

August 12, 2025

Q1FY26 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		BUY	
Target Price	393		545	
Sales (Rs. m)	30,820	35,139	35,506	41,732
% Chng.	(13.2)	(15.8)		
EBITDA (Rs. m)	2,496	3,619	3,515	4,549
% Chng.	(29.0)	(20.4)		
EPS (Rs.)	7.9	13.5	12.8	17.0
% Chng.	(37.8)	(20.6)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	34,663	32,280	30,820	35,139
EBITDA (Rs. m)	3,718	3,149	2,496	3,619
Margin (%)	10.7	9.8	8.1	10.3
PAT (Rs. m)	2,834	1,983	1,460	2,488
EPS (Rs.)	15.4	10.8	7.9	13.5
Gr. (%)	18.2	(30.0)	(26.4)	70.4
DPS (Rs.)	6.0	4.3	3.2	6.5
Yield (%)	1.5	1.0	0.8	1.6
RoE (%)	24.1	14.9	10.3	16.1
RoCE (%)	25.6	15.1	9.5	15.2
EV/Sales (x)	2.1	2.2	2.4	2.1
EV/EBITDA (x)	19.2	23.0	29.2	20.0
PE (x)	26.8	38.3	52.1	30.6
P/BV (x)	6.0	5.5	5.2	4.6

Key Data

PRAJ.BO | PRJ IN

52-W High / Low	Rs.875 / Rs.406
Sensex / Nifty	80,236 / 24,487
Market Cap	Rs.76bn / \$ 867m
Shares Outstanding	184m
3M Avg. Daily Value	Rs.383.9m

Shareholding Pattern (%)

Promoter's	32.81
Foreign	16.86
Domestic Institution	17.43
Public & Others	32.90
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(16.6)	(26.6)	(41.5)
Relative	(14.2)	(30.4)	(41.9)

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Dismal Q1 on execution delays & liquidity hurdles

Quick Pointers:

- Liquidity challenges for customers are expected to strain Praj's working capital due to accumulated Inventory and receivables.
- Management expects EBITDA margin to improve to high single digit from H2FY26, with Q2FY26 likely to be impacted by tariff uncertainties.

We revise our FY26/27E EPS estimates by -37.8%/-20.6% and downgrade the stock from 'Buy' to 'Hold' amid delayed order booking and execution due to tariff related uncertainties and liquidity challenges in domestic market. The company delivered a weak quarterly performance, with revenue declining 8.4% YoY and EBITDA margin contracting 685bps YoY to 5.6%, primarily due to execution delays. Tariff-related uncertainties affected order finalization, while funding constraints among customers halted dispatches in the domestic market straining working capital of the company and elongating the execution cycle. India's achievement of the EBP20 target, coupled with uncertainty over the timeline for the new EBP mandate, is expected to limit near-term greenfield opportunities for Praj. Meanwhile, the company is exploring alternative uses and geographies for its GenX facility amid the uncertainty over tariff implications. Despite these near-term headwinds, Praj's diversification into CBG, Bio Bitumen, biopolymers, and SAF is gaining traction, providing new avenues for growth.

Praj's near-term prospects remain weak amid the continuing tariff related uncertainties, liquidity challenges in the domestic market and lack of visibility for greenfield 1G ethanol opportunities. However, its long-term growth may be aided by the prospective mandates for ethanol blending in petrol to 25%-30% and blending in diesel, along with co-product development opportunities with existing ethanol plants. The stock is trading at a P/E of 52.1x/30.6x on FY26/27E earnings. We value the stock at a PE of 29x Mar'27E (32x Mar'27E earlier) with a revised TP of Rs393 (Rs545 earlier).

Weaker execution in BioEnergy led to revenue decline: Consolidated revenue fell 18.2% YoY to Rs6.4bn (PLe: Rs7.8bn). Gross margin expanded by 65bps YoY to 53.4% (PLe: 47.3%). EBITDA declined 59.0% YoY to Rs356mn (PLe: Rs673mn) while EBITDA margin contracted by 685bps YoY to 5.6% (PLe: 8.6%) due to higher employee costs (+5.5% YoY) and higher other expenses (+9.8% YoY). PBT (ex. Extra-ordinaries) declined 87.8% YoY to Rs96mn (PLe: Rs575mn). Adj. PAT declined 91.4% YoY to Rs53mn (PLe: Rs431mn) as weaker operating performance was further impacted by lower other income (-74.4% YoY) and higher depreciation (+25% YoY).

Decision making delays led to lower order intake in Engineering and HiPurity: Q1 order inflow fell by 10.5% YoY to Rs8.0bn primarily due to lower order intake in Engineering segment (-71.7% YoY vs higher base) and HiPurity (-28.4% YoY) partially offset by Bio Energy (+37.7% YoY). Domestic/export inflow mix stood at 55%/45% (vs 58%/42% in Q1FY25). Order book stood at Rs44.5bn (1.4x TTM revenue) – 81%/4%/15% in BioEnergy/HiPurity/Engineering and 62%/38% in domestic/exports.

Exhibit 1: Higher other expenses were due to GenX subsidiary expenses and labor sourcing related higher expenses

Y/e March (Rs mn)	Q1FY26	Q1FY25	YoY gr.	Q1FY26E	% Var.	Q4FY25	QoQ gr.	FY26E	FY25	YoY gr.
Revenue	6,402	6,991	-8.4%	7,824	-18.2%	8,597	-25.5%	30,820	32,280	-4.5%
Gross Profit	3,419	3,688	-7.3%	3,701	-7.6%	4,477	-23.6%	14,485	15,734	-7.9%
Margin (%)	53.4	52.7	65	47.3	610.0	52.1	133	47.0	48.7	(174)
Employee Cost	819	777	5.5%	868	-5.7%	954	-14.2%	3,329	3,489	-4.6%
as % of sales	12.8	11.1	169	11.1	169.5	11.1	170	10.8	10.8	(1)
Other expenditure	2,243	2,043	9.8%	2,159	3.9%	2,769	-19.0%	8,660	9,097	-4.8%
as % of sales	35.0	29.2	582	27.6	744.1	32.2	283	28.1	28.2	(8)
EBITDA	356	868	-59.0%	673	-47.1%	754	-52.7%	2,496	3,149	-20.7%
Margin (%)	5.6	12.4	(685)	8.6	(303.5)	8.8	(320)	8.1	9.8	(165)
Depreciation	252	202	25.0%	225	12.1%	224	12.3%	968	864	12.0%
EBIT	104	666	-84.4%	448	-76.7%	529	-80.3%	1,528	2,284	-33.1%
Margin (%)	1.6	9.5	(790)	5.7	(409.8)	6.2	(453)	5.0	7.1	(212)
Other Income	44	172	-74.4%	160	-72.6%	101	-56.6%	586	608	-3.7%
Interest	52	49	5.6%	33	57.4%	48	8.1%	154	188	-18.2%
PBT (ex. Extra-ordinaries)	96	789	-87.8%	575	-83.3%	583	-83.5%	1,960	2,704	-27.5%
Margin (%)	1.5	11.3	(978)	7.3	(584.7)	6.8	(528)	6.4	8.4	(202)
Extraordinary Items	-	282	-	-	-	-	-	-	282	-
PBT	96	1,070	-91.0%	575	-83.3%	583	-83.5%	1,960	2,985	-34.4%
Total Tax	43	229	-81.3%	144	-	184	-76.8%	500	796	-37.2%
Effective Tax Rate (%)	44.4	21.4	-	25.0	-	31.6	-	25.5	26.7	-
Reported PAT	53	842	-93.7%	431	-87.6%	398	-86.6%	1,460	2,189	-33.3%
Adj. PAT	53	620	-91.4%	431	-87.6%	398	-86.6%	1,460	1,982	-26.4%
Margin (%)	0.8	8.9	(804)	5.5	(467.7)	4.6	(380)	4.7	6.1	(140)
Adj. EPS	0.3	3.4	-91.4%	2.3	-87.6%	2.2	-86.6%	7.9	10.8	-26.4%

Source: Company, PL

Exhibit 2: Weaker execution in BioEnergy led to consolidated revenue decline of 8.4% YoY to Rs6.4bn

Segment Revenue (Rs mn)	Q1FY26	Q1FY25	YoY gr.	Q1FY26E	% Var.	Q4FY25	QoQ gr.	FY26E	FY25	YoY gr.
Bio Energy	3,826	5,040	-24.1%	5,759	-33.6%	5,920	-35.4%	20,530	22,790	(9.9)
HiPurity	742	530	40.0%	650	14.1%	1,210	-38.7%	3,606	3,110	16.0
Engineering	1,833	1,420	29.1%	1,414	29.6%	1,460	25.5%	6,684	6,370	4.9
Total	6,401	6,990	-8.4%	7,824	-18.2%	8,590	-25.5%	30,820	32,270	(4.5)
Mix (%)										
Bio Energy	59.8	72.1	(17.1)	73.6	(1,385.1)	68.9	(910)	66.6	70.6	(5.6)
HiPurity	11.6	7.6	52.9	8.3	327.7	14.1	(248)	11.7	9.6	21.4
Engineering	28.6	20.3	41.0	18.1	1,055.8	17.0	1,165	21.7	19.7	9.9
Geographic Revenue (Rs mn)										
Domestic	3,905	5,383	-27.5%	5,633	-30.7%	6,528	-40.2%	19,516	24,609	(20.7)
Export	2,497	1,608	55.3%	2,191	14.0%	2,062	21.1%	11,305	7,665	47.5
Total	6,402	6,991	-8.4%	7,824	-18.2%	8,590	-25.5%	30,821	32,273	(4.5)
Mix (%)										
Domestic	61.0	77.0	(20.8)	72.0	(1,100.0)	75.9	(1,494)	63.3	76.2	(16.9)
Export	39.0	23.0	69.6	28.0	1,100.0	24.0	1,502	36.7	23.7	54.5

Source: Company, PL

Conference Call Highlights

- **1G Domestic:** India's EBP20 target has been achieved, and the installed capacity exceeds the EBP20 requirement which led to slowdown in greenfield ethanol plants. Meanwhile, the funding challenges for the customers continue leading to elongation of the execution cycle and some strain on Praj's working capital due to accumulation of inventory and receivables. Different states of India are now encouraging bioenergy transition with better investments and policy support which is anticipated to support Praj's domestic Bioenergy business.
- **1G International:** Decision making delays due to tariff related uncertainties has resulted in the lower order booking despite a healthy enquiry basket. IRA Approval of 45Z/ 45Q with clarity and extension through 2029 presents a strong short to mid-term opportunity to promote ATCS, CO2 solutions in the USA market while company is witnessing good traction from Latin America due to favorable policy landscape such as increase in ethanol blending mandate in the countries like Brazil. Furthermore, the Latin American countries also export Ethanol to USA, and these countries have lower tariff which may further develop incremental opportunity for Praj's 1G International business.
- **2G Ethanol:** Praj's first ever 2G Ethanol plant is progressing in line with management's expectation. The management expects to commercialize its first 2G plant by the end of FY26 followed by few more 2G plants in the pipeline.
- **GenX facility:** Tariff related uncertainty and reduced prioritization of energy transition has led to ordering slowdown. This tariff related uncertainty has led to management exploring alternative uses for the facility into non-ETCA industries. During the quarter, management added 2 more framework agreements along with having ~Rs10bn worth of proposals/prospects on hand where decision making is pending.
- **SAF:** Company received an order for detailed engineering of a commercial size SAF plant in the USA which will help Praj to develop its capabilities in the ethanol-to-jet path. Furthermore, various states in India are promoting SAF with various supporting policies are expected to be announced soon.
- **CBG:** Company is witnessing good traction for Napier Grass and press mud-based plants. However, the ordering is getting delayed due to delayed funding finalization. Company successfully completed 3 CBG projects and is witnessing more enquiries in different feedstocks including Napier Grass. Company is currently in discussion with multiple customers regarding addition of Bio Bitumen as a byproduct as it can be blended to up to 10% in fossil-based bitumen.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	34,663	32,280	30,820	35,139
YoY gr. (%)	(1.8)	(6.9)	(4.5)	14.0
Cost of Goods Sold	19,621	16,546	16,334	19,045
Gross Profit	15,042	15,734	14,485	16,094
Margin (%)	43.4	48.7	47.0	45.8
Employee Cost	3,187	3,489	3,329	3,584
Other Expenses	1,950	2,911	2,959	2,495
EBITDA	3,718	3,149	2,496	3,619
YoY gr. (%)	20.8	(15.3)	(20.7)	45.0
Margin (%)	10.7	9.8	8.1	10.3
Depreciation and Amortization	441	864	968	975
EBIT	3,278	2,284	1,528	2,644
Margin (%)	9.5	7.1	5.0	7.5
Net Interest	98	188	154	70
Other Income	595	608	586	752
Profit Before Tax	3,775	2,986	1,960	3,326
Margin (%)	10.9	9.2	6.4	9.5
Total Tax	941	796	500	838
Effective tax rate (%)	24.9	26.7	25.5	25.2
Profit after tax	2,834	2,189	1,460	2,488
Minority interest	0	0	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,834	1,983	1,460	2,488
YoY gr. (%)	18.2	(30.0)	(26.4)	70.4
Margin (%)	8.2	6.1	4.7	7.1
Extra Ord. Income / (Exp)	-	206	-	-
Reported PAT	2,834	2,189	1,460	2,488
YoY gr. (%)	18.2	(22.7)	(33.3)	70.4
Margin (%)	8.2	6.8	4.7	7.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,834	2,189	1,460	2,488
Equity Shares O/s (m)	184	184	184	184
EPS (Rs)	15.4	10.8	7.9	13.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	7,536	8,549	9,399	10,099
Tangibles	7,536	8,549	9,399	10,099
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,464	4,084	5,052	6,027
Tangibles	3,464	4,084	5,052	6,027
Intangibles	-	-	-	-
Net fixed assets	4,072	4,465	4,347	4,072
Tangibles	4,072	4,465	4,347	4,072
Intangibles	-	-	-	-
Capital Work In Progress	1,106	1,384	1,384	1,384
Goodwill	-	-	-	-
Non-Current Investments	1,367	1,104	1,086	1,141
Net Deferred tax assets	78	(30)	(30)	(30)
Other Non-Current Assets	80	88	62	70
Current Assets				
Investments	4,021	3,584	2,774	3,162
Inventories	2,209	2,533	4,222	4,814
Trade receivables	8,360	5,560	6,333	7,220
Cash & Bank Balance	2,127	1,812	2,309	2,275
Other Current Assets	5,370	10,923	10,787	12,228
Total Assets	28,864	31,604	33,457	36,541
Equity				
Equity Share Capital	368	368	368	368
Other Equity	12,377	13,450	14,117	16,021
Total Networth	12,745	13,818	14,485	16,389
Non-Current Liabilities				
Long Term borrowings	1,417	1,503	1,503	1,503
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	276	446	446	446
Trade payables	4,968	4,823	5,066	5,776
Other current liabilities	9,535	10,983	11,926	12,396
Total Equity & Liabilities	28,864	31,604	33,457	36,541

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	3,775	2,986	1,960	3,326
Add. Depreciation	441	864	968	975
Add. Interest	0	4	154	70
Less Financial Other Income	595	608	586	752
Add. Other	(206)	(396)	-	-
Op. profit before WC changes	4,010	3,458	3,082	4,371
Net Changes-WC	(971)	(2,000)	(1,098)	(1,825)
Direct tax	(1,045)	(1,028)	(500)	(838)
Net cash from Op. activities	1,994	430	1,484	1,708
Capital expenditures	(885)	(435)	(850)	(700)
Interest / Dividend Income	159	149	-	-
Others	625	998	810	(389)
Net Cash from Invt. activities	(101)	712	(40)	(1,089)
Issue of share cap. / premium	9	-	-	-
Debt changes	-	-	-	-
Dividend paid	(827)	(1,102)	(793)	(584)
Interest paid	(94)	(185)	(154)	(70)
Others	(327)	(322)	-	-
Net cash from Fin. activities	(1,239)	(1,608)	(947)	(654)
Net change in cash	654	(466)	498	(35)
Free Cash Flow	1,101	(441)	634	1,008

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	15.4	10.8	7.9	13.5
CEPS	17.8	15.5	13.2	18.8
BVPS	69.3	75.2	78.8	89.2
FCF	6.0	(2.4)	3.5	5.5
DPS	6.0	4.3	3.2	6.5
Return Ratio(%)				
RoCE	25.6	15.1	9.5	15.2
ROIC	36.9	17.3	10.3	16.6
RoE	24.1	14.9	10.3	16.1
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	59	37	65	65
Valuation(x)				
PER	26.8	38.3	52.1	30.6
P/B	6.0	5.5	5.2	4.6
P/CEPS	23.2	26.7	31.3	22.0
EV/EBITDA	19.2	23.0	29.2	20.0
EV/Sales	2.1	2.2	2.4	2.1
Dividend Yield (%)	1.5	1.0	0.8	1.6

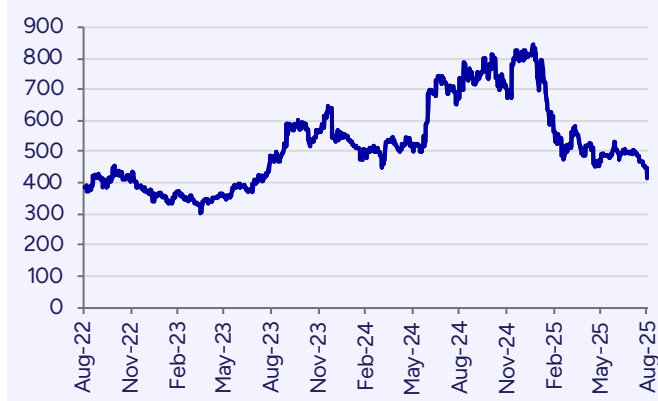
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	8,162	8,530	8,597	6,402
YoY gr. (%)	(7.5)	2.9	(15.6)	(8.4)
Raw Material Expenses	4,292	4,831	4,120	2,983
Gross Profit	3,870	3,700	4,477	3,419
Margin (%)	47.4	43.4	52.1	53.4
EBITDA	941	586	754	356
YoY gr. (%)	20.9	(39.3)	(40.3)	(59.0)
Margin (%)	11.5	6.9	8.8	5.6
Depreciation / Depletion	206	233	224	252
EBIT	736	353	529	104
Margin (%)	9.0	4.1	6.2	1.6
Net Interest	47	44	48	52
Other Income	56	279	101	44
Profit before Tax	744	588	583	96
Margin (%)	9.1	6.9	6.8	1.5
Total Tax	206	177	184	43
Effective tax rate (%)	27.7	30.1	31.6	44.4
Profit after Tax	538	411	398	53
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	538	411	398	53
YoY gr. (%)	(13.7)	(41.6)	(56.7)	(90.5)
Margin (%)	6.6	4.8	4.6	0.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	538	411	398	53
YoY gr. (%)	(13.7)	(41.6)	(56.7)	(93.7)
Margin (%)	6.6	4.8	4.6	0.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	538	411	398	53
Avg. Shares O/s (m)	184	184	184	184
EPS (Rs)	2.9	2.2	2.2	0.3

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-25	BUY	545	497
2	01-May-25	BUY	545	461
3	09-Apr-25	BUY	751	496
4	24-Mar-25	BUY	751	575
5	01-Feb-25	BUY	751	632
6	09-Jan-25	BUY	804	800
7	29-Oct-24	BUY	804	700
8	07-Oct-24	BUY	804	761

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,600	5,093
2	Apar Industries	Hold	9,540	9,682
3	BEML	Hold	4,142	4,522
4	Bharat Electronics	Hold	374	387
5	BHEL	Hold	215	228
6	Carborundum Universal	Hold	835	841
7	Cummins India	Hold	3,895	3,807
8	Elgi Equipments	Accumulate	559	535
9	Engineers India	Accumulate	250	242
10	GE Vernova T&D India	Accumulate	2,706	2,473
11	Grindwell Norton	Hold	1,739	1,635
12	Harsha Engineers International	Hold	402	423
13	Hindustan Aeronautics	Accumulate	5,500	5,003
14	Ingersoll-Rand (India)	BUY	4,522	4,045
15	Kalpataru Projects International	Accumulate	1,366	1,184
16	KEC International	Accumulate	911	860
17	Kirloskar Pneumatic Company	BUY	1,636	1,316
18	Larsen & Toubro	BUY	4,144	3,496
19	Praj Industries	BUY	545	497
20	Siemens	Accumulate	3,431	3,115
21	Thermax	Hold	3,633	3,779
22	Triveni Turbine	BUY	650	533
23	Voltamp Transformers	BUY	10,285	8,892

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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