

Praj Industries Ltd (PRJ IN)

Short term challenges

INDIA | MIDCAP - ENGINEERING | Quarterly Update

31 May 2026

Top takeaways from 4QFY26

- Results below expectations due to project execution delays and start-up cost for new facility GenX at Mangalore impacting profitability.
- Energy supply chain disturbance with geopolitical risk has resulted in an increased focus on biofuel use. India is taking progressive steps in biofuel blending program while ethanol is emerging as strategic molecule for use beyond transportation.

Key highlights

Revenue declined marginally by 1.8%yoy (flat qoq) to Rs 8.44bn, 3.5% lower than estimates of Rs 8.75bn. Domestic revenue declined by 4.3% yoy to Rs 6.25bn while export revenue grew by 6.4% yoy (down 23.3% qoq) to Rs 2.19bn. Bioenergy revenue increased by 5.2%yoy to Rs 6.23bn. Engineering business revenue declined 5.5%yoy to Rs 1.38bn. Hi Purity reported decline of 30.6%yoy to Rs 840mn. Order intake declined by 36.2%yoy to Rs 6.58bn; domestic order inflow declined by 17.4%yoy to Rs 5.19bn, export orders declined by 65.7%yoy (down 55.5% qoq) to Rs 1.38bn. Order book remained flat yoy (down 4.1% qoq) to Rs 430.5bn. Order book has a domestic order share of 66% at Rs 28.4bn; exports orders are 34% at Rs 14.63bn. Order book in ethanol (bioenergy) segment is Rs 33.57bn representing 79% share while share from engineering and Hi-purity is 16% and 5% respectively. EBITDA declined by 69.1%yoy to Rs 233mn in 4QFY26, significantly lower than estimates of Rs 764mn. EBITDA margins declined by 600bps from 8.8% in 4QFY25 to 2.8% in 4QFY26. Adjusted profit declined by 91.4%yoy to Rs 36mn, below estimates of Rs 390mn. Reported profit of Rs 116mn considering extraordinary income of Rs 80mn.

Conference call takeaways

- Profit continues to be impacted by fixed cost at underutilised new manufacturing facility (GenX), project delays in domestic market and cost pressure.
- Domestic:** Overcapacity of ethanol resulting in slowdown for greenfield projects while good enquiry basket for operating cost reduction solutions and by-product utilization. Government commitment for increased role of biofuels in energy security and commitment towards net zero emission is positive for Praj. India has announced BIS notification for E25/E30 blended fuel and plans for flex fuel vehicles rollout with E85/E100 fuel with 5,000 dispensing stations in 24 months. Increasing use of biofuels for generators, farm equipment and SAF production.
- International:** E15 mandate announced in USA with opportunity in opex reduction and capacity addition. Policy tailwinds in Indonesia, Vietnam, Brazil and EU countries. Data center is emerging as big opportunity for engineering division with cooling solutions. Timely completion of FEED engineering for first commercial scale Ethanol to SAF plant.
- High purity segment is targeting orders from Semiconductors and EV battery segments. The company has established an advanced precision fermentation lab at Praj Matrix.

Outlook and valuation: The company has strong balance sheet with net cash of c. Rs 6.12bn and scalable business model. The company has expanded capabilities for technology, engineering, manufacturing, project management and services for sustainable growth. We have revised earnings downward considering execution delays and change in external environment. We maintain valuations at 35x FY28 with a target price of Rs 355 (earlier Rs 350).

NEUTRAL (Maintain)

CMP RS 352

TARGET RS 355 (+1%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	184
MARKET CAP (RSBN) :	65
MARKET CAP (USDBN) :	0.7
52 - WK HI/LO (RS) :	538 / 273
LIQUIDITY 3M (USDMN) :	12
PAR VALUE (RS) :	2

SHARE HOLDING PATTERN, %

	Mar 26	Dec 25	Sep 25
PROMOTERS :	32.8	32.8	32.8
DII :	12.7	13.6	14.8
FII :	19.4	19.0	19.1
OTHERS :	35.1	34.6	33.3

KEY FINANCIALS

Rs mn	FY26	FY27E	FY28E
Net Sales	31,679	33,550	35,903
EBITDA	1,518	2,656	3,499
Net Profit	238	1,301	1,861
EPS, Rs	1.3	7.1	10.1
PER, x	271.5	49.8	34.8
EV/EBITDA, x	42.5	24.3	18.3
PBV, x	5.1	5.0	4.7
ROE, %	1.8	10.1	13.9

CHANGE IN ESTIMATES

Rs mn	Revised Est.	% Revision	
	FY27E	FY28E	FY27E
			FY28E
Revenue	33,550	35,903	-3.5
EBITDA	2,656	3,499	-15.6
Core PAT	1,301	1,861	-13.2
EPS (Rs) adj	7.1	10.1	-13.7

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Rs mn)	4QFY26	4QFY25	yoy	4QFY26	qoq	vs. expect. %	Comments
Revenue	8446	8597	-1.8	8415	0.4	-3.5	Domestic down 4.3% yoy; Export up 6.4% yoy, Bio-energy down 5.2%yoy
Raw material	4834	4120	17.3	4545	6.4	4.6	Revenue mix and GenX cost impacted margins
Other expense	2421	2769	-12.6	2583	-6.3	-4.9	
EBITDA	233	754	-69.1	473	-50.8	-69.5	Impact of project delay, fixed cost pressure
EBITDA margins (%)	2.8	8.8	-601bps	5.6	-286bps		
Adj PAT	36	413	-91.4	221	-83.9	-90.9	
Order inflow	6580	10320	-36.2	9140	-28.0		Domestic share 79%, Bio-energy 86%; High Purity 12%; Engineering 2%
Order book	43050	42930	0.3	44910	-4.1		Export 34%; Bio-energy share 79%, High Purity 5%, and Engineering 16%

Quarterly Financials

Rs mn	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Total Revenue	8,530	8,597	6,402	8,416	8,415	8,446
YoY growth	2.9%	-15.6%	-8.4%	3.1%	-1.4%	-1.8%
Raw material cost	4,831	4,120	2,983	3,838	4,545	4,834
Raw material % of Sales	56.6%	47.9%	46.6%	45.6%	54.0%	57.2%
Employee Cost	912	954	819	866	814	957
Other expenditure	2,203	2,769	2,243	3,154	2,583	2,421
Total Cost	7,945	7,843	6,046	7,858	7,942	8,213
EBITDA	586	754	356	558	473	233
EBITDA margin (%)	6.9%	8.8%	5.6%	6.6%	5.6%	2.8%
Depreciation	233	224	252	267	266	271
EBIT	353	529	104	291	207	-38
Interest	44	48	52	50	50	52
EBT	309	481	52	242	157	-90
Other income	138	116	86	54	59	245
PBT	447	597	138	296	216	155
Tax	177	184	43	103	-4	119
Tax rate (%)	39.7%	30.9%	30.9%	34.9%	-2.1%	77.0%
PAT	270	413	95	193	221	36
Forex gain / (loss)	142	-15	-42	-	-	-
Extraordinary	-	-	-	-	-344	80
Reported PAT	411	398	53	193	-124	116
EPS-adjusted (Rs)	1.5	2.2	0.5	1.0	1.2	0.2
EPS-Reported (Rs)	2.2	2.2	0.3	1.0	-0.07	0.6
Order book	43490	42930	44480	44190	44910	43050
Order inflow	10530	10320	7950	8130	9140	6580

Source: PhillipCapital India Research

Coverage Universe

Company	Size	Fw PE (FY27x)	Reco/UpSide	
Container Corporation	M	27.1	BUY	32%
Adani Ports & SEZ	L	30.4	BUY	11%
Praj Industries Ltd	S	49.3	Neutral	1%
Pennar Industries Ltd	S	14.5	BUY	51%
Indo Count Industries	S	25.2	Neutral	8%
Balrampur Chini Mills Ltd	S	22.8	BUY	20%
KDDL Ltd	S	30.8	Neutral	17%
Gateway Distriparks Ltd	S	10.1	BUY	80%
Aegis Logistics	S	34.5	Neutral	-9%
Mahindra Logistics Limited	S	33.4	BUY	38%
Transport Corporation of India	S	12.9	BUY	20%
VRL Logistics Ltd	S	17.0	BUY	52%
Afcons Infrastructure	S	26.6	BUY	32%

Source: Company, PhillipCapital India Research (Note: L/M/S = Large/Mid/Small Cap)

Financials

Income Statement

Y/E Mar, Rs mn	FY25	FY26	FY27E	FY28E
Net sales	32,280	31,679	33,550	35,903
Growth, %	(6.9)	(1.9)	5.9	7.0
Other operating income	-	-	-	-
Raw material expenses	16,546	16,200	17,178	18,311
Employee expenses	3,489	3,458	3,423	3,492
Other Operating expenses	9,097	10,503	10,293	10,602
EBITDA (Core)	3,149	1,518	2,656	3,499
Growth, %	(15.3)	(51.8)	75.0	31.7
Margin, %	9.8	4.8	7.9	9.7
Depreciation	864	1,056	1,096	1,142
EBIT	2,284	462	1,560	2,357
Growth, %	(30.3)	(79.8)	237.7	51.1
Margin, %	7.1	1.5	4.7	6.6
Interest paid	188	203	265	269
Other Income	508	504	450	410
Non-recurring Items	-	-	-	-
Pre tax profit	2,604	763	1,746	2,498
Tax provided	796	261	445	637
Profit after tax	1,808	502	1,301	1,861
Minorities/JV shares	-	-	-	-
Net Profit	2,189	238	1,301	1,861
Growth, %	16.9	(0.9)	(10.6)	(8.9)
Net Profit (adjusted)	2,189	238	1,301	1,861
Unadj. shares (m)	184	184	184	184
Wtd avg shares (m)	184	184	184	184

Balance Sheet

Y/E Mar, Rs mn	FY25	FY26	FY27E	FY28E
Cash & bank	1,812	2,037	2,055	2,382
Marketable securities at cost	3,584	4,069	3,663	4,578
Debtors	5,560	5,587	5,975	6,394
Inventory	2,533	2,661	2,941	3,148
Loans & advances	152	-	-	-
Other current assets	10,548	9,321	8,389	8,557
Total current assets	20,604	19,607	19,360	20,481
Investments	-	-	-	-
Gross fixed assets	8,436	8,982	9,682	10,182
Less: Depreciation	(3,908)	(4,492)	(5,102)	(5,743)
Add: Capital WIP	173	56	50	45
Net fixed assets	5,912	5,668	5,753	5,606
Non - current assets	1,192	676	675	674
Total assets	31,292	30,021	29,450	31,339
Trade Payables	4,823	5,861	5,515	5,902
Provisions	430	445	481	519
Total current liabilities	15,648	15,698	15,188	16,257
Non - current liabilities	1,955	1,738	1,755	1,773
Total liabilities	15,396	14,012	14,263	15,082
Paid - up capital	367	368	368	368
Reserves & surplus	13,266	12,420	12,636	13,412
Minorities	1	1	1	1
Shareholders' equity	13,634	12,788	13,005	13,781
Total equity & liabilities	31,292	30,021	29,450	31,339

Cash Flow

Y/E Mar, Rs mn	FY25	FY26	FY27E	FY28E
Pre-tax profit	2,986	499	1,746	2,498
Depreciation	864	1,056	1,096	1,142
Chg in working capital	(2,330)	1,177	(246)	277
Total tax paid	(1,028)	(704)	(445)	(637)
Cash flow from operating activities	100	1,999	1,777	2,946
Capital expenditure	(870)	(444)	(694)	(495)
Chg in investments	829	214	408	(915)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	108	(66)	164	(1,000)
Free cash flow	338	2,067	2,137	2,147
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	-	-	17	18
Dividend (incl. tax)	(1,102)	(1,105)	(1,084)	(1,084)
Cash flow from financing activities	(1,593)	(1,857)	(1,802)	(1,821)
Net chg in cash	(1,385)	77	138	126

Valuation Ratios

	FY25	FY26	FY27E	FY28E
Per Share data				
EPS (INR)	11.9	1.3	7.1	10.1
Growth, %	(22.8)	(89.1)	445.4	43.1
Book NAV/share (INR)	74.2	69.6	70.7	75.0
FDEPS (INR)	11.9	1.3	7.1	10.1
CEPS (INR)	16.6	7.0	13.0	16.3
CFPS (INR)	0.5	10.9	9.7	16.0
DPS (INR)	6.0	5.0	5.0	5.0

Return ratios

Return on assets (%)	7.4	0.8	4.4	6.1
Return on equity (%)	16.6	1.8	10.1	13.9
Return on capital employed (%)	12.6	4.5	10.5	13.7
ROIC (%)	11.7	2.5	9.5	13.8

Turnover ratios

Asset turnover (x)	6.9	7.0	7.2	8.0
Sales/Net FA (x)	5.5	5.6	5.8	6.4
Working capital/Sales (%)	15.4	12.3	12.4	11.8
Receivable days	78.7	64.2	62.9	62.9
Inventory days	52.3	58.5	59.5	60.7
Payable days	55.4	61.5	61.9	58.0
Working capital days	56.0	45.0	45.4	42.9

Liquidity ratios

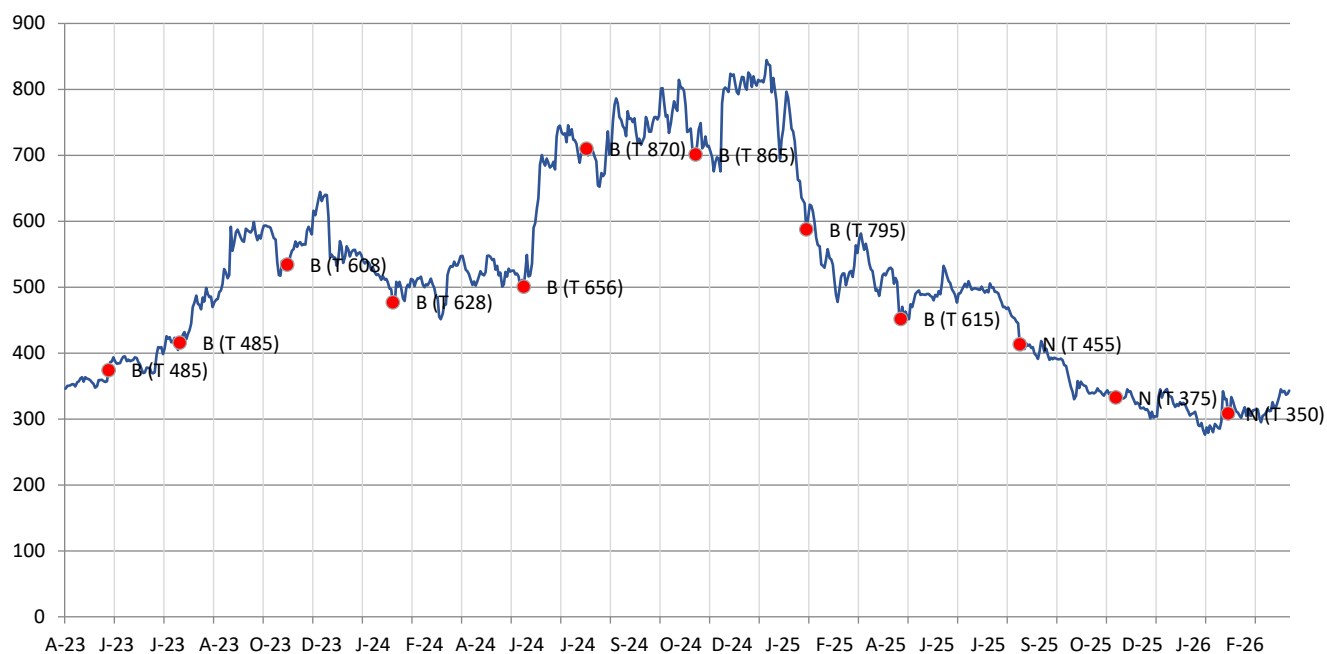
Current ratio (x)	1.3	1.2	1.3	1.3
Quick ratio (x)	1.2	1.2	1.2	1.1
Interest cover (x)	12.1	2.3	5.9	8.8
Total debt/Equity (x)	0.1	0.1	0.1	0.1
Net debt/Equity (x)	0.0	0.0	0.0	0.0

Valuation

PER (x)	29.6	271.5	49.8	34.8
PEG (x) yoy growth	(1.3)	(3.0)	0.1	0.8
Price/Book (x)	4.7	5.1	5.0	4.7
EV/Net sales (x)	2.0	2.0	1.9	1.8
EV/EBITDA (x)	20.6	42.5	24.3	18.3
EV/EBIT (x)	28.4	139.5	41.3	27.2

Source: Company, PhillipCapital India Research

Stock Price, Price Target and Rating History



Source: PhillipCapital India Research

Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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Page | 6 | PHILLIPCAPITAL INDIA RESEARCH