

Praj Industries Ltd

Neutral: Order inflows recover, margins yet to follow

Praj Industries reported a recovery in order inflows and revenue growth in 1QFY27, though profitability still trailed our estimates. Revenue rose 12% y/y to Rs7.16bn (+3% vs JPMe), while EBITDA margin at 4.2% improved 144bps q/q (vs 2.8% in 4QFY26) but was down -71bps y/y (vs 4.9% in 1QFY26) and 180bps below our estimate of 6.0%, mainly due to higher material costs, lower share of export sales and a skew towards the lower-margin African market versus Europe/Americas. Consolidated order inflows at Rs10bn jumped +26% y/y and +52% q/q while order backlog at Rs45.89bn grew +3% y/y and +7% q/q, both beating our estimates (Rs8.0bn/Rs44.1bn). Praj booked several notable wins during the quarter: the country's first commercial-scale Bio-IBA demo plant, a greenfield corn-to-ethanol plant in Brazil (~800 klpd), an exclusive Praj GenX framework agreement with a leading EPC for critical modular infrastructure for hyperscale data centres and a first combined ultra-pure water and ZLD order from a semiconductor player in India. Despite the soft margin print, the policy backdrop for Praj's newer growth vectors is firming. The Union Cabinet approved the GOBARdhan scheme with a total outlay of >Rs 237bn, to accelerate CBG production through assured offtake, stable pricing, capital assistance, pipeline connectivity and access to finance. In the near term, Praj is leaning on brownfield upgrades, lifecycle services and international markets to offset the domestic first-generation ethanol slowdown, which remains gated on higher blending mandates. Longer-term, favorable policy on higher ethanol blending and/or diesel mandates provides growth optionality. The stock is down sharply already from its peak. As a result, we maintain a Neutral rating with a price target of Rs364 (vs Rs387 previously).

- **Bio-Energy: diversifying beyond the domestic ethanol cycle:** Praj's domestic first-generation ethanol business continues to see a greenfield slowdown, with inquiries now largely confined to ethanol-deficit states such as Tamil Nadu and Assam; this is likely to persist until policies around higher blending mandates emerge. Praj is actively shifting its focus to lifecycle services, brownfield upgrades, and co-product additions for the installed base, including plant enhancements and efficiency improvements. Expanding into new biofuels, Praj won the order for the country's first commercial-scale Bio-IBA (isobutanol) demo plant, targeting construction completion by December 2026 – a strategically important development given that diesel blending volumes are structurally larger than petrol. Even a 2% Bio-IBA blending mandate in diesel could open up a >Rs30 bn project opportunity. Internationally, the US House passing legislation enabling nationwide E15 sales is supportive, alongside higher biofuel blending intent across Indonesia, Vietnam, Kenya, Panama, Argentina, Guatemala, Costa Rica and Bolivia, where Praj has prior execution references.
- **Engineering: data centres open a new front for GenX:** Engineering order intake staged a recovery, making up 28% of Q1-FY27 inflows (vs just 2% in 4QFY26), led by the Praj GenX data-centre framework agreement. Praj GenX has landed a global supply agreement as the engineering and manufacturing partner for critical modular infrastructure for hyperscale data centres, guaranteeing a minimum business volume of ~US\$50mn over the next two-and-

Neutral

PRAJ.NS, PRJ IN

Price (14 Aug 26):Rs335.25

▼ Price Target (Sep-27):Rs364.00

Prior (Sep-27):Rs387.00

India Industrials, Electric Utilities, and Infrastructure Sectors

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Key Changes (FYE Mar)

	Prev	Cur	Δ
Adj. EPS - 27E (Rs)	7.00	6.60	-5.6%
Adj. EPS - 28E (Rs)	9.67	9.10	-6.0%

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	66	56	55	47	60
Growth	25	97	32	32	2
Momentum	90	99	100	31	1
Quality	96	72	56	17	25
Low Vol	85	85	78	85	93

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 8 for analyst certification and important disclosures, including non-US analyst disclosures.

Price Performance



	YTD	1m	3m	12m
Abs	4.9%	-4.7%	-9.9%	-18.5%
Rel	11.7%	-6.0%	-12.8%	-17.4%

Company Data

Shares O/S (mn)	184
52-week range (Rs)	433.00-273.00
Market cap (\$ mn)	646
Exchange rate	95.43
Free float (%)	65.7%
3M ADV (mn)	1.02
3M ADV (\$ mn)	3.7
Volatility (90 Day)	37
Index	NIFTY
BBG ANR (Buy Hold Sell)	2 4 2

Key Metrics (FYE Mar)

Rs in millions	FY26A	FY27E	FY28E	FY29E
Financial Estimates				
Revenue	31,679	33,474	37,042	41,241
Adj. EBITDA	1,518	2,343	2,963	3,712
Adj. EBIT	462	1,277	1,844	2,581
Adj. net income	502	1,214	1,672	2,262
Adj. EPS	2.73	6.60	9.10	12.31
BBG EPS	4.49	7.44	11.62	-
Cashflow from operations	2,001	1,562	(6)	4,469
FCFF	1,700	765	(795)	3,688
Margins and Growth				
Revenue Growth Y/Y (%)	(1.9%)	5.7%	10.7%	11.3%
EBITDA margin	4.8%	7.0%	8.0%	9.0%
EBITDA Growth Y/Y (%)	(53.3%)	54.4%	26.5%	25.3%
EBIT margin	1.5%	3.8%	5.0%	6.3%
Net margin	1.6%	3.6%	4.5%	5.5%
Adj. EPS growth	(73.7%)	141.6%	37.8%	35.3%
Ratios				
Adj. tax rate	34.2%	25.0%	25.0%	25.0%
Interest cover	7.5	11.0	13.3	15.8
Net debt/Equity	0.0	0.0	0.1	NM
Net debt/EBITDA	0.2	0.0	0.4	NM
ROCE	2.0%	6.3%	8.7%	11.3%
ROE	3.7%	9.1%	11.8%	14.6%
Valuation				
FCFF yield	2.8%	1.2%	(1.3%)	6.0%
Dividend yield	-	-	-	-
EV/EBITDA	39.3	25.3	20.4	15.4
EV/Revenue	1.9	1.8	1.6	1.4
Adj. P/E	122.7	50.8	36.9	27.2

Summary Investment Thesis and Valuation

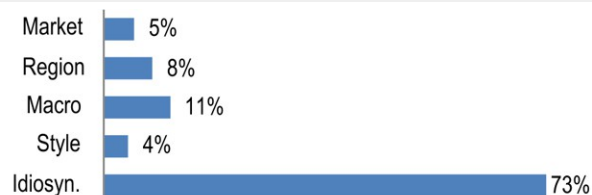
Investment Thesis

We have a Neutral rating on Praj. Praj has a long track record of successful technology development in the areas of Bio Energy, Engineering and High Purity Solutions. Praj, founded in 1983, has been a pioneer in Bio Ethanol technology development in India. The stock has corrected sharply from its peak due to a slowdown in new orders as India achieved its ethanol blending targets ahead of schedule. The company is seeding new growth areas through modular engineering solutions, and co-products in Bio Energy. Longer-term, we believe favourable policy changes regarding higher ethanol blending and/or diesel mandates provide growth optionality. In the meantime, demand-related uncertainties are weighing on the stock price.

Valuation

Our Sep-27 PT of Rs364 is based on 40x P/E on FY28E EPS. Our target multiple is at a 30% premium to the average since FY21 to account for longer-term growth optionality and somewhat depressed near-term earnings.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.25	0.11
Region: India	0.03	0.28
Macro:		
US 10 Year Yield	-0.34	-0.29
JP Morgan EMBI Global Spread	0.16	0.28
Emerging Economies CPI(YoY)	0.22	0.19
Quant Styles:		
Quality	-0.48	-0.14
Value	-0.42	-0.13
Growth	0.32	0.09

a-half years with potential upside depending on customer project schedules. This is a strategic diversification by Praj into a third segment for GenX, alongside its now-subdued ETCA (green hydrogen/ammonia/electrolysers) offerings and its conventional oil & gas, refining, petrochemicals and fertilizer work. GenX targets EBITDA breakeven by end-FY27 as the order build-up strengthens.

- **Hi Purity Segment (PHS):** Praj continues to see opportunity expansion from semiconductors, EV batteries and solar panel manufacturing, where ultra-pure water, ZLD and high-purity systems requirements are stringent and rising. Praj won its first combined contract to supply ultra-pure water and ZLD solutions for a semiconductor company in India, extending its offerings into new emerging industry segments.
- **Maintain Neutral:** 1QFY27 showed the early payoff from Praj's diversification push, with a sharp rebound in order inflows to Rs10bn and wins across Bio-IBA, data centres (GenX) and semiconductor high-purity solutions. However, profitability remains subdued as slow conversion of the domestic first-generation ethanol backlog, an unfavorable revenue mix and GenX's fixed-cost drag weigh on the print. We cut FY27E-FY29E EPS by ~6% each on 4%-5% cut in revenue estimates. As a result, our PT reduces to Rs364 (from Rs387) on an unchanged 40x FY28E P/E.

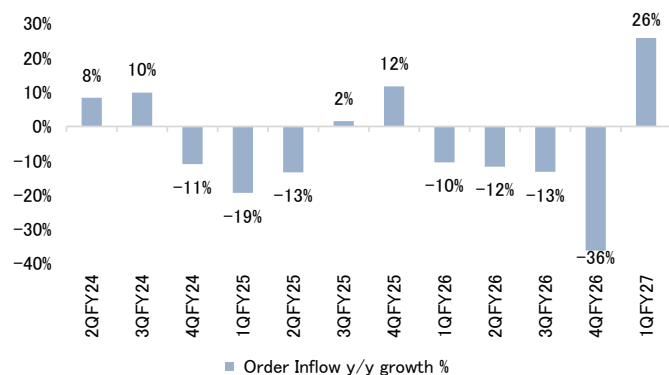
Financial Snapshot

Figure 1: Quarterly Profit and Loss Statement

Consolidated P/L (Rs.Mn)	1QFY26	4QFY26	1QFY27	1QFY27E	%y/y	%q/q	%JPMe
Order Book	44,480	43,050	45,890	44,090	3%	7%	4%
Order Inflow	7,950	6,580	10,000	8,000	26%	52%	25%
Revenue from operations	6,402	8,446	7,158	6,960	12%	-15%	3%
Expenses							
Cost of materials consumed	2,965	4,825	3,981	-	34%	-17%	
Changes in inventories	18	9	(70)	-	-493%	-842%	
Employee benefits expense	819	957	824	-	1%	-14%	
Exchange (gain)/ loss	42	-	-	-			
Other Expenses	2,243	2,421	2,123	-			
Total Expenses	6,088	8,213	6,858	6,543	13%	-16%	
as a % of sales	95.1%	97.2%	95.8%				
EBITDA	314	233	300	418	-4.4%	29%	-28%
EBITDA margin	4.9%	2.8%	4.2%	6.0%	-71bps	144bps	-180bps
Depreciation and amortization expense	252	271	253	257	0%	-7%	-2%
EBIT	62	(38)	48	160	-23%	-226%	-70%
EBIT margin	1.0%	-0.5%	0.7%	2.3%	-30bps	112bps	-163bps
Finance cost	52	52	37	52	-28%	-28%	-28%
Other Income	86	245	200	119	133%	-18%	68%
Profit/loss before tax	96	155	210	227	119%	36%	-7%
Tax Expenses	43	119	94	45			
PAT	53	35	116	182	117%	227%	-36%
PAT Margin	0.8%	0.4%	1.6%	2.6%	79bps	120bps	-99bps
Exceptional Item	-	80.62	-	-			
Reported profit	53	116	116	182	117%	0%	-36%

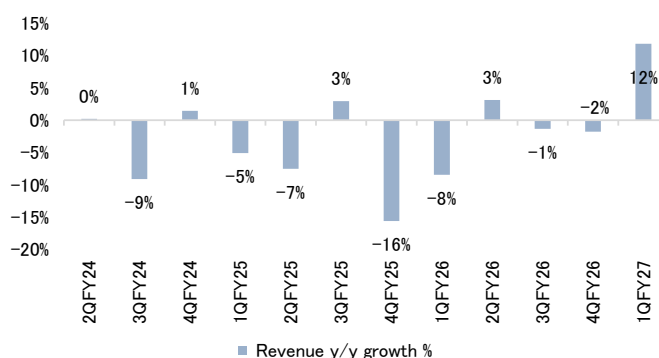
Source: Company reports and J.P. Morgan estimates.

Figure 2: Consolidated Order Inflow y/y growth



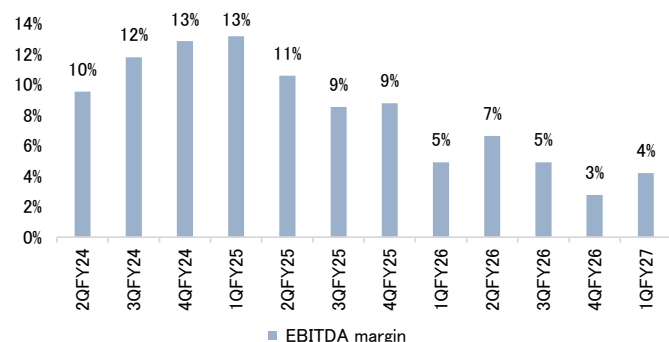
Source: Company data.

Figure 3: Consolidated Revenue y/y growth



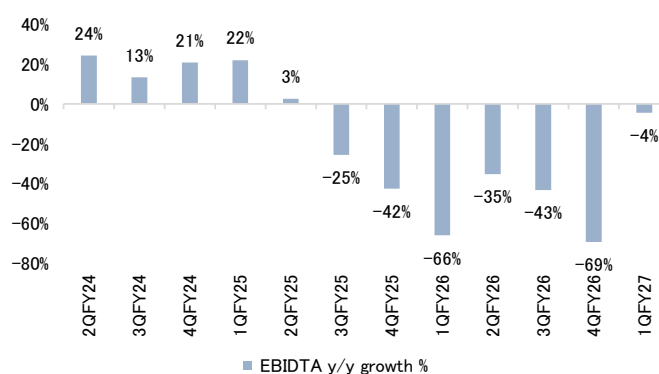
Source: Company data.

Figure 4: Consolidated EBITDA margin



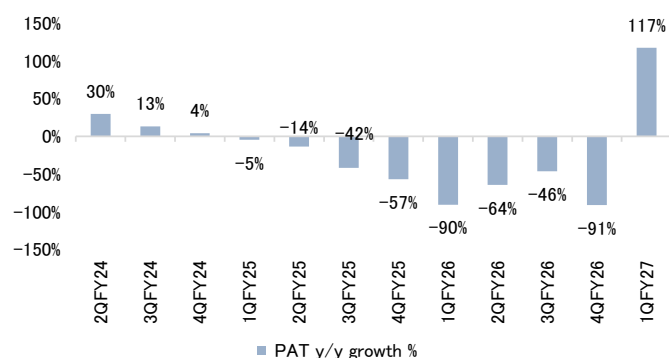
Source: Company reports.

Figure 5: Consolidated EBITDA y/y growth



Source: Company reports.

Figure 6: Consolidated PAT y/y growth



Source: Company reports.

Investment Thesis, Valuation and Risks

Praj Industries Ltd *(Neutral; Price Target: Rs364.00)*

Investment Thesis

We have a Neutral rating on Praj. Praj has a long track record of successful technology development in the areas of Bio Energy, Engineering and High Purity Solutions. Praj, founded in 1983, has been a pioneer in Bio Ethanol technology development in India. The stock has corrected sharply from its peak due to a slowdown in new orders as India achieved its ethanol blending targets ahead of schedule. The company is seeding new growth areas through modular engineering solutions, and co-products in Bio Eenergy. Longer-term, we believe favorable policy changes regarding higher ethanol blending and/or diesel mandates provide growth optionality. In the meantime, demand-related uncertainties are weighing on the stock price.

Valuation

Our Sep-27 PT of Rs364 is based on 40x P/E on FY28E EPS. Our target multiple is at a 30% premium to the average since FY21 to account for longer-term growth optionality and somewhat depressed near-term earnings.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) a lack of progress on ethanol blending mandate for diesel and/or higher thresholds for petrol, 2) an unfavorable outcome of US tariffs impacting exports to the US, and 3) delays in corporate capex recovery.

Upside risks include: An increase in the extent or scope of ethanol blending mandate and an acceleration in exports.

Praj Industries Ltd: Summary of Financials

Income Statement	FY25A	FY26A	FY27E	FY28E	FY29E	Cash Flow Statement	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	32,280	31,679	33,474	37,042	41,241	Cash flow from operating activities	430	2,001	1,562	(6)	4,469
COGS	(29,032)	(30,161)	(31,131)	(34,078)	(37,529)	o/w Depreciation & amortization	864	1,056	1,066	1,120	1,131
Gross profit	-	-	-	-	-	o/w Changes in working capital	(2,000)	1,178	(376)	(2,412)	1,511
SG&A	-	-	-	-	-	Cash flow from investing activities	712	(64)	(403)	(347)	(286)
Adj. EBITDA	3,248	1,518	2,343	2,963	3,712	o/w Capital expenditure	(870)	(444)	(956)	(956)	(956)
D&A	(864)	(1,056)	(1,066)	(1,120)	(1,131)	as % of sales	2.7%	1.4%	2.9%	2.6%	2.3%
Adj. EBIT	2,384	462	1,277	1,844	2,581	Cash flow from financing activities	(1,608)	(1,873)	(875)	(885)	(896)
Net Interest	(188)	(203)	(213)	(223)	(235)	o/w Dividends paid	(1,102)	(1,105)	(662)	(662)	(662)
Adj. PBT	2,704	763	1,618	2,230	3,017	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(796)	(261)	(405)	(557)	(754)	o/w Net debt issued/(repaid)	(322)	(583)	-	0	0
Minority Interest	-	-	-	-	-	Net change in cash	(425)	165	369	(1,238)	3,286
Adj. Net Income	1,908	502	1,214	1,672	2,262	Adj. Free cash flow to firm	128	1,700	765	(795)	3,688
Reported EPS	10.38	2.73	6.60	9.10	12.31	y/y Growth	(89.2%)	1233.3%	(55.0%)	(203.8%)	(564.2%)
Adj. EPS	10.38	2.73	6.60	9.10	12.31						
DPS	-	-	-	-	-						
Payout ratio	-	-	-	-	-						
Shares outstanding	184	184	184	184	184						
Balance Sheet	FY25A	FY26A	FY27E	FY28E	FY29E	Ratio Analysis	FY25A	FY26A	FY27E	FY28E	FY29E
Cash and cash equivalents	1,259	1,424	1,709	471	3,757	Gross margin	-	-	-	-	-
Accounts receivable	5,560	5,587	3,977	8,370	5,377	EBITDA margin	10.1%	4.8%	7.0%	8.0%	9.0%
Inventories	2,533	2,661	2,489	3,685	3,189	EBIT margin	7.4%	1.5%	3.8%	5.0%	6.3%
Other current assets	19,458	18,183	16,401	21,990	18,501	Net profit margin	5.9%	1.6%	3.6%	4.5%	5.5%
Current assets	24,301	23,676	22,180	26,531	26,328	ROE	14.4%	3.7%	9.1%	11.8%	14.6%
PP&E	4,638	4,539	4,429	4,266	4,092	ROA	6.3%	1.6%	4.1%	5.4%	6.9%
LT investments	698	112	112	112	112	ROCE	11.1%	2.0%	6.3%	8.7%	11.3%
Other non current assets	1,454	1,221	1,221	1,221	1,221	SG&A/Sales	-	-	-	-	-
Total assets	31,604	30,559	28,953	33,141	32,764	Net debt/Equity	0.0	0.0	0.0	0.1	NM
Short term borrowings	446	570	570	570	570	Net debt/EBITDA	0.2	0.2	0.0	0.4	NM
Payables	4,823	5,861	3,703	6,880	4,903	Sales/Assets (x)	1.1	1.0	1.1	1.2	1.3
Other short term liabilities	10,781	9,759	9,759	9,759	9,759	Assets/Equity (x)	2.3	2.3	2.2	2.2	2.1
Current liabilities	16,049	16,190	14,032	17,209	15,231	Interest cover (x)	17.3	7.5	11.0	13.3	15.8
Long-term debt	1,503	1,161	1,161	1,161	1,161	Operating leverage	446.0%	4325.7%	3111.3%	416.5%	352.7%
Other long term liabilities	1,540	1,168	1,168	1,168	1,168	Tax rate	29.4%	34.2%	25.0%	25.0%	25.0%
Total liabilities	17,784	17,466	15,308	18,486	16,508	Revenue y/y Growth	(6.9%)	(1.9%)	5.7%	10.7%	11.3%
Shareholders' equity	13,818	13,092	13,644	14,654	16,255	EBITDA y/y Growth	(16.2%)	(53.3%)	54.4%	26.5%	25.3%
Minority interests	1	1	1	1	1	EPS y/y Growth	(32.7%)	(73.7%)	141.6%	37.8%	35.3%
Total liabilities & equity	31,604	30,559	28,953	33,141	32,764	Valuation	FY25A	FY26A	FY27E	FY28E	FY29E
BVPS	-	-	-	-	-	P/E (x)	32.3	122.7	50.8	36.9	27.2
y/y Growth	-	-	-	-	-	P/BV (x)	-	-	-	-	-
Net debt/(cash)	690	307	21	1,259	(2,027)	EV/EBITDA (x)	18.4	39.3	25.3	20.4	15.4
						Dividend Yield	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.

Note: Rs in millions (except per-share data). Fiscal year ends Mar. o/w - out of which

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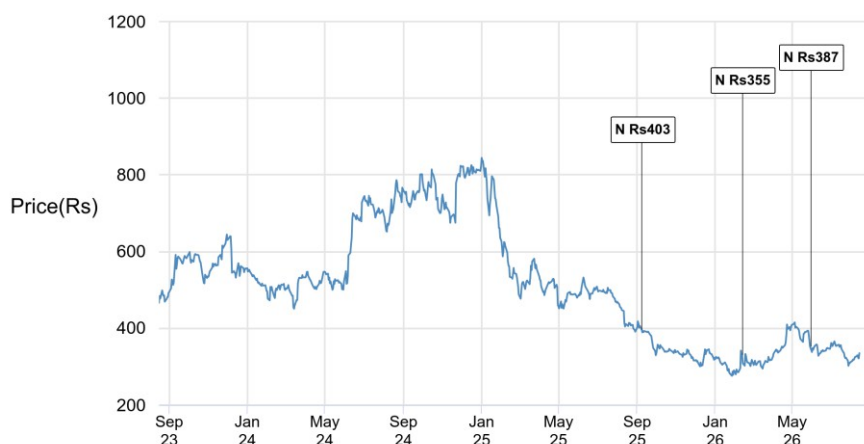
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Praj Industries Ltd (PRAJ.NS, PRJ IN) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Sep 09, 2025. All share prices are as of market close on the previous business day.

The chart(s) show J.P. Morgan’s continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period. J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight (over the duration of the price target indicated in this report, we expect this stock will outperform the average total return of the stocks in the Research Analyst’s, or the Research Analyst’s team’s, coverage universe); Neutral (over the duration of the price target indicated in this report, we expect this stock will perform in line with the average total return of the stocks in the Research Analyst’s, or the Research Analyst’s team’s, coverage universe); and Underweight (over the duration of the price target indicated in this report, we expect this stock will underperform the average total return of the stocks in the Research Analyst’s, or the Research Analyst’s team’s, coverage universe. NR is Not Rated. In this case, J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. Some stocks under coverage have a rating but no price target; in these cases, we expect the stock will outperform/perform in line/underperform the average total return of the stocks in the Research Analyst’s, or the Research Analyst’s team’s, coverage universe of the relevant duration of the region. In our Asia (ex-Australia and ex-India) and U.K. small- and mid-cap Equity Research, each stock’s expected total return is compared to the expected total return of a benchmark

country market index, not to those Research Analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying Research Analyst's coverage universe can be found on J.P. Morgan's Research website, <https://www.jpmorganmarkets.com>.

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage*	53%	36%	12%
IB clients**	83%	80%	73%
JPMS Equity Research Coverage*	51%	37%	12%
IB clients**	95%	92%	87%

*Please note that the percentages may not add to 100% because of rounding.

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