

1 May 2025

Execution disappoints, awaits triggers for growth

Praj Industries (PRJ IN) continues its muted execution performance as we had expected, due to headwinds for the past few quarters, such as the ban on sugar feedstock for ethanol production, delay in commissioning & client approvals for new engineering facility, and decline in new order inflows. Although long-term opportunity is huge, we believe the stock lacks near-term triggers as engineering customers take longer to inspect the new facility, macro liquidity challenges, leading to delay in financial closure of new ethanol projects, and policy push needed toward higher ethanol blending target to rebound inflows (EBP-20 already achieved up to 19%). However, international orders could provide respite as enquiries are being made for 2G ethanol in South America and sustainable aviation fuel (SAF) in the US. We remain cautious and factor in delays in inflows and execution, leading to earnings cut of 18% for FY26E and 20% for FY27E. We retain **Accumulate** with a lower TP to INR 508 on 30x FY27E P/E.

Slump in the bioenergy & engineering segments drags overall performance: Q4 revenue contracted by 16% YoY at INR 8.6bn, lower than our estimates at INR 10.2bn, led by lower execution in the bioenergy & engineering segments, down by 15% YoY and 30% YoY, respectively, due to elongated average execution cycle to 12-15 months from 9-12 on liquidity & funding constraints. EBITDA margin declined by 360bp YoY to 8.8%, due to lower absorption of employees & other expenses. Depreciation and interest expenses increased on capitalizing of the new Gen X facility, leading to a lower PAT at INR 398mn, down 57% YoY.

Inflows to be led by CBG & engineering division: Praj has entered into a JV with BPCL to set up 10 biogas plants with regulatory approval pending. It recently won a large order to set up a biogas plant with a capacity of 36 tonne per day. Starting in January 2026, the government has made 5% blending mandatory to the Grid, and PRJ recently commissioned a Compressed Biogas (CBG) plant in 60 days, putting the company at the forefront to capitalize on the upcoming opportunity. On engineering, the GenX facility was audited and approved by eight customers with three signing a long-term agreement to supply goods and services. Management expects the facility to break-even at a top line of INR 4.0-4.6bn and expects meaningful contribution to start from H2FY26, due to a longer delivery cycle of 18-24 months vs 9-12 earlier. FY26 could be margin-accretive as execution picks up and majority of cost is already factored into FY25 numbers.

Retain Accumulate with a lower TP of INR 508: H1FY26 is expected to be muted as engineering orders are likely to pick up from H2; bioenergy order finalization may take longer than usual. We await triggers for pickup in business momentum even as new professional leadership takes charge from June 2025 (Ashish Gaikwad appointed as Managing Director for the next five years). We cut our earnings by 18% for FY26E and 20% for FY27E. We expect a revenue CAGR of 13%, an EBITDA CAGR of 18% and a PAT CAGR of 24% during FY25-28E. We retain **Accumulate** with a lower TP of INR 508 from INR 676 on 30x (from 32x) FY27E P/E. We introduce FY28 estimates.

Key financials

YE March	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	34,663	32,280	38,189	42,373	46,695
YoY (%)	(1.8)	(6.9)	18.3	11.0	10.2
EBITDA (INR mn)	3,718	3,149	3,819	4,449	5,136
EBITDA margin (%)	10.7	9.8	10.0	10.5	11.0
Adj PAT (INR mn)	2,834	1,908	2,622	3,111	3,639
YoY (%)	18.2	(32.7)	37.5	18.6	17.0
Fully DEPS (INR)	15.4	11.9	14.3	16.9	19.8
RoE (%)	24.1	14.4	18.0	19.0	19.5
RoCE (%)	27.9	17.2	21.6	23.0	23.8
P/E (x)	29.9	38.7	32.3	27.2	23.3
EV/EBITDA (x)	21.9	25.8	21.3	18.3	15.8

Note: Pricing as on 30 April 2025; Source: Company, Elara Securities Estimate

Rating: **Accumulate**
Target Price: **INR 508**
Upside: **10%**
CMP: **INR 461**
As on 30 April 2025

Key data

Bloomberg	PRJ IN
Reuters Code	PRAJ.NS
Shares outstanding (mn)	184
Market cap (INR bn/USD mn)	85/1,002
EV (INR bn/USD mn)	81/962
ADTV 3M (INR mn/USD mn)	514/6
52 week high/low	875/452
Free float (%)	67

Note: as on 30 April 2025; Source: Bloomberg

Price chart



Source: Bloomberg

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Shareholding (%)				
Promoter	32.8	32.8	32.8	32.8
% Pledge	0.0	0.0	0.0	0.0
FII	18.6	19.0	18.6	18.6
DII	16.8	17.7	18.4	18.2
Others	31.8	30.5	30.2	30.4

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	3.5	0.5	7.7
Praj Industries	(27.0)	(37.6)	(15.8)
NSE Mid-cap	2.1	(2.4)	6.2
NSE Small-cap	(3.1)	(13.5)	(3.0)

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	34,663	32,280	38,189	42,373	46,695
Gross Profit	15,541	15,882	17,185	19,068	21,013
EBITDA	3,718	3,149	3,819	4,449	5,136
EBIT	3,278	2,284	3,147	3,763	4,431
Interest expense	98	188	179	170	161
Other income	595	608	529	555	583
Exceptional/ Extra-ordinary items	-	282	-	-	-
PBT	3,775	2,986	3,497	4,149	4,852
Tax	941	796	874	1,037	1,213
Reported PAT	2,834	2,189	2,622	3,111	3,639
Adjusted PAT	2,834	1,908	2,622	3,111	3,639
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	12,745	13,818	15,355	17,363	19,900
Minority Interest	1	1	1	1	1
Trade Payables	4,968	4,823	5,231	5,804	6,397
Provisions & Other Current Liabilities	9,624	11,227	11,798	12,100	12,408
Other long term liabilities	1,618	1,735	1,882	1,990	2,103
Total liabilities & equity	28,954	31,604	34,268	37,259	40,809
Net Fixed Assets	4,104	4,638	4,669	4,821	4,934
Goodwill	626	626	626	626	626
Intangible assets	448	584	54	55	57
Business Investments / other NC assets	1,537	1,454	1,466	1,479	1,492
Cash, Bank Balances & treasury investments	6,148	5,396	9,735	10,757	12,318
Inventories	2,209	2,533	3,662	4,063	4,478
Sundry Debtors	8,360	5,560	8,370	9,287	10,234
Other Current Assets	5,523	10,812	5,686	6,170	6,671
Total Assets	28,954	31,604	34,268	37,259	40,809
Cash Flow Statement	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	1,991	1,236	5,172	2,500	2,980
Capital expenditure	(2,383)	(1,535)	(172)	(840)	(820)
Acquisitions / divestitures	(101)	248	-	-	-
Other Business cashflow	405	501	529	555	583
Free Cash Flow	(88)	449	5,528	2,216	2,743
Cashflow from Financing	204	(1,202)	(1,189)	(1,194)	(1,181)
Net Change in Cash / treasury investments	116	(752)	4,339	1,022	1,561
Key assumptions & Ratios (%)	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	4.5	6.0	6.0	6.0	6.0
Book value per share (INR)	69.4	75.2	83.6	94.5	108.3
RoCE (Pre-tax)	27.9	17.2	21.6	23.0	23.8
ROIC (Pre-tax)	57.8	30.4	44.8	61.6	62.4
ROE%	24.1	14.4	18.0	19.0	19.5
Asset Turnover	10.4	7.4	8.2	8.9	9.6
Net Debt to Equity (x)	(0.5)	(0.4)	(0.6)	(0.6)	(0.6)
Net Debt to EBITDA (x)	(1.7)	(1.7)	(2.5)	(2.4)	(2.4)
Interest cover (x) (Ebitda/ int exp)	38.0	16.7	21.3	26.2	31.8
Total Working capital days (WC/rev)	79.8	90.0	108.0	112.1	122.1
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	29.9	44.4	32.3	27.2	23.3
P/Sales (x)	2.4	2.6	2.2	2.0	1.8
EV/ EBITDA (x)	21.9	25.8	21.3	18.3	15.8
EV/ OCF (x)	40.9	65.8	15.7	32.5	27.3
FCF Yield (%)	(0.1)	0.6	6.8	2.7	3.4
Price to BV (x)	6.6	6.1	5.5	4.9	4.3
Dividend yield (%)	1.0	1.3	1.3	1.3	1.3

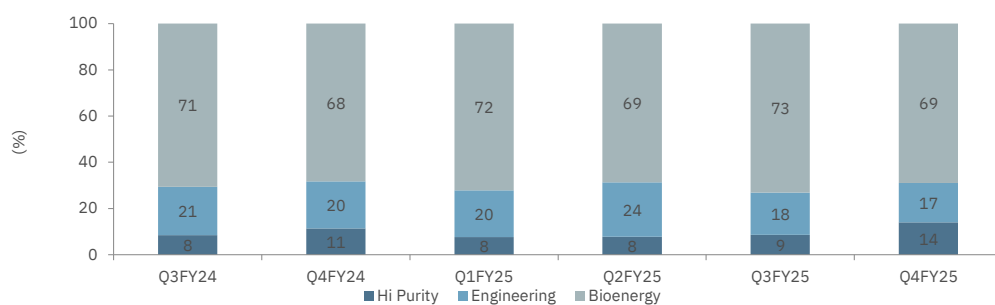
We expect a revenue CAGR of 13%, an EBITDA CAGR of 18% and an Adj PAT CAGR of 24% during FY25-28E

Note: Pricing as on 30 April 2025; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

YE March (INR mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Variance (%)
Net sales	8,597	10,186	(15.6)	8,530	0.8	10,267	(16.3)
EBITDA	754	1,262	(40.3)	586	28.7	827	(8.9)
EBITDA Margins (%)	8.8	12.4		6.9		8.1	
Other income	116	114	1.2	138	(16.0)	146	(20.7)
Interest	48	38	25.7	44	9.6	45	6.8
Depreciation	224	153	46.4	233	(3.6)	237	(5.1)
Exceptional				(282)			
PBT	583	1,230	(52.6)	588	(1.0)	692	(15.8)
Tax	184	311	(40.7)	177	4.0	174	5.7
Effective Tax Rate (%)	31.6	25.3		30.1		25.2	
PAT	398	919	(56.7)	411	(3.1)	518	(23.1)
Reported NPM (%)	4.6	9.0		4.8		5.0	
EPS	2.2	5.0	(56.7)	2.2	(3.1)	2.8	(23.1)

Source: Company, Elara Securities Estimate

Exhibit 2: Engineering segments revenue contribution declines due to delay in execution


Source: Company, Elara Securities Research

Exhibit 3: Valuation

(INR mn)	FY27E
PAT	3,111
P/E (x)	30.0
Equity value	93,342
Shares (Mn)	184
TP per share (INR)	508
Upside (%)	10.0

Source: Elara Securities Estimate

Exhibit 4: Change in estimates

(INR mn)	Earlier		Revised		% Change		New
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY28E
Revenue	38,377	44,201	38,189	42,373	(0.5)	(4.1)	46,695
EBITDA	4,605	5,525	3,819	4,449	(17.1)	(19.5)	5,136
PAT	3,186	3,881	2,622	3,111	(17.7)	(19.8)	3,639
TP (INR)		676		508		(25.0)	

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
19-Sep-2022	Buy	515	388
01-Apr-2023	Accumulate	619	533
01-Nov-2023	Accumulate	596	534
08-Dec-2023	Accumulate	575	545
26-Jul-2024	Accumulate	802	700
31-Jan-2025	Accumulate	676	632
30-Apr-2025	Accumulate	508	461

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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