

# Praj Industries Ltd.(PRJ)

Call: **Buy** at CMP INR **416**

Target Price: INR **520 (upside 25%)**

## Capacity expansion to drive growth

**Landmark project in Maharashtra - A significant step towards meeting the GOI's E20 blending mandates....**

- ✓ PRJ will provide ethanol production unit to Swaraj Green Power & Fuel Ltd. at Phaltan (Satara) in Maharashtra with increase in targeted capacity of 1,110 kilolitres per day (KLPD), where sugarcane juice and Biosyrup will be utilized as raw materials. As a result, we anticipate that the company's revenue will increase at ~9.5% CAGR due to technological adoption and increased ethanol production. This project will be a significant step in contributing to the de-carbonization of transportation sector.
- ✓ From October 2021, the government announced that it would double the incentives on excess sugarcane/sugar diverted for ethanol production to meet ethanol-to-petroleum blending targets under the Ethanol Blended with Petrol program (EBP). This will increase the amount of ethanol produced from B-Heavy molasses, sugarcane juice, and sugar syrup. We believe that PRJ will benefit significantly from EBP. 20% increase in EBP from 2030 to 2035 will create additional demand for 1bn liters of ethanol capacity.
- ✓ PRJ's order pipeline continues to remain strong with order inflows worth INR 7.4bn, up by 84% YoY and 13% QoQ. Of the total order wins, 77.3% came from bioenergy, 14.6% from engineering, and 8.1% from high purity systems. The order book has increased by 1.5 times YoY, and the company expects similar momentum or even stronger going ahead. The company also had order backlog of INR 22.3bn for Q2FY22. We believe that such order wins will increase the revenues in the coming quarters.
- ✓ Segment-wise, 'bioenergy' business delivered strong performance with revenues of INR 3939mn, an increase of 43% QoQ, revenue from Engineering segment increased by 36% from the previous quarter to INR 905mn and revenues from High-purity services segment stood at INR 479mn.
- ✓ The company's joint development initiative with (Automotive Research Association of India) ARAI for ethanol blending in diesel is proceeding as planned. It also anticipates increased international capacity, particularly in agrarian economies in South America, Europe, Africa, and portions of Southeast Asia, to fulfil the demands of greater blending mandates, or even new mandates in some circumstances.
- ✓ We believe revenues to increase at a CAGR of 37% between FY21-24E due to : 1) Praj being key beneficiary from government's ethanol blending program (EBP), 2) Robust order pipeline, 3) Growth trajectory in its core Bioenergy business.

### Valuation: Multiple tailwinds provided by Bio-economic revolution

- ✓ We value the stock at a target price of INR 520 with a P/E of 54x using FY24E EPS of INR 9.5 on the back of strong growth in its key segment Bio Energy in Domestic business. The overall demand-supply gap of Ethanol, increased interest in grain based distilleries along with development in other key verticals such as CPS, ZLD & High Purity are gaining traction.

#### Key Stock Data

Bloomberg	PRJ:IN
Sector	Construction & Engineering
Mkt Cap. (INR. bn)	78
O/s Shares (mn)	184
52 Week High / Low (INR.)	441/110
Face Value (INR.)	2.0

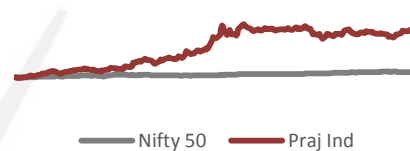
#### Shareholding (%)

	Q2FY22
Promoters	33
DII's	7
FII's	15
Others	45

#### Financial Ratios

	FY21	FY22E	FY23E	FY24E
ROE (%)	10.1	17.8	19.7	18.7
ROCE (%)	11.3	21.2	23.3	25.9
P/E (x)	97.5	60.3	47.8	44.9
P/B (x)	4.2	4.5	4.0	3.6

#### 1- year Relative price chart



Contact us on:

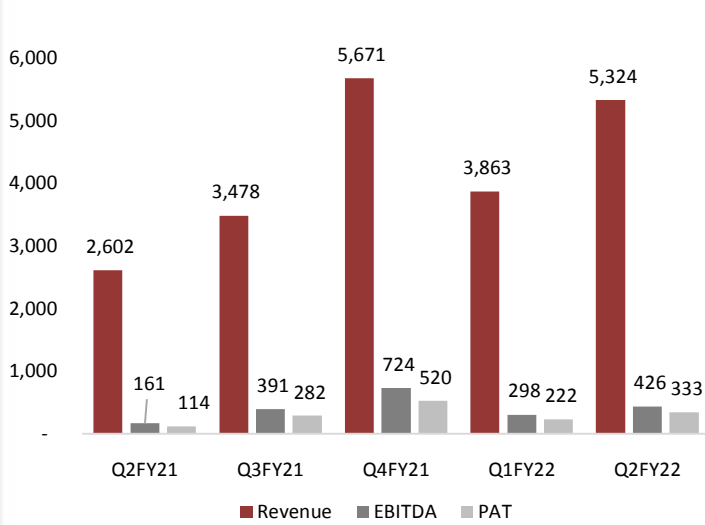
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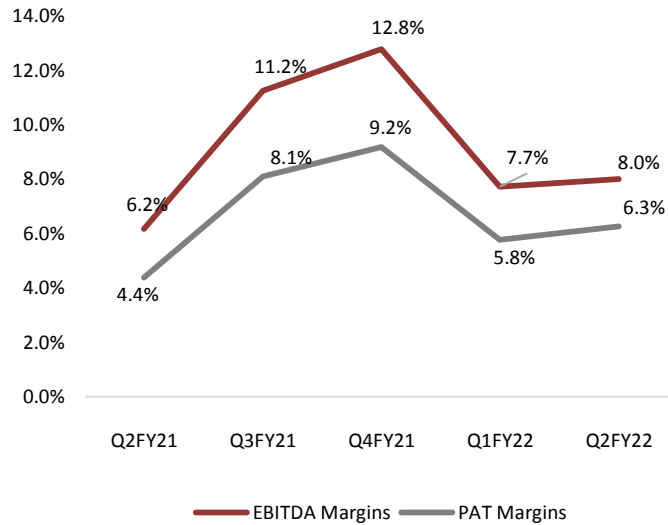
### Financial Snapshot

Figures (in mn)	Q2FY22	Q2FY21	Y-o-Y (%)	Q1FY22	Q-o-Q (%)	FY21A	TTM	FY22E	FY23E	FY24E
Revenues	5,324	2,602	104.6	3,863	37.8	13,047	18,340	19,570	24,463	30,578
EBITDA	426	161	165.2	298	42.7	1,127	1,920	1,957	2,446	3,058
EBITDA Margins %	8.0	6.2	180bps	7.7	30bps	8.6	10.0	10.0	10.0	10.0
PAT	333	114	192.6	222	50.1	811	1,360	1,313	1,653	1,761
PAT Margins %	6.3	4.4	190bps	5.8	50bps	6.2	7.4	6.7	6.8	5.8
EPS	1.8	0.6	200.0	1.2	50.0	4.4	7.4	7.1	8.9	9.5
BVPS						43.7		40.2	45.6	51.3

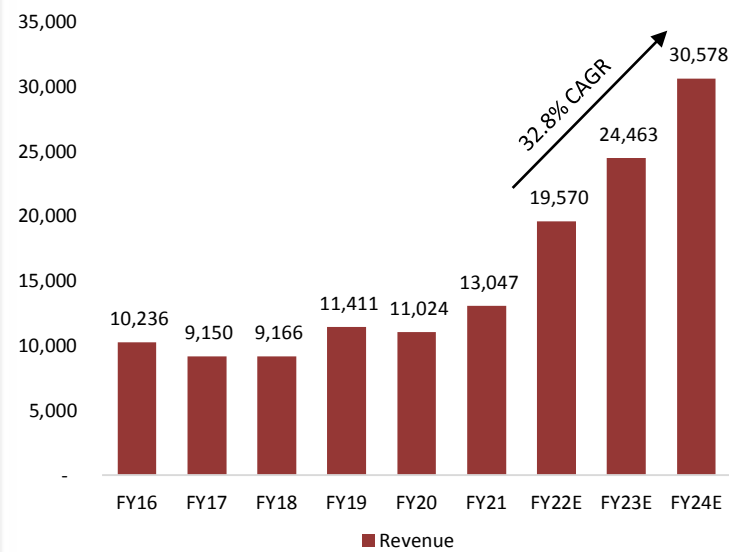
Source: Company, ULJK Research

**Exhibit 1: Revenue increased by 37.8% QoQ (INR mn)**


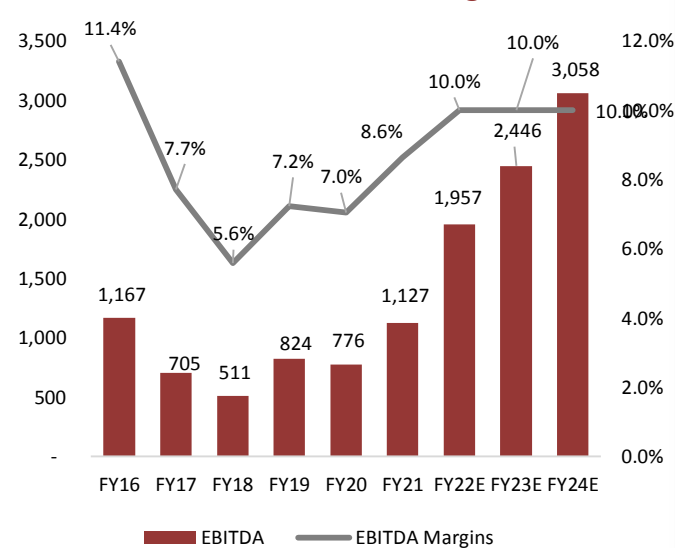
Source: Company, ULJK Research

**Exhibit 2: Margin trend for FY22E and FY24E**


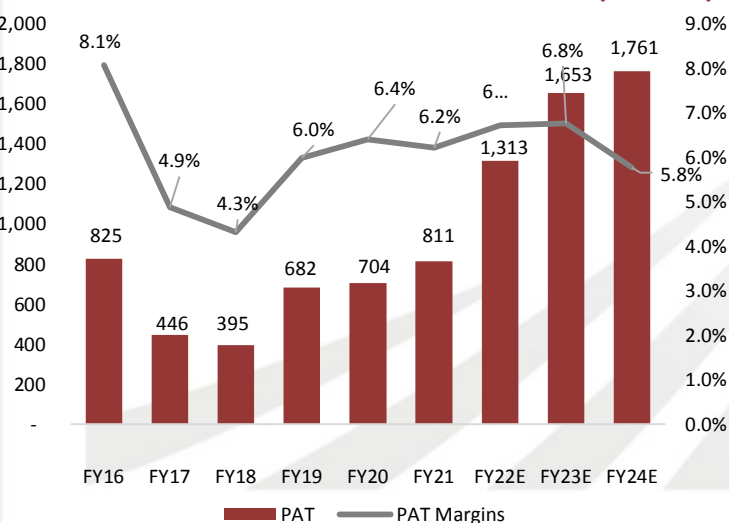
Source: Company, ULJK Research

**Exhibit 3: 32.8% revenue CAGR over FY21-FY24E (INR mn)**


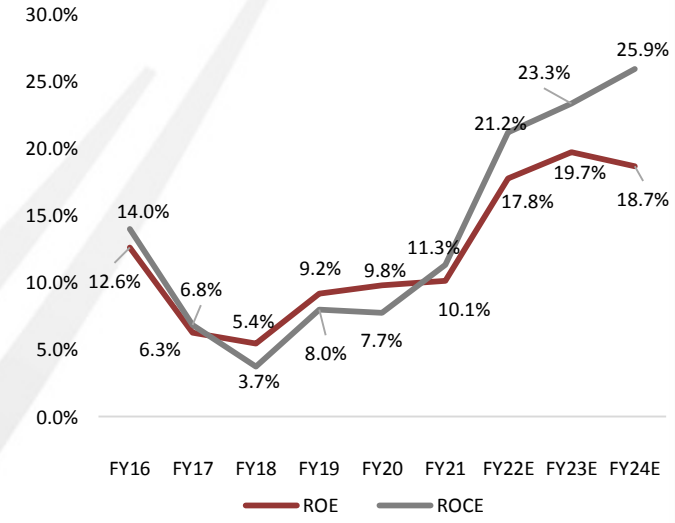
Source: Company, ULJK Research

**Exhibit 4: EBITDA and EBITDA margins trend**


Source: Company, ULJK Research

**Exhibit 5: 29.5% PAT CAGR over FY21-FY24E (INR mn)**


Source: Company, ULJK Research

**Exhibit 6: Return ratios to stabilize**


Source: Company, ULJK Research

## Company Overview

Praj Industries Limited (PRJ) was founded in 1983 in Pune, Maharashtra. The company offers long-term solutions for bioenergy, high purity water, critical process equipment, breweries, and industrial wastewater treatment. Praj Industries has four manufacturing plants in India located in Pune, Wada in Maharashtra, and Kandla in Gujarat. The company has 940 permanent workers on its payroll.

PRJ Bioenergy business segment includes first-generation bioethanol technology and Second generation technology, Renewable Natural Gas Technology (which yields Biomass >400 m<sup>3</sup>/MT), Bio-Diesel Technology, and Sustainable Aviation Fuel Technology.

The company's ethanol blending levels are at ~8.5% as of September 2021. The yearly ethanol production capacity of plants employing Praj's technical solutions has surpassed a staggering 11 bn liters. This equates to around 10% of worldwide ethanol output (except China). Praj Matrix, Praj Internationals' R&D center in Urawade, Pune, includes 16 laboratories and has over 80 national and international patents.

## Sector Overview

Ethanol is an agro-based product derived primarily from molasses, a byproduct of the sugar industry. The Indian government previously set a target of reaching 10% ethanol-blending in petrol by 2022 and targeted a mix of 20% ethanol with 80% of petrol by 2030 however this target would be achieved by 2025.

In 2014 India was selling 1.5% ethanol blended petrol and now it has reached about 8.5%.

The bioenergy industry is predicted to grow by USD 42.54 bn between 2021 and 2025, with a 4.52% CAGR. As of 30.06.2021, the domestic biomass power and cogeneration sector had a total capacity of 10170 MW installed.

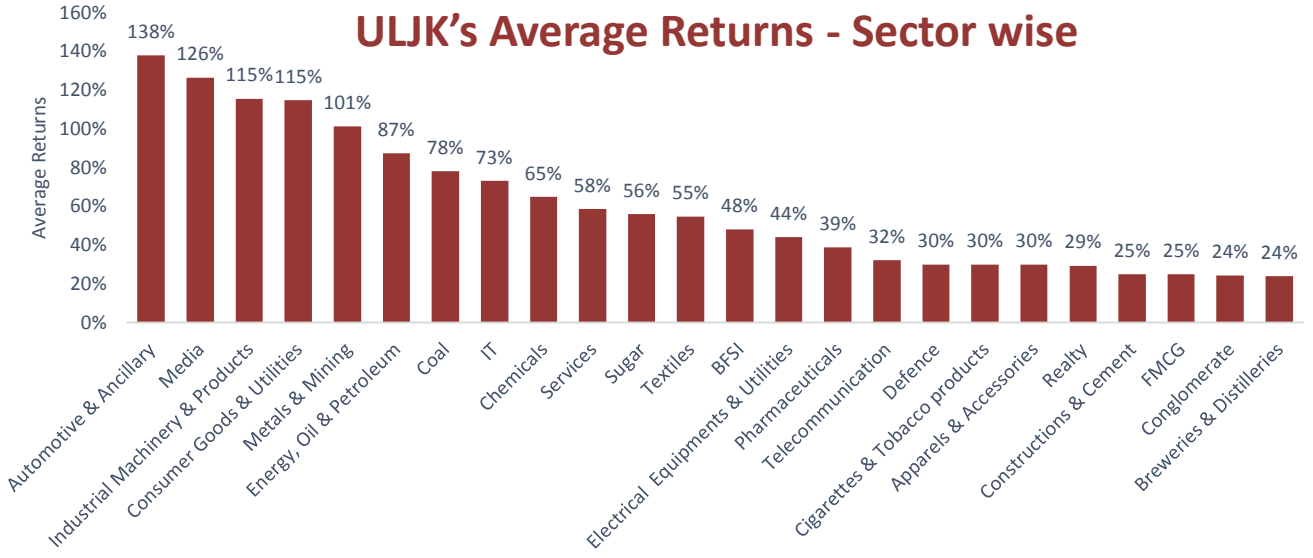
The wastewater treatment services market is expected to grow at a CAGR of 6.2% between 2021 and 2026, with a projected market value of USD 53.0 bn in 2021 and USD71.6 bn in 2026. The Indian water and wastewater treatment technology market was valued at USD 2,042.91 mn in 2020, and it is expected to grow at an 8.55% CAGR between 2021 and 2026.

## Key Concall Highlights-Q2FY22

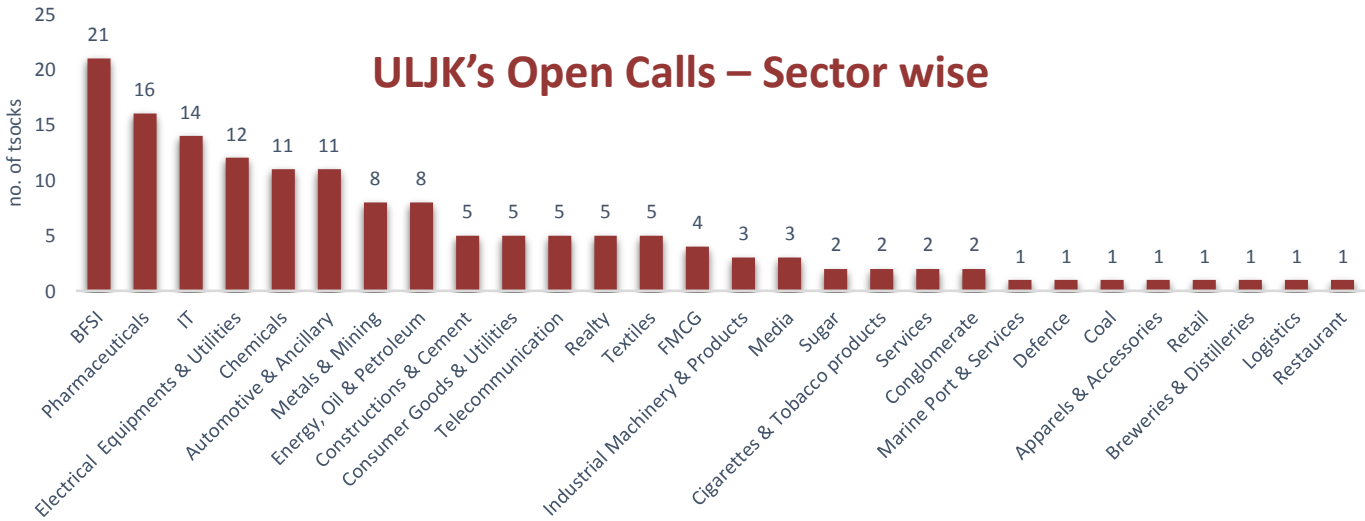
- The company continues to focus on platforms such as 'Bio-mobility' and 'Bio-Prism'. It is also working to create technology for Bio hydrogen.
- Industry and transportation are two sectors identified as energy consumers and greenhouse gas emitters and account for 50% of the total GHG emissions globally.
- The company is optimistic that factors such as normal monsoon, better agriculture, and opening up economies will enhance the opportunities for Praj.
- The company is receiving a rise in queries for Greenfield projects based mostly on starchy feed sources. Greenfield project inquiries were 65% higher in the quarter than Brownfield project inquiries.
- Ethanol production capacity of plants using Praj's technology crossed 11bn litres on global basis, which is over 10% of global ethanol production excluding China.
- The company commissioned its single largest Pharma Grade Alcohol plant with 15 million gallons per year in the United States.

# ULJK's Performance Tracker

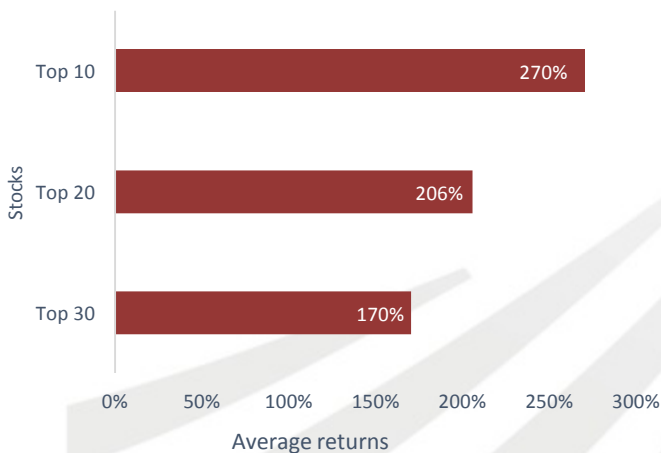
## ULJK's Average Returns - Sector wise



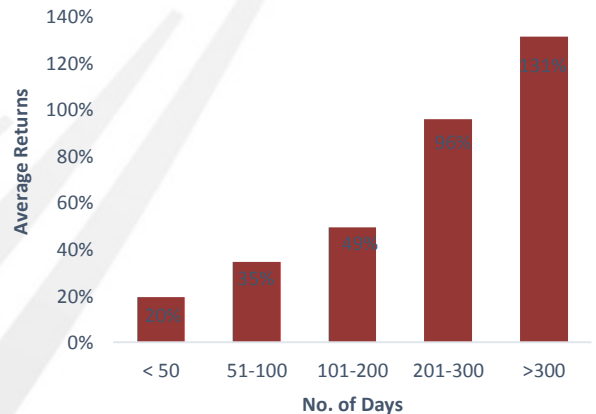
## ULJK's Open Calls – Sector wise



## Average Returns of Top Performing Stocks



## Time wise (Days) to % Returns



**Total Calls review: Closed Calls: 142 ; Average return: 61%; Average period: 162 days**

Stocks	Sector	Type	Call Date	Call Price	Target	Exit Date	No of Days	Total Return %
TATA Motors DVR	Automotive & Ancillary	BUY	8/3/2020	37	225	10/13/2021	436	508%
JSW energy	Energy, Oil & Petroleum	BUY	4/9/2021	88	388	9/30/2021	174	341%
TATA Motors	Automotive & Ancillary	BUY	7/7/2020	103	448	10/13/2021	463	335%
SAIL Ltd	Metals & Mining	BUY	7/9/2020	35	140	4/30/2021	295	300%
Dynamatic Technologies	Industrial Machinery & Products	BUY	2/16/2021	868	3175	9/13/2021	209	266%
IRCTC	Others	BUY	11/19/2020	1,375	4470	11/17/2021	321	225%
Nelco Ltd	IT	BUY	11/19/2020	208	643	9/28/2021	253	209%
First source solutions	IT	BUY	8/10/2020	44	170	6/3/2021	297	177%
Eclerx Services	IT	BUY	12/28/2020	894	2455	9/16/2021	262	175%
Tata Chemicals	Chemicals	BUY	11/19/2020	32	94	11/15/2021	320	170%
Indian Bank	BFSI	BUY	9/20/2020	64	170	10/18/2021	424	166%
Ashok Leyland	Automotive & Ancillary	BUY	6/27/2020	52	136	2/2/2021	220	162%
State Bank of India	BFSI	BUY	7/7/2020	185	470	9/17/2021	437	154%
Mindtree	IT	BUY	3/15/2021	1935	4857	10/14/2021	211	151%
NMDC limited	Metals & Mining	BUY	7/1/2020	1	63	7/12/2021	315	151%
Mangalore Chemicals	Chemicals	BUY	12/9/2020	42	99	3/5/2021	86	136%
EG Ind	Industrial Machinery & Products	BUY	9/23/2020	302	2010	4/2/2021	100	132%
Tree Environment Enterprises Limited	IT	BUY	8/4/2020	141	319	3/22/2021	414	126%
Graphite India	Industrial Machinery & Products	BUY	2/23/2021	285	630	4/3/2021	101	121%
Tata steel	Metals & Mining	BUY	12/28/2020	634	1391	7/29/2021	213	119%
Stove Kraft Ltd	Consumer Goods & Utilities	BUY	5/14/2021	490	1052	9/28/2021	137	115%
ONGC	Energy, Oil & Petroleum	BUY	10/19/2020	72	154	11/5/2021	382	114%
Wockhardt	Pharmaceuticals	BUY	11/19/2020	332	685	5/19/2021	181	106%
NALCO	Metals & Mining	BUY	7/9/2020	36	74	5/7/2021	302	106%
Eveready Industries India	Others	BUY	1/11/2021	199	401	8/3/2021	204	102%
Triveni Engineering & Industries Ltd.	Sugar	BUY	10/9/2020	78	153	5/10/2021	213	96%
GHCL Limited	Chemicals	BUY	9/7/2020	164	318	7/15/2021	311	94%
SRF limited	Chemicals	BUY	4/26/2021	6205	11723	11/8/2021	196	89%
Minda Corp	Automotive & Ancillary	BUY	1/5/2021	92	170	11/1/2021	300	85%
Welspun India Limited	Textiles	BUY	8/28/2020	57	105	7/6/2021	312	84%

**ULJK's FUNDAMENTAL IDEAS**  
**Average Returns: 61%**  
**Average Days: 162**

**ULJK's FUNDAMENTAL IDEAS (TOP 30)**  
**Average Returns: 170%**  
**Average Days: 271**

## ULJK's 162 Companies Under Coverage

ABB India Ltd	BSE Ltd	Ge T&D India	Indus Towers Ltd	Motherson Sumi Systems Limited	SRF Limited
Abb power products	Cadila Healthcare	GFL	Infibeam Avenues Ltd	Nath Industries Ltd	State Bank of India
ACC	Can Fin Homes	GHCL	IPL	Nelco Limited	Stove Kraft Ltd
Adani Ports	Canara Bank Ltd	Gland Pharma	IRCTC	NMDC Limited	Sun Pharma
Adani Power	CDSL	Glenmark Pharmaceuticals Ltd	ITC Ltd	NTPC Limited	Sun TV Network Ltd
Affle (India) Ltd	Century Textile and Industries	Godfrey Phillips India Limited	ITD Cementation	ONGC	Sunteck Realty Ltd
Amber Enterprises	Cipla Ltd	Graphite	Jaiprakash Power Ventures Limited	Oriental Carbon and Chemicals Ltd	Syngene International Ltd
Anupam Rasayan	City Union Bank	Greaves Cotton Ltd	Jindal Steel & Power Limited	Parag Milk Foods Ltd	Tata Communications Limited
Apollo Tyres	Coal India	Happiest Minds Technologies Ltd	JSW Energy Ltd	Pfizer Limited	Tata Motors
Ashok Leyland	Coforge	HCL Technologies Ltd	JSW Steel Limited	Piramal Enterprises Ltd	Tata Motors DVR
Atul Ltd	Concor	HDFC Ltd	Jubilant Ingrevia	Power Finance Corporation Limited	Tata Power Company Limited
Aurobindo Pharma	Cummins India	HEG	Jubilant Pharmova	Power Grid Corporation of India Limited	Tata Steel
Axis Bank Ltd	Devyani International Ltd	Heidelberg Cement	Just Dial Ltd	Praj Industries Ltd	TCS Ltd
Bajaj healthcare	Dhampur Sugar Mills	Heranba Industries	Jyothy Labs	Prestige Estates Projects Limited	Tech Mahindra Ltd
Bank of Baroda	DLF Ltd	Himmatsingka Seide	KEC International Ltd	Punjab National Bank	TEJAS Network
Bank of India	Dr Reddy's Laboratories	Hindalco Industries	Larsen & Toubro Infotech Ltd	PVR Limited	Torrent Power Ltd
BASF India	Dynamatic Technologies	Hindustan Oil Exploration Company	Larsen & Toubro Limited	Quess Corp Ltd	Triveni Engineering & Industries Ltd.
Bata India	Eclerx Services	HPCL	Laurus labs	Quick Heal	TVS Motor Company Limited
BF Utilities	Eris Lifesciences	HT Media	LIC Housing Finance Limited	Railtel Corp Of India Ltd	Ujjivan Financial Services Ltd
Bharat Bijlee	Eveready Industries India	ICICI Bank Ltd	Lupin Limited	RBL Bank	United Spirits Ltd
Bharat Electronics	Exide Industries	ICICI Lombard General Insurance Co Ltd	Mahanagar Gas Ltd	Reliance Industries Limited	Vinati Organics Ltd
Bharat Forge	Expleo Solutions	IDBI Bank Ltd	Mahindra & Mahindra Ltd	Sadbhav Infrastructure Projects Ltd	Welspun Corp Ltd
Bharat Heavy Electricals	Federal Bank	IDFC First Bank LTD	Mangalore Chemicals & Fertilizers Ltd	SAIL Ltd	Welspun India Limited
Bharat Petroleum Corp Ltd	Filatex	Indiabulls Housing Finance Ltd	Marksans Pharma Limited	Saksoft Ltd	Zee Entertainment Enterprises Limited
Bharti Airtel Limited	Fortis Healthcare	Indiabulls Real Estate Ltd	Minda Corp	Shilpa Medicare Ltd	Zensar Technologies
Birla Corporation	GAIL	Indian Oil Corporation Ltd	MindTree Ltd	Shree Cement Limited	ZF Steering Gear (India) Ltd
Blue Star Ltd	Ge Power India	Indo Count Industries Ltd	Monte Carlo Fashions Ltd	Siemens Ltd	Zyduz Wellness Ltd



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Disclosure Appendix

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