

Praj Industries Ltd

Weak 4QFY26 – Uncertainties Persist

Praj Industries reported weak results. While revenue was flat y/y (-5% vs JPMe), EBITDA margin at 2.8% was weaker than expected (vs 4.9% in 3QFY26 and 8.8% in 4QFY25). EBITDA margin declined 600bps y/y, mainly due to cost escalation at project sites from extended execution cycles, continued under-absorption of fixed costs at GenX (~Rs100mn/month) and adverse mix. Consolidated order inflows at Rs6.58bn declined -28% q/q and -36% y/y as Praj deferred finalization of enquiries worth over Rs3bn amid raw material price uncertainty and supply-chain disruption; these are now likely to slip into FY27. Despite the weak print, policy signals are strengthening – the BIS has notified fuel specifications for E22, E25, E27 and E30 blends in addition to E85 and E100; the government has shared a roadmap for E85 and E100 fuel infrastructure development with automobile manufacturers and OMCs, and a draft SAF policy is ready with blending mandates expected in 2027. Praj is focusing on brownfield upgrades, lifecycle services, and new opportunities in international markets, where policy support for low-carbon fuels is strengthening. Longer term, favourable policy changes regarding higher ethanol blending and/or diesel mandates provide growth optionality. The stock is down sharply already from its peak. As a result, we maintain a Neutral rating with a revised Sep-27 price target of Rs387.

- Bio-Energy: Landscape remains uncertain** – Near-term softness persists in the domestic bio-energy segment, as India's achievement of the EBP20 blending target has resulted in a slowdown for new greenfield ethanol projects. 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. Praj is seeing healthy demand for greenfield ENA plants (where it has a technology edge), brownfield Opex-reduction projects, and Distillers Corn Oil (DCO) modules – a good number of DCO orders were booked in the quarter with a robust enquiry pipeline. Praj's Bio-Isobutanol (Bio-IBA) technology is ready for scale-up, with the first order expected in 1QFY27 – a strategically important development given diesel blending volumes are structurally larger than petrol. 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 : Weak order inflow, GenX pivot underway:** Engineering order intake was weak in 4QFY26, contributing only 2% of total order intake mix, as management deferred final negotiations on opportunities worth ~Rs3bn+ due to raw material price uncertainty and supply-chain disruptions; these slip into FY27. The company has moved away from 100% fixed-price contracting toward structures that incorporate flexibility/sensitivity to raw material price changes. GenX continues to weigh on consolidated margins, with fixed overheads still running at Rs100mn/month (up from INR85-90mn earlier); management is targeting a path to break-even in FY27 contingent on

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

Neutral

PRAJ.NS, PRJ IN

Price (29 May 26):Rs352.30

▲ **Price Target (Sep-27):Rs387.00**

Prior (Mar-27):Rs355.00

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Key Changes (FYE Mar)

	Prev	Cur	Δ
Adj. EPS - 27E (Rs)	8.87	7.00	-21.1%
Adj. EPS - 28E (Rs)	11.40	9.67	-15.1%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	68	54	50	50	69
Growth	98	89	70	25	3
Momentum	97	100	97	87	7
Quality	73	77	54	41	7
Low Vol	88	82	79	88	89

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

Price Performance



	YTD	1m	3m	12m
Abs	10.2%	-12.1%	10.8%	-27.4%
Rel	20.1%	-9.5%	17.3%	-22.2%

Company Data

Shares O/S (mn)	184
52-week range (Rs)	538.40-273.00
Market cap (\$ mn)	682
Exchange rate	95.00
Free float (%)	65.6%
3M ADV (mn)	3.22
3M ADV (\$ mn)	11.9
Volatility (90 Day)	52
Index	NIFTY
BBG ANR (Buy Hold Sell)	4 5 1

Key Metrics (FYE Mar)

Rs in millions	FY26A	FY27E	FY28E	FY29E
Financial Estimates				
Revenue	31,679	34,854	38,810	43,219
Adj. EBITDA	1,518	2,440	3,105	3,890
Adj. EBIT	462	1,374	1,985	2,759
Adj. net income	502	1,286	1,778	2,396
Adj. EPS	2.73	7.00	9.67	13.03
BBG EPS	4.49	8.47	11.69	-
Cashflow from operations	2,001	1,422	146	4,512
FCFF	1,700	626	(643)	3,732
Margins and Growth				
Revenue Growth Y/Y (%)	(1.9%)	10.0%	11.4%	11.4%
EBITDA margin	4.8%	7.0%	8.0%	9.0%
EBITDA Growth Y/Y (%)	(53.3%)	60.7%	27.3%	25.3%
EBIT margin	1.5%	3.9%	5.1%	6.4%
Net margin	1.6%	3.7%	4.6%	5.5%
Adj. EPS growth	(73.7%)	156.0%	38.3%	34.7%
Ratios				
Adj. tax rate	34.2%	25.0%	25.0%	25.0%
Interest cover	7.5	11.5	13.9	16.6
Net debt/Equity	0.0	0.0	0.1	NM
Net debt/EBITDA	0.2	0.1	0.4	NM
ROCE	2.0%	6.8%	9.3%	11.9%
ROE	3.7%	9.6%	12.5%	15.3%
Valuation				
FCFF yield	2.6%	1.0%	(1.0%)	5.8%
Dividend yield	-	-	-	-
EV/EBITDA	41.3	25.6	20.5	15.5
EV/Revenue	2.0	1.8	1.6	1.4
Adj. P/E	128.9	50.4	36.4	27.0

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

We have set a Sep-27 PT on Praj at Rs387 based on 40x P/E on FY28E EPS. Our target multiple is at a 30% premium to average since FY21 to account for longer-term growth optionality and somewhat depressed near-term earnings.

Performance Drivers

Market	4%
Region	27%
Macro	4%
Style	0%
Idiosyn.	65%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.10	0.20
Region: India	0.48	0.54
Macro:		
JPM Forecast Revision EM	0.02	0.15
JPM Global Equity Sentiment	-0.35	-0.15
Citi Economic Surprise - EM	0.10	0.11
Quant Styles:		
DivYld	0.36	0.33
Value	0.28	0.32
LowVol	0.27	0.22

order bookings in the next two to three quarters. Strategically, GenX is pivoting away from the now-subdued ETCA segment (green hydrogen, green ammonia, electrolyzers) towards segments with repeatable modularisation demand. Data centers have emerged as a promising focus area, with Praj in final discussions with a key customer for modularised cooling solutions for international data centers; ticket sizes range from Rs500mn to Rs1,500mn depending on project size, and the first order is expected to be booked in 1QFY27.

- **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 closed one order with a semiconductor company during the quarter and is pursuing joint solutions combining PHS and ZLD offerings for these customer sets.
- **Maintain Neutral** – FY26 has been a tough year for Praj due to slowdown in Bio-Ethanol segment and high fixed costs in Gen-x Business. However, recently the government has notified technical standards for Ethanol Blending Beyond EBP20 (though there is no clarity on when the respective mandates will be rolled out). Elevated uncertainties keep us on the sidelines despite Praj's long track record of successful technology development in the areas of Bio Energy, Engineering and High Purity Solutions. We factor in recent operating and financial trends and as a result our FY27E/FY28E EPS falls by 21%/15%. We rolled-over to March-28E (from March-27E) and as a result our PT increases to Rs387 (Rs355 earlier)

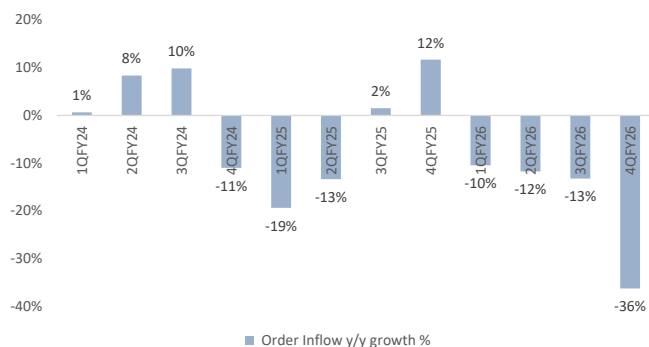
Financial Snapshot

Figure 1: Quarterly Profit and Loss Statement

Consolidated P/L (Rs.Mn)	4QFY25	3QFY26	4QFY26	4QFY26E	%y/y	%q/q	%JPMe
Order Book	42,930	44,190	43,050	44,822	0%	-3%	-4%
Order Inflow	10,320	9,140	6,580	9,500	-36%	-28%	-31%
Revenue from operations	8,597	8,415	8,446	8,868	-2%	0%	-5%
Expenses							
Cost of materials consumed	4,083	4,518	4,825	-	18%	7%	
Changes in inventories	37	26	9	-	-74%	-64%	
Employee benefits expense	955	814	957	-	0%	18%	
Exchange (gain)/ loss	-	-	-	-			
Other Expenses	2,769	2,643	2,421	-			
Total Expenses	7,844	8,002	8,213	-	5%	3%	
as a % of sales	91.2%	95.1%	97.2%				
EBITDA	753	413	233	621	-69%	-44%	-62%
EBITDA margin	8.8%	4.9%	2.8%	7.0%	-600bps	-215bps	-424bps
Depreciation and amortization expense	224	266	271	266	21%	2%	2%
EBIT	529	147	(38)	355	-107%	-126%	-111%
EBIT margin	6.2%	1.8%	-0.5%	4.0%	-660bps	-220bps	-446bps
Finance cost	47	50	52	50	9%	3%	3%
Other Income	101	119	245	119	142%	106%	106%
Profit/loss before tax	583	216	155	424	-73%	-28%	-63%
Tax Expenses	184	(4)	119	85			
PAT	398	221	35	339	-91%	-84%	-90%
PAT Margin	4.6%	2.6%	0.4%	3.8%	-421bps	-220bps	-340bps
Exceptional Item	-	(344.45)	81	-			
Reported profit	398	(124)	116	339	-71%	-194%	-66%

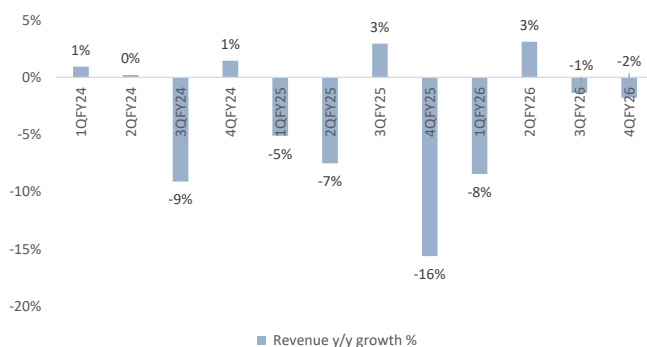
Source: Company reports and J.P. Morgan estimates.

Figure 2: Consolidated Order Inflow y/y growth



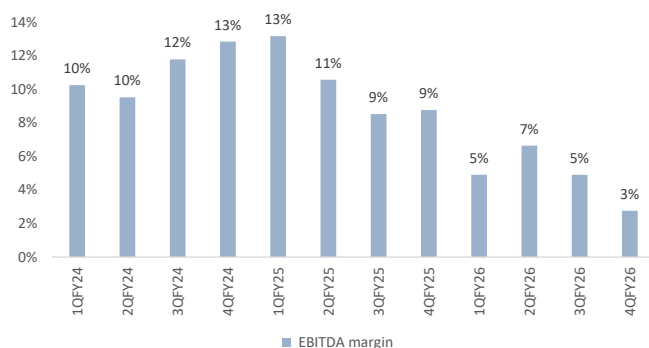
Source: Company data.

Figure 3: Consolidated Revenue y/y growth



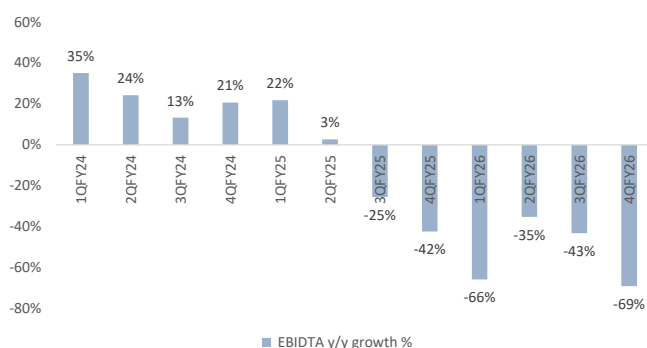
Source: Company data.

Figure 4: Consolidated EBITDA margin



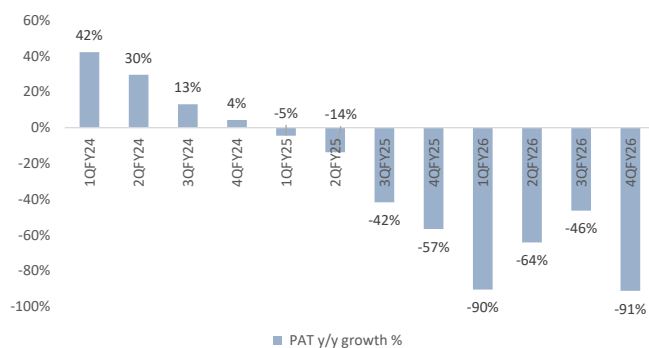
Source: Company reports.

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: Rs387.00)*

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

We have set a Sep-27 PT on Praj at Rs387 based on 40x P/E on FY28E EPS. Our target multiple is at a 30% premium to 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 unfavourable 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	34,854	38,810	43,219	Cash flow from operating activities	430	2,001	1,422	146	4,512
COGS	(29,032)	(30,161)	(32,414)	(35,705)	(39,329)	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	(589)	(2,366)	1,421
SG&A	-	-	-	-	-	Cash flow from investing activities	712	(64)	(403)	(347)	(286)
Adj. EBITDA	3,248	1,518	2,440	3,105	3,890	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%	2.7%	2.5%	2.2%
Adj. EBIT	2,384	462	1,374	1,985	2,759	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	1,715	2,371	3,195	o/w Shares issued/(repurchased)	0	0	0	0	0
Tax	(796)	(261)	(429)	(593)	(799)	o/w Net debt issued/(repaid)	(322)	(583)	-	0	0
Minority Interest	-	-	-	-	-	Net change in cash	(425)	165	229	(1,087)	3,330
Adj. Net Income	1,908	502	1,286	1,778	2,396	Adj. Free cash flow to firm	128	1,700	626	(643)	3,732
Reported EPS	10.38	2.73	7.00	9.67	13.03	y/y Growth	(89.2%)	1233.3%	(63.2%)	(202.8%)	(680.2%)
Adj. EPS	10.38	2.73	7.00	9.67	13.03						
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	1,569	483	3,812	Gross margin	-	-	-	-	-
Accounts receivable	5,560	5,587	4,371	8,565	5,841	EBITDA margin	10.1%	4.8%	7.0%	8.0%	9.0%
Inventories	2,533	2,661	2,701	3,767	3,436	EBIT margin	7.4%	1.5%	3.9%	5.1%	6.4%
Other current assets	19,458	18,183	17,008	22,268	19,212	Net profit margin	5.9%	1.6%	3.7%	4.6%	5.5%
Current assets	24,301	23,676	22,647	26,821	27,094	ROE	14.4%	3.7%	9.6%	12.5%	15.3%
PP&E	4,638	4,539	4,429	4,266	4,092	ROA	6.3%	1.6%	4.3%	5.7%	7.2%
LT investments	698	112	112	112	112	ROCE	11.1%	2.0%	6.8%	9.3%	11.9%
Other non current assets	1,454	1,221	1,221	1,221	1,221	SG&A/Sales	-	-	-	-	-
Total assets	31,604	30,559	29,419	33,431	33,530	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	0.1	0.4	NM
Payables	4,823	5,861	4,097	6,992	5,357	Sales/Assets (x)	1.1	1.0	1.2	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	14,426	17,320	15,685	Interest cover (x)	17.3	7.5	11.5	13.9	16.6
Long-term debt	1,503	1,161	1,161	1,161	1,161	Operating leverage	446.0%	4325.7%	1968.3%	392.3%	343.1%
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	15,702	18,597	16,962	Revenue y/y Growth	(6.9%)	(1.9%)	10.0%	11.4%	11.4%
Shareholders' equity	13,818	13,092	13,716	14,833	16,567	EBITDA y/y Growth	(16.2%)	(53.3%)	60.7%	27.3%	25.3%
Minority interests	1	1	1	1	1	EPS y/y Growth	(32.7%)	(73.7%)	156.0%	38.3%	34.7%
Total liabilities & equity	31,604	30,559	29,419	33,431	33,530	Valuation	FY25A	FY26A	FY27E	FY28E	FY29E
BVPS	-	-	-	-	-	P/E (x)	33.9	128.9	50.4	36.4	27.0
y/y Growth	-	-	-	-	-	P/BV (x)	-	-	-	-	-
Net debt/(cash)	690	307	161	1,248	(2,082)	EV/EBITDA (x)	19.4	41.3	25.6	20.5	15.5
						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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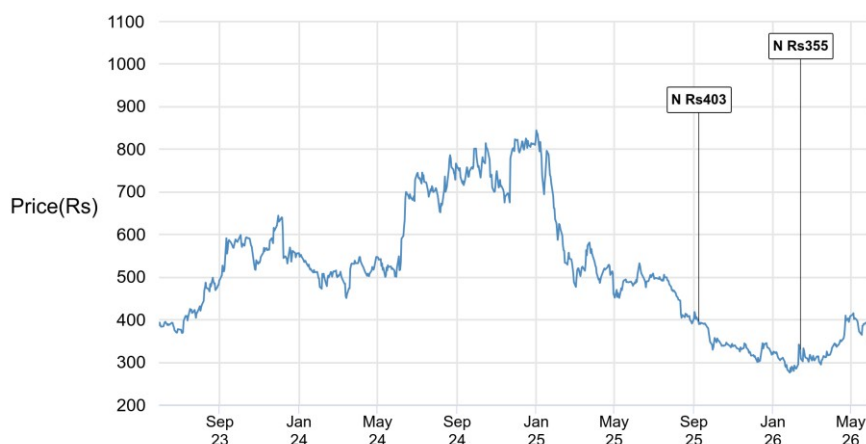
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Praj Industries Ltd (PRAJ.NS, PRJ IN) Price Chart



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

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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*	51%	37%	12%
IB clients**	83%	79%	74%
JPMS Equity Research Coverage*	49%	39%	13%
IB clients**	94%	93%	85%

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

**Percentage of subject companies within each of the "buy," "hold" and "sell" categories for which J.P. Morgan has provided investment banking services within the previous 12 months.

For purposes of FINRA ratings distribution rules only, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above. This information is current as of the end of the most recent calendar quarter.

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