same as earlier).

GenX facility poised to generate peak revenue of ~Rs10-25bn: Praj's GenX facility has faced a six-month delay due to land acquisition and construction challenges and is now **expected to begin order bookings from Q1FY26, with a minimum ticket size of ~Rs1bn.** Designed to future-proof production capacity, the facility is projected to generate peak revenue of ~Rs10bn with its two largest sheds operational, while full-scale operations across all seven sheds could drive revenues up to ~Rs25bn. Revenue contributions from the facility are expected to commence in H2FY26.

Management's positive stance despite continued woes in CBG: Praj is well-positioned to capitalize on the growing opportunities in the CBG sector, supported by its advanced multi-feedstock technology. While concerns around the quality of CBG for petrol blending, as well as the economic and operational viability of plants, have led to order delays, management remains optimistic about the sector's potential, driven by a strong government mandate. The recent pricing revision, linking CBG prices to 80% of CNG rates (translating to ~Rs60-62/kg) from the previously fixed Rs42-43/kg, further enhances the sector's attractiveness. Additionally, the ability to produce Bio Bitumen from lignin-rich feedstocks adds further value, making CBG an increasingly compelling investment opportunity.

The impacts of reciprocal tariffs from the Trump doctrine: Management believes that reciprocal tariffs will not have a material impact on its operations or business prospects in the U.S. However, they may slow the decision-making process, potentially delaying SAF tenders. The Trump administration is expected to place equal emphasis on both traditional and renewable energy sources while honoring previous commitments related to SAF. This commitment is expected to support Praj's business prospects and ensure continuity in its opportunities within the sector.

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 Networkth	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 Invt. 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	37.3	48.8	32.7	20.6
P/B	8.3	7.5	6.4	5.2
P/CEPS	32.3	34.9	25.7	17.4
EV/EBITDA	27.2	30.4	21.3	13.6
EV/Sales	2.9	3.0	2.3	1.7
Dividend Yield (%)	1.0	0.8	1.2	2.3

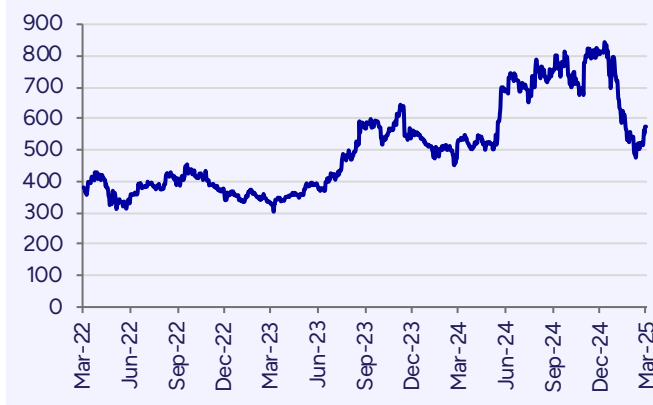
Source: Company Data, PL Research

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	01-Feb-25	BUY	751	632
2	09-Jan-25	BUY	804	800
3	29-Oct-24	BUY	804	700
4	07-Oct-24	BUY	804	761
5	28-Jul-24	BUY	804	700
6	08-Jul-24	BUY	815	733
7	14-Jun-24	BUY	815	700
8	31-May-24	BUY	671	522
9	12-Apr-24	BUY	636	520

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	BUY	6,955	5,142
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	3,561	3,132
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,114	1,005
7	Cummins India	BUY	3,723	2,870
8	Elgi Equipments	BUY	545	421
9	Engineers India	BUY	242	170
10	GE Vernova T&D India	Accumulate	1,950	1,710
11	Grindwell Norton	Accumulate	1,890	1,651
12	Harsha Engineers International	Accumulate	440	394
13	Hindustan Aeronautics	Accumulate	4,110	3,594
14	Ingersoll-Rand (India)	BUY	4,540	3,533
15	Kalpataru Projects International	BUY	1,178	880
16	KEC International	Accumulate	930	813
17	Kirloskar Pneumatic Company	BUY	1,564	1,148
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	751	632
20	Siemens	Accumulate	5,902	5,199
21	Thermax	Accumulate	3,857	3,385
22	Triveni Turbine	BUY	800	634
23	Voltamp Transformers	BUY	11,437	8,358

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
Under Review (UR)	: Rating likely to change shortly

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