

## Praj Industries

### Resilient performance amid headwinds

Praj Industries (PRJ) reported Q2FY26 consolidated numbers which were above our tepid expectations. Revenue rose 3.1% YoY to Rs8,416mn, surpassing our estimate of Rs6,894mn as International division reported highest ever quarterly revenue booking. GMs remained robust at 54.4%, expanding sharply by 700bps YoY primarily due to change in revenue mix. However, consolidated EBITDA margin moderated to 6.6% from 10.6% in Q2FY25 primarily due to higher other expenses. Depreciation increased 30% YoY, due to expansion in capacity. On a consolidated basis, PAT declined ~64% YoY to Rs193mn but came in above our expectation of Rs125mn, aided by stronger execution. Order inflows stood at Rs8,130mn (vs Rs7,950mn in Q1FY26 and Rs9,210mn in Q2FY25). The primary drag continues to be the Mangalore facility, which remains a significant cost overhang (Rs~9cr per month) and recovery dates keep pushing ahead now FY28 vs. FY27 earlier. These delays are also a consequence of prevailing US tariffs on Indian exports, which have created uncertainty around project commencement and on the domestic front, order inflow remains sluggish. This is driven by two key factors: 1) Policy uncertainty beyond the current 20% ethanol blending target, which is causing project deferrals and delays in financial closure from lenders; and 2) Margin pressure on ethanol producers, particularly sugar mills, due to the absence of a price revision despite an increase in the cost of production. This has dampened investment appetite among core customers. While the TAM for bioenergy remains structurally large, its monetization has been delayed. Consequently, FY26/FY27 earnings estimates are revised downward to factor in the same. We remain positive on Praj's long-term prospects given its market leadership, tech edge, pure-play bioenergy exposure, and expanding ethanol applications. Near-term headwinds prompt caution. We maintain BUY with a revised TP of Rs398.

#### Operating performance better than expected but overall recovery is elusive

Q2FY26 revenue increased by 3.1% to Rs8.4bn even as order backlog remained strong. Q2FY26 intake was Rs8.13bn and the consolidated order backlog stood at Rs44.19bn (Q2FY25: Rs41.49bn). Therefore, revenue recognition lagged, putting pressure on FY26 growth. Further, operating profitability declined sharply. EBITDA margin slid ~4000bps YoY to 6.6% in Q2FY26 (from 10.6% in Q2FY25), driving a 35.2% YoY fall in EBITDA. Margin profile was impacted due to Mangalore facility.

#### Temporary Working Capital Drag Impacts Cash Flows

PRJ witnessed a sharp decline in operating cash flow in 1HFY26—from Rs1.5bn to a negative figure—primarily on account of an increase in contract assets. According to management, this build-up is temporary and expected to reverse over the next few months. Notably, these contract assets are backed by customer advances and therefore do not pose a risk to eventual cash realization.

#### We recommend to keep adding the stock with long term investment horizon

We maintain a constructive long-term view on Praj, driven by its: Market leadership in domestic ethanol plant equipment with strong client relationships which could open up opportunity as ethanol applications go beyond petrol blending into diesel and industrial uses, Technology edge through superior R&D and process expertise, bouquet of offerings in bio-energy space.

### Financial and valuation summary

YE Mar (Rs mn)	2QFY26A	2QFY25A	YoY (%)	1QFY26A	QoQ (%)	FY26E	FY27E	FY28E
Revenues	8,416	8,162	3.1	6,402	31.5	31,427	35,878	39,530
EBITDA	558	862	(35.2)	314	77.7	2,185	3,566	3,968
EBITDA margin (%)	6.6	10.6	(37.2)	4.9	35.2	7.0	9.9	10.0
Adj. Net profit	193	538	(64.2)	53	261.1	1,002	1,997	2,284
Adj. EPS (Rs)	1.0	2.9	(64.2)	0.3	261.1	5.5	10.9	12.4
EPS growth (%)						(47.5)	99.3	14.4
PE (x)						61.4	30.8	27.0
EV/EBITDA (x)						27.2	16.8	14.8
PBV (x)						4.5	4.2	3.9
RoE (%)						7.3	14.1	15.0
RoCE (%)						7.5	13.7	14.6

Source: Company, Centrum Broking

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#### Result Update

India I Mid Cap

06 November, 2025

#### BUY

Price: Rs334

Target Price: Rs398

Forecast return: 19%

Institutional Research

#### Market Data

Bloomberg:	PRJ IN
52 week H/L:	875/328
Market cap:	Rs61.3bn
Shares Outstanding:	183.8mn
Free float:	65.6%
Avg. daily vol. 3mth:	1021617

Source: Bloomberg

#### Changes in the report

Rating:	Unchanged
Target price:	Changed from Rs460 to Rs398
EPS:	FY26E:Rs5.5 FY27E: Rs10.9

Source: Centrum Broking

#### Shareholding pattern

	Sep-25	Jun-25	Mar-25	Dec-24
Promoter	32.8	32.8	32.8	32.8
FII's	17.5	16.9	17.2	18.6
DII's	14.8	17.4	19.5	18.2
Public/other	34.8	32.9	30.5	30.4

Source: BSE

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY26	Actual Q2FY26	Variance (%)
Revenue	6,894	8,416	22.1
EBITDA	366	558	52.5
EBITDA margin %	5.3	6.6	130bps
Adj. PAT	125	193	54.4

Source: Bloomberg, Centrum Broking



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Mid Cap

## Thesis Snapshot

### Estimate revision

YE Mar (Rs mn)	FY26E New	FY26E Old	% chg	FY27E New	FY27E Old	% chg
Revenue	31,427	31,427	-17.4%	35,878	39,344	-8.8%
EBITDA	2,185	2,534	-13.8%	3,566	4,303	-17.1%
EBITDA margin	7.0	8.1	(110bps)	9.9	10.9	(100bps)
Adj. PAT	1,002	1,362	-26.4%	1,997	2,645	-24.5%
Diluted EPS (Rs)	5.5	7.4	-25.7%	10.9	14.4	-24.3%

Source: Centrum Broking

### Praj Industries versus NIFTY Mid Cap 100

	1m	6m	1 year
PRJ IN	(3.9)	(26.4)	(54.2)
NIFTY Mid Cap 100	1.0	11.8	(4.2)

Source: Bloomberg, NSE

### Key assumptions

Y/E Mar	FY26E	FY27E
Bio-energy order booking	21,434	18,219
Bio-energy net revenues	19,646	21,343
Engineering order booking	7,630	8,393
Engineering net revenues	7,695	10,460
HPS order booking	3,880	4,269
HPS net revenues	4,087	4,074
Consolidated EBITDAM (%)	7.0	9.9

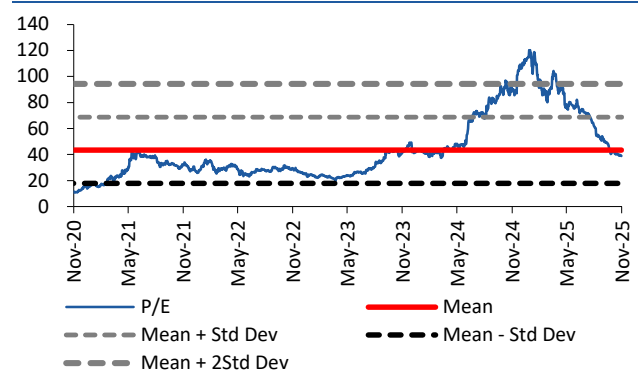
Source: Centrum Broking

### Valuation

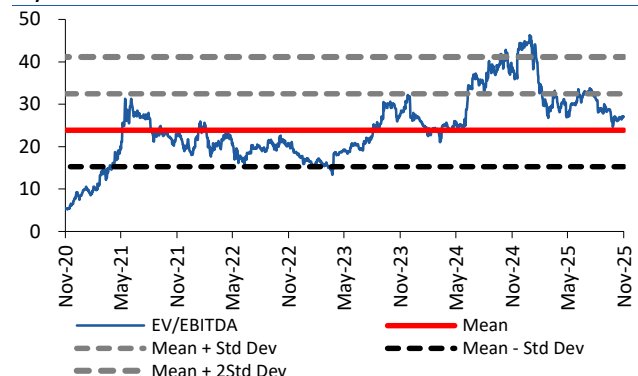
We remain positive on Praj's long-term prospects given its market leadership, tech edge, pure-play bioenergy exposure, and expanding ethanol applications. Near-term headwinds prompt caution. We maintain BUY with a revised TP of Rs398.

Valuation	Rs/share
FY28E EPS	12.4
Target multiple (x)	32
<b>Target Price</b>	<b>398</b>
<b>Upside</b>	<b>19%</b>

#### P/E mean and standard deviation



#### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

**Exhibit 1: Key conference call takeaways and metrics**

Centrum Quarterly Monitor	Q1FY26	Q2FY26	Our Comments
<b>Order inflow</b>	<ul style="list-style-type: none"> <li>International orders continue to be uncertain under tariff threat.</li> <li>Brazil opportunity is also hinged upon tariffs which indirectly affect the order inflow for Praj.</li> </ul>	<ul style="list-style-type: none"> <li>The domestic bio-energy segment accounted for about Rs3bn of total order inflows.</li> <li>While near-term visibility remains limited, management expressed confidence in sustaining momentum from domestic orders.</li> </ul>	<ul style="list-style-type: none"> <li>We believe domestic order inflow has limited application and incrementally international markets will drive growth.</li> </ul>
<b>Margins and Profitability</b>	<ul style="list-style-type: none"> <li>Margin profile was impacted due to lower revenue and Mangalore facility delay in execution.</li> </ul>	<ul style="list-style-type: none"> <li>Margin recovery remains contingent on better capacity utilization at the Mangalore facility.</li> <li>PRJ is currently incurring fixed overhead losses of roughly Rs9cr per month from this facility.</li> </ul>	<ul style="list-style-type: none"> <li>FY26 margins to remain under pressure.</li> <li>FY27/FY28 would see some revival on back of execution pick up in Mangalore facility.</li> </ul>
<b>Outlook and guidance</b>	<ul style="list-style-type: none"> <li>Expect 2HFY26 – higher single digit EBITDA margins primarily due to enhanced execution.</li> </ul>	<ul style="list-style-type: none"> <li>Expect 2HFY26 – higher single digit EBITDA margins primarily due to enhanced execution.</li> </ul>	<ul style="list-style-type: none"> <li>We anticipate the GoI will outline a roadmap to raise blending levels in the future.</li> </ul>

Source: Centrum Broking

## KTAs of earnings concall

### Opening remarks:

- Good traction for Distillers Corn Oil Modules.
- Received orders for biogenic CO2 Capture solutions from international customers.
- First Napier grass based CBG project under execution.
- ETCA related projects are stalled or on hold – definitive steps to shift focus to traditional markets.
- Brewery segment is witnessing some traction.
- Lower EBITDA due to under-absorption of Mangalore facility overheads.

### Order book/inflow:

- Order inflow – recovery is expected to be slow.
- Rs813cr – includes domestic orders Rs300cr from Bio-energy segment.
- CBG – pipeline connectivity continues to be challenge for opportunity to fructify.

### International opportunity

- The first low-carbon ethanol project availing IRA 45Z tax credits is currently under execution and scheduled for completion by the end of this fiscal year. The project, valued at around USD 30 million, sees Praj playing a significant role as the provider of core technology and key process equipment.

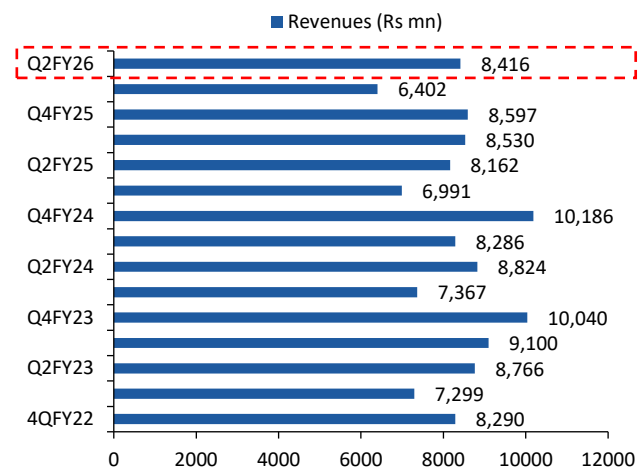
### Margin profile

- Fixed cost in Mangalore facility - Rs8.5cr-9cr per month. During this quarter there were some absorption.
- Optimal capacity utilization would be achieved in FY28.
- Other expenses – site activity /conversion side leads to jump during the quarter vs. material cost.
- Fluctuation of foreign exchange led to increase in profits by Rs3cr.

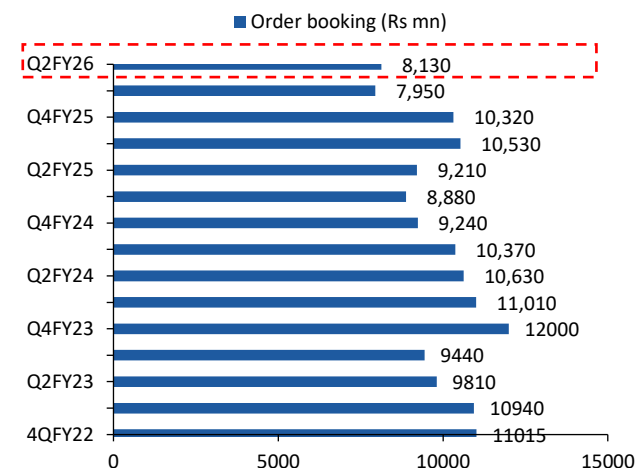
**Exhibit 2: Consolidated financial snapshot for Q2FY26**

YE Mar (Rs mn)	Q2FY26A	Q2FY25A	YoY (%)	Q1FY26	QoQ (%)	FY25	FY24	YoY (%)
<b>Revenues</b>	<b>8,416</b>	<b>8,162</b>	3.1	<b>6,402</b>	31.5	<b>32,280</b>	<b>34,663</b>	<b>-6.9</b>
Raw material	3,838	4,292	-10.6	2,983	28.6	16,546	19,621	-15.7
Gross margins (%)	<b>54.4</b>	47.4	700bps	53.4	100bps	<b>48.7</b>	<b>43.4</b>	<b>530bps</b>
Staff costs	866	847	2.3	819	5.7	3,489	3,187	9.5
Other Mfg. expenses	3,154	2,161	45.9	2,285	38.0	9,049	8,136	11.2
Total expenditure	7,858	7,300	7.6	6,088	29.1	29,084	30,944	-6.0
<b>EBITDA</b>	<b>558</b>	<b>862</b>	<b>-35.2</b>	<b>314</b>	<b>77.7</b>	<b>3,196</b>	<b>3,718</b>	<b>-14.0</b>
<b>EBITDAM (%)</b>	<b>6.6</b>	<b>10.6</b>	(400)bps	<b>4.9</b>	170bps	<b>9.9</b>	<b>10.7</b>	<b>(80bps)</b>
Depreciation	267	206	29.9	252	5.9	864	441	96.2
Interest	50	47	5.3	52	-4.4	188	98	92.4
Other income + Income from Associates	54	135	-59.7	86	-36.7	560	595	-5.8
<b>PBT</b>	<b>296</b>	<b>744</b>	<b>-60.2</b>	<b>96</b>	<b>208.1</b>	<b>2,986</b>	<b>3,775</b>	<b>-20.9</b>
Tax	103	206	-49.9	43	141.9	796	941	-15.4
<b>Reported Net profit</b>	<b>193</b>	<b>538</b>	<b>-64.2</b>	<b>53</b>	<b>261.1</b>	<b>2,189</b>	<b>2,834</b>	<b>-22.7</b>
EPS (Rs.)	1.0	4.6	-77.1	0.3	261.1	11.9	15.4	-22.7

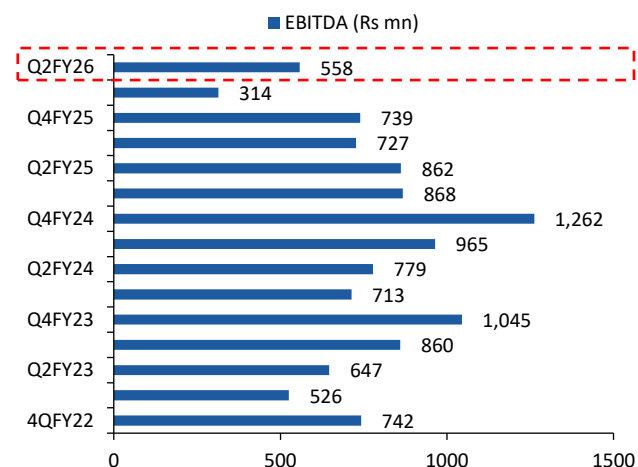
Source: Centrum Broking, Company Data

**Exhibit 3: Consolidated revenue stable improve**

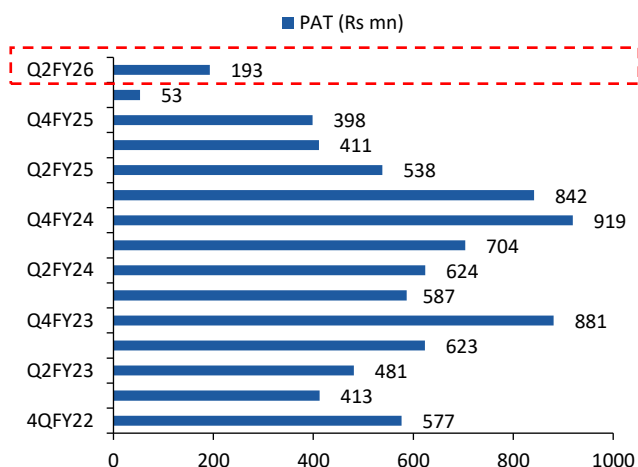
Source: Centrum Broking, Company Data

**Exhibit 4: Order booking remains subdued**

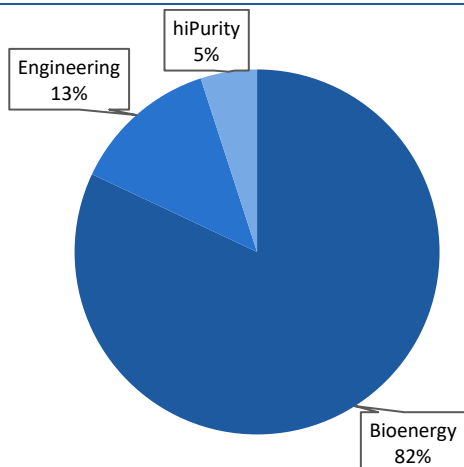
Source: Centrum Broking, Company Data

**Exhibit 5: Margins impacted by underutilization of capacity**

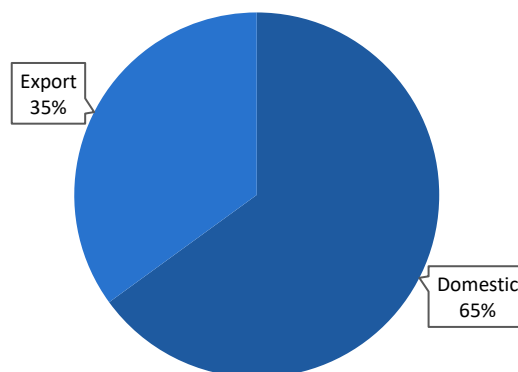
Source: Company Data, Centrum Broking

**Exhibit 6: Resultantly Earnings hit amplified**

Source: Company Data, Centrum Broking

**Exhibit 7: OB – Rs44,190mn fails to deliver revenue growth**

Source: Centrum Broking, Company Data

**Exhibit 8: 2HFY26 management expect better performance**

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Revenues</b>	<b>34,663</b>	<b>32,280</b>	<b>31,427</b>	<b>35,878</b>	<b>39,530</b>
Operating Expense	30,945	29,132	29,243	32,312	35,562
Employee cost	3,187	3,489	3,551	3,588	3,953
Others	6,631	7,343	7,684	8,144	8,934
<b>EBITDA</b>	<b>3,718</b>	<b>3,149</b>	<b>2,185</b>	<b>3,566</b>	<b>3,968</b>
Depreciation & Amortisation	441	864	958	1,006	1,024
<b>EBIT</b>	<b>3,277</b>	<b>2,284</b>	<b>1,227</b>	<b>2,559</b>	<b>2,944</b>
Interest expenses	98	188	198	200	200
Other income	595	608	310	310	310
<b>PBT</b>	<b>3,774</b>	<b>2,704</b>	<b>1,340</b>	<b>2,669</b>	<b>3,054</b>
Taxes	941	796	338	673	770
Effective tax rate (%)	24.9	29.4	25.2	25.2	25.2
<b>PAT</b>	<b>2,833</b>	<b>1,908</b>	<b>1,002</b>	<b>1,997</b>	<b>2,284</b>
Minority/Associates	0	0	0	0	0
<b>Recurring PAT</b>	<b>2,833</b>	<b>1,908</b>	<b>1,002</b>	<b>1,997</b>	<b>2,284</b>
Extraordinary items	0	282	0	0	0
<b>Reported PAT</b>	<b>2,833</b>	<b>2,189</b>	<b>1,002</b>	<b>1,997</b>	<b>2,284</b>
Ratios					
YE Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Growth (%)</b>					
Revenue	(1.8)	(6.9)	(2.6)	14.2	10.2
EBITDA	20.8	(15.3)	(30.6)	63.2	11.3
Adj. EPS	18.1	(32.7)	(47.5)	99.3	14.4
<b>Margins (%)</b>					
Gross	43.4	48.7	49.0	49.1	49.1
EBITDA	10.7	9.8	7.0	9.9	10.0
EBIT	9.5	7.1	3.9	7.1	7.4
Adjusted PAT	8.2	6.8	3.2	5.6	5.8
<b>Returns (%)</b>					
ROE	24.0	14.4	7.3	14.1	15.0
ROCE	23.0	13.8	7.5	13.7	14.6
ROIC	19.5	10.9	6.0	12.2	13.2
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	3.8	3.1	2.8	3.1	3.4
Debtors	86	91	95	91	90
Inventory	52	52	64	66	67
Creditors	93	108	105	94	95
Net working capital	10	22	42	49	50
<b>Solvency (x)</b>					
Net debt-equity	(0.5)	(0.4)	(0.1)	(0.1)	(0.2)
Interest coverage ratio	38.0	16.7	11.1	17.8	19.8
Net debt/EBITDA	(1.7)	(1.7)	(0.9)	(0.5)	(0.7)
<b>Per share (Rs)</b>					
Adjusted EPS	15.4	10.4	5.5	10.9	12.4
BVPS	69.3	75.2	74.6	79.5	85.9
CEPS	17.8	15.1	10.7	16.3	18.0
DPS	6.0	6.0	6.0	6.0	6.0
Dividend payout (%)	38.9	50.4	110.1	55.2	48.3
<b>Valuation (x)</b>					
P/E	21.7	32.3	61.4	30.8	27.0
P/BV	4.8	4.5	4.5	4.2	3.9
EV/EBITDA	14.9	17.8	27.2	16.8	14.8
Dividend yield (%)	1.8	1.8	1.8	1.8	1.8

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity share capital	368	368	368	368	368
Reserves & surplus	12,377	13,450	13,349	14,243	15,425
Shareholders fund	12,745	13,818	13,717	14,611	15,792
Minority Interest	1	1	1	1	1
Total debt	0	0	0	0	0
Non Current Liabilities	1,424	1,510	1,510	1,510	1,510
Def tax liab. (net)	0	0	0	0	0
<b>Total liabilities</b>	<b>14,169</b>	<b>15,328</b>	<b>15,228</b>	<b>16,121</b>	<b>17,303</b>
Gross block	9,019	10,413	11,113	11,513	11,513
Less: acc. Depreciation	(3,873)	(4,738)	(5,695)	(6,702)	(7,726)
Net block	5,146	5,675	5,418	4,811	3,787
Capital WIP	32	173	173	173	173
Net fixed assets	5,178	5,849	5,591	4,985	3,960
Non Current Assets	171	350	350	350	350
Investments	1,367	1,104	2,604	4,104	4,104
Inventories	2,209	2,533	3,074	3,500	3,856
Sundry debtors	8,360	7,695	8,727	9,220	10,330
Cash & Cash Equivalents	6,148	5,396	2,033	1,723	2,971
Loans & advances	0	0	0	0	0
Other current assets	5,523	8,677	6,109	6,454	7,231
Trade payables	4,968	4,823	4,391	5,000	5,508
Other current liab.	8,836	10,841	8,287	8,632	9,409
Provisions	981	612	582	582	582
Net current assets	7,454	8,026	6,683	6,683	8,889
<b>Total assets</b>	<b>14,169</b>	<b>15,328</b>	<b>15,228</b>	<b>16,121</b>	<b>17,303</b>

Cashflow					
YE Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Profit Before Tax	3,774	2,986	1,340	2,669	3,054
Depreciation & Amortisation	441	864	958	1,006	1,024
Net Interest	(59)	15	198	200	200
Net Change – WC	(971)	(2,000)	(1,990)	(310)	(957)
Direct taxes	(1,045)	(1,028)	(338)	(673)	(770)
<b>Net cash from operations</b>	<b>1,993</b>	<b>430</b>	<b>168</b>	<b>2,893</b>	<b>2,551</b>
Capital expenditure	(885)	(435)	(700)	(400)	0
Acquisitions, net	0	0	0	0	0
Investments	784	1,147	292	(1,052)	(336)
Others	0	0	0	0	0
<b>Net cash from investing</b>	<b>(101)</b>	<b>712</b>	<b>(408)</b>	<b>(1,452)</b>	<b>(336)</b>
<b>FCF</b>	<b>1,892</b>	<b>1,142</b>	<b>(240)</b>	<b>1,441</b>	<b>2,215</b>
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	0	0	0	0	0
Dividend paid	(827)	(1,102)	(1,103)	(1,103)	(1,103)
Interest paid	(94)	(185)	(198)	(200)	(200)
Others	(318)	(322)	0	0	0
<b>Net cash from financing</b>	<b>(1,239)</b>	<b>(1,608)</b>	<b>(1,301)</b>	<b>(1,303)</b>	<b>(1,303)</b>
Net change in Cash	653	(466)	(1,541)	138	913

Source: Company, Centrum Broking

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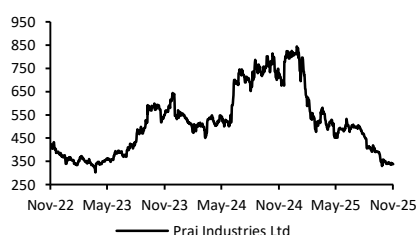
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#### Praj Industries



Source: Bloomberg



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