

## Praj Industries Ltd

### 3QFY26 : Weak Margins Weigh on Results, But Order Intake Picks-Up

Praj Industries reported weak results. While revenue was inline, EBITDA margin at 5.6% was weaker than expected at (v/s 8.5% in 3QFY25 and 6.6% in 2QFY26). As a result, consolidated PAT at Rs221mn, fell -46% y/y (-6% vs JPMe). EBITDA margin declined 290bps y/y, mainly due to lower export mix (impacting 100bps on EBITDA margin) and under absorption of fixed costs at GenX. However, Consolidated order inflows at Rs9.14bn grew +12% q/q (+8% vs JPMe). This was a key positive and points to improvement in underlying demand. Praj won a large order for a greenfield brewery in India and CCUS skid from one of the global oil majors for its GenX facility. Praj Industries continues to face a challenging near-term environment in the bio-energy segment with muted growth in domestic ethanol due to the completion of the EBP20 mandate and underutilization at its GenX facility. Recent announcements on the India-USA and India-Europe trade deals have resolved tariff-related uncertainties which had weighed on export prospects over the past some time. The company is pivoting towards brownfield upgrades, lifecycle services, and new opportunities in international markets, where policy support for low-carbon fuels is strengthening. Longer term, favorable 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.

- 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 has seen an increase in enquiries for brownfield projects with existing customers. Growth in services continues to support overall performance.
- Engineering sees improvement in orders** : Praj saw a higher order intake in the engineering segment driven by receipt of a significant breakthrough order for CCUS skids from one of the global oil majors and a strategic shift towards conventional industries such as oil & gas, piping, and structures. The pivot comes as energy transition-related projects remain stalled or on hold. The GenX facility continues to face challenges with fixed cost absorption, incurring INR 85-90 mn per month. Resolution of tariff issues is positive as the US market remains a key focus, with projects progressing and customer payback periods only moderately impacted.
- Hi Purity Segment (PHS)**: Praj's high purity systems segment continues to show healthy traction, particularly in solutions for high-capacity fermenters, complex injectables, and pharma. The company is leveraging its established expertise in pharma to pursue emerging opportunities in storage batteries, EVs, solar cells, and semiconductors, especially in the ultra-pure water segment. Praj is seeing new opportunities from the Battery, Solar panels and

## Neutral

**PRAJ.NS, PRJ IN**  
Price (13 Feb 26):Rs308.45

▼ **Price Target (Mar-27):Rs355.00**  
Prior (Mar-27):Rs403.00

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### Key Changes (FYE Mar)

	Prev	Cur	Δ
Adj. EPS - 26E (Rs)	5.63	4.82	-14.3%
Adj. EPS - 27E (Rs)	10.07	8.87	-11.9%

### Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	58	55	57	46	55
Growth	97	30	31	32	43
Momentum	92	100	33	74	31
Quality	69	54	44	60	41
Low Vol	88	83	86	86	84

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.

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## Price Performance



	YTD	1m	3m	12m
Abs	3.4%	8.3%	-1.5%	-41.4%
Rel	4.7%	8.3%	-1.2%	-53.4%

## Company Data

Shares O/S (mn)	184
52-week range (Rs)	591.90-273.00
Market cap (\$ mn)	626
Exchange rate	90.60
Free float (%)	65.6%
3M ADV (mn)	2.38
3M ADV (\$ mn)	8.7
Volatility (90 Day)	44
Index	NIFTY
BBG ANR (Buy   Hold   Sell)	3 6 1

## Key Metrics (FYE Mar)

Rs in millions	FY25A	FY26E	FY27E	FY28E
<b>Financial Estimates</b>				
Revenue	32,280	30,311	33,698	37,908
Adj. EBITDA	3,248	2,122	3,033	3,601
Adj. EBIT	2,384	1,072	1,962	2,509
Adj. net income	1,908	887	1,631	2,095
Adj. EPS	10.38	4.82	8.87	11.40
BBG EPS	13.36	6.88	10.88	13.70
Cashflow from operations	430	4,049	2,873	1,437
FCFF	128	3,790	2,083	648
<b>Margins and Growth</b>				
Revenue Growth Y/Y (%)	(6.9%)	(6.1%)	11.2%	12.5%
EBITDA margin	10.1%	7.0%	9.0%	9.5%
EBITDA Growth Y/Y (%)	(16.2%)	(34.7%)	42.9%	18.7%
EBIT margin	7.4%	3.5%	5.8%	6.6%
Net margin	5.9%	2.9%	4.8%	5.5%
Adj. EPS growth	(32.7%)	(53.5%)	83.9%	28.5%
<b>Ratios</b>				
Adj. tax rate	29.4%	25.0%	25.0%	25.0%
Interest cover	17.3	11.2	20.5	24.4
Net debt/Equity	0.0	NM	NM	NM
Net debt/EBITDA	0.2	NM	NM	NM
ROCE	11.1%	5.2%	9.4%	11.4%
ROE	14.4%	6.5%	11.8%	14.3%
<b>Valuation</b>				
FCFF yield	0.2%	6.7%	3.7%	1.1%
Dividend yield	-	-	-	-
EV/EBITDA	18.6	27.3	18.8	15.9
EV/Revenue	1.9	1.9	1.7	1.5
Adj. P/E	29.7	64.0	34.8	27.1

## Summary Investment Thesis and Valuation

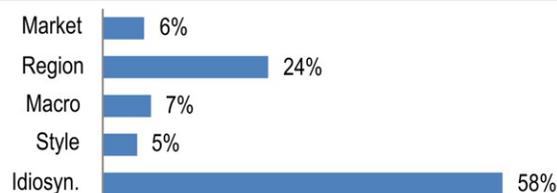
### Investment Thesis

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 Mar-27 PT on Praj at Rs355 based on 40x P/E on FY27E 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



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.48	0.26
Region: India	0.53	0.51
<b>Macro:</b>		
HSI Volatility Index	-0.13	-0.23
JPM EM Currency(EMCI) Fixing	0.10	-0.21
JPM China A-shares Sentiment	0.29	-0.15
<b>Quant Styles:</b>		
Size	-0.20	-0.35
Value	0.29	0.25
DivYld	0.29	0.21

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Semiconductor segment for ZLD solutions.

- **Maintain Neutral** – Despite improvement in order inflows in 3QFY26, we think more signs are needed to turn constructive. 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 FY26E/FY27E/FY28E EPS falls by 14%/12%/16% . Maintain Neutral with a reduced PT of Rs355.

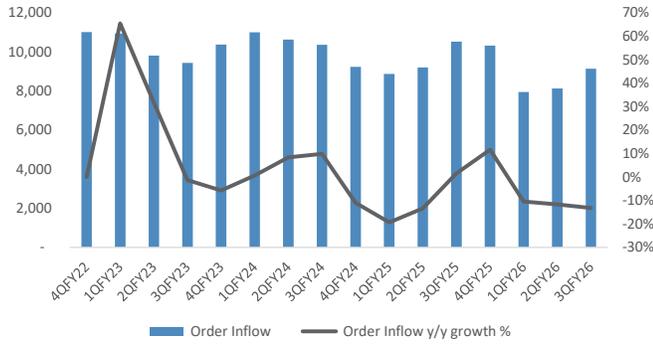
## Financial Snapshot

Figure 1: Quarterly Profit and Loss Statement

Consolidated P/L (Rs.Mn)	3QFY25	2QFY26	3QFY26	3QFY26E	%y/y	%q/q	%JPMe
<b>Order Book</b>	43,490	44,190	44,190	44,127	2%	0%	0%
<b>Order Inflow</b>	10,530	8,130	9,140	8,500	-13%	12%	8%
<b>Revenue from operations</b>	8,530	8,416	8,415	8,563	-1%	0%	-2%
Expenses							
Cost of materials consumed	4,825	3,846	4,518	-	-6%	17%	
Changes in inventories	5	(8)	26	-	380%	-442%	
Employee benefits expense	912	866	814	-	-11%	-6%	
Exchange (gain)/ loss	(142)	-	-	-			
Other Expenses	2,203	3,154	2,583	-			
<b>Total Expenses</b>	<b>7,803</b>	<b>7,858</b>	<b>7,942</b>	<b>-</b>	<b>2%</b>	<b>1%</b>	
<b>as a % of sales</b>	<b>91.5%</b>	<b>93.4%</b>	<b>94.4%</b>	<b>0.0%</b>			
<b>EBITDA</b>	<b>727</b>	<b>558</b>	<b>473</b>	<b>599</b>	<b>-35%</b>	<b>-15%</b>	<b>-21%</b>
<b>EBITDA margin</b>	<b>8.5%</b>	<b>6.6%</b>	<b>5.6%</b>	<b>7.0%</b>	<b>-290bps</b>	<b>-101bps</b>	<b>-138bps</b>
Depreciation and amortization expense	233	267	266	267	14%	-1%	-1%
<b>EBIT</b>	<b>494</b>	<b>291</b>	<b>207</b>	<b>332</b>	<b>-58%</b>	<b>-29%</b>	<b>-38%</b>
<b>EBIT margin</b>	<b>5.8%</b>	<b>3.5%</b>	<b>2.5%</b>	<b>3.9%</b>	<b>-333bps</b>	<b>-100bps</b>	<b>-142bps</b>
Finance cost	44	50	50	50	14%	1%	0%
Other Income	138	54	59	54	-57%	8%	8%
Profit/loss before tax	588	296	216	337	-63%	-27%	-36%
Tax Expenses	177	103	(4)	101			
<b>PAT</b>	<b>411</b>	<b>193</b>	<b>221</b>	<b>236</b>	<b>-46%</b>	<b>14%</b>	<b>-6%</b>
<b>PAT Margin</b>	<b>4.8%</b>	<b>2.3%</b>	<b>2.6%</b>	<b>2.8%</b>	<b>-220bps</b>	<b>33bps</b>	<b>-13bps</b>
Exceptional Item	-	-	(344)	-			
<b>Reported profit</b>	<b>411</b>	<b>193</b>	<b>(124)</b>	<b>236</b>	<b>-130%</b>	<b>-164%</b>	<b>-153%</b>

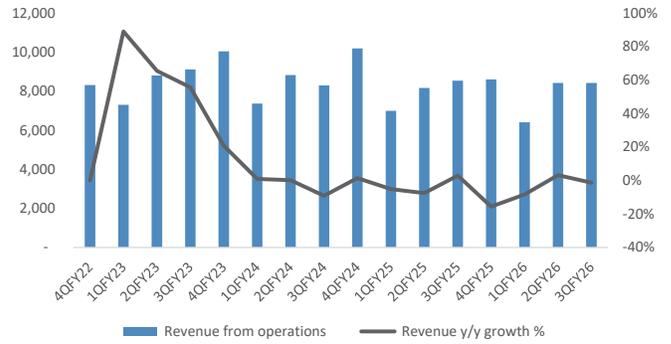
Source: Company reports and J.P. Morgan estimates.

Figure 2: Order Inflow and y/y growth



Source: Company data.

Figure 3: Revenue and y/y growth



Source: Company data.

Figure 4: EBITDA and y/y growth



Source: Company reports.

Figure 5: PAT and y/y growth



Source: Company reports.

## Investment Thesis, Valuation and Risks

### **Praj Industries Ltd** *(Neutral; Price Target: Rs355.00)*

#### **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 Mar-27 PT on Praj at Rs355 based on 40x P/E on FY27E 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) unfavourable outcome of U.S. tariffs impacting exports to the US, and 3) delays in corporate capex recovery.

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

## Praj Industries Ltd: Summary of Financials

Income Statement						Cash Flow Statement					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	34,663	32,280	30,311	33,698	37,908	Cash flow from operating activities	1,994	430	4,049	2,873	1,437
COGS	(30,785)	(29,032)	(28,190)	(30,665)	(34,307)	o/w Depreciation & amortization	441	864	1,050	1,071	1,092
Gross profit	-	-	-	-	-	o/w Changes in working capital	622	(2,000)	2,220	383	(1,466)
SG&A	-	-	-	-	-	Cash flow from investing activities	(101)	712	(101)	(540)	(468)
Adj. EBITDA	3,878	3,248	2,122	3,033	3,601	o/w Capital expenditure	(893)	(870)	(401)	(900)	(900)
D&A	(441)	(864)	(1,050)	(1,071)	(1,092)	as % of sales	2.6%	2.7%	1.3%	2.7%	2.4%
Adj. EBIT	3,438	2,384	1,072	1,962	2,509	Cash flow from financing activities	(1,239)	(1,608)	(1,398)	(1,251)	(1,251)
Net Interest	(98)	(188)	(190)	(148)	(148)	o/w Dividends paid	(827)	(1,102)	(1,103)	(1,103)	(1,103)
Adj. PBT	3,775	2,704	1,182	2,174	2,793	o/w Shares issued/(repurchased)	9	0	0	0	0
Tax	(941)	(796)	(296)	(544)	(698)	o/w Net debt issued/(repaid)	(327)	(322)	(103)	0	0
Minority Interest	-	-	-	-	-	Net change in cash	698	(425)	2,550	1,082	(282)
Adj. Net Income	2,834	1,908	887	1,631	2,095	Adj. Free cash flow to firm	1,182	128	3,790	2,083	648
Reported EPS	15.42	10.38	4.82	8.87	11.40	y/y Growth	(9.3%)	(89.2%)	2872.3%	(45.0%)	(68.9%)
Adj. EPS	15.42	10.38	4.82	8.87	11.40						
DPS	-	-	-	-	-						
Payout ratio	-	-	-	-	-						
Shares outstanding	184	184	184	184	184						
Balance Sheet						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	1,684	1,259	3,809	4,891	4,609	Gross margin	-	-	-	-	-
Accounts receivable	6,432	5,560	6,565	6,914	8,249	EBITDA margin	11.2%	10.1%	7.0%	9.0%	9.5%
Inventories	2,209	2,533	1,797	3,017	2,399	EBIT margin	9.9%	7.4%	3.5%	5.8%	6.6%
Other current assets	16,534	19,458	16,220	17,789	18,506	Net profit margin	8.2%	5.9%	2.9%	4.8%	5.5%
Current assets	22,240	24,301	23,613	26,264	26,699	ROE	24.1%	14.4%	6.5%	11.8%	14.3%
PP&E	4,104	4,638	3,989	3,818	3,626	ROA	10.3%	6.3%	2.9%	5.2%	6.4%
LT investments	945	698	698	698	698	ROCE	20.1%	11.1%	5.2%	9.4%	11.4%
Other non current assets	1,537	1,454	1,454	1,454	1,454	SG&A/Sales	-	-	-	-	-
Total assets	28,954	31,604	30,267	32,747	32,989	Net debt/Equity	0.0	0.0	NM	NM	NM
Short term borrowings	276	446	446	446	446	Net debt/EBITDA	0.0	0.2	NM	NM	NM
Payables	4,968	4,823	3,838	5,790	5,041	Sales/Assets (x)	1.3	1.1	1.0	1.1	1.2
Other short term liabilities	9,347	10,781	10,781	10,781	10,781	Assets/Equity (x)	2.3	2.3	2.3	2.3	2.2
Current liabilities	14,591	16,049	15,064	17,017	16,267	Interest cover (x)	39.6	17.3	11.2	20.5	24.4
Long-term debt	1,417	1,503	1,400	1,400	1,400	Operating leverage	(1111.7%)	446.0%	902.3%	743.3%	223.2%
Other long term liabilities	1,437	1,540	1,400	1,400	1,400	Tax rate	24.9%	29.4%	25.0%	25.0%	25.0%
Total liabilities	16,209	17,784	16,664	18,617	17,867	Revenue y/y Growth	(1.8%)	(6.9%)	(6.1%)	11.2%	12.5%
Shareholders' equity	12,745	13,818	13,602	14,129	15,121	EBITDA y/y Growth	22.0%	(16.2%)	(34.7%)	42.9%	18.7%
Minority interests	1	1	1	1	1	EPS y/y Growth	18.1%	(32.7%)	(53.5%)	83.9%	28.5%
Total liabilities & equity	28,954	31,604	30,267	32,747	32,989						
BVPS						Valuation					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
y/y Growth	-	-	-	-	-	P/E (x)	20.0	29.7	64.0	34.8	27.1
						P/BV (x)	-	-	-	-	-
Net debt/(cash)	9	690	(1,963)	(3,045)	(2,764)	EV/EBITDA (x)	15.5	18.6	27.3	18.8	15.9
						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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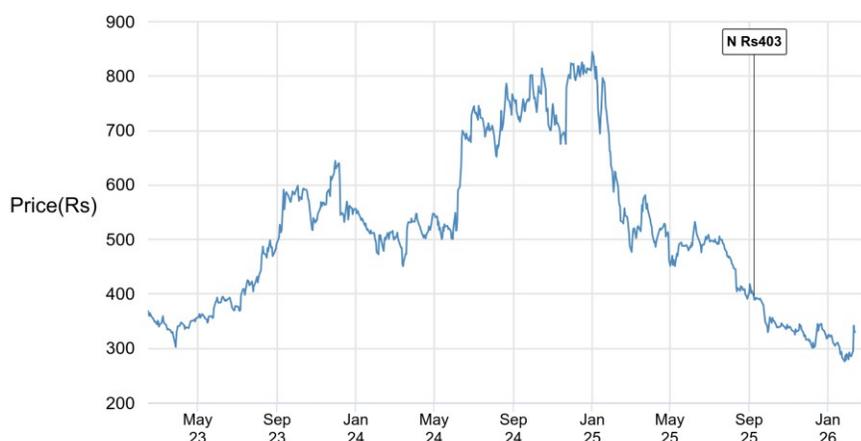
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Praj Industries Ltd (PRAJ.NS, PRJ IN) Price Chart



Date	Rating	Price (Rs)	Price Target (Rs)
09-Sep-25	N	396.80	403

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:**

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**Coverage Universe: Tiwari, Atul K:** ABB India Ltd (ABB.NS), Bharat Electronics Ltd (BAJE.NS), Bharat Heavy Electricals Ltd (BHEL.NS), CG Power Ltd (CGPO.NS), Cummins India Ltd (CUMM.NS), Hindustan Aeronautics Ltd (HIAE.NS), JSW Energy Ltd (JSWE.NS), Larsen & Toubro Ltd. (LART.NS), Mazagon Dock Shipbuilders Ltd (MAZG.NS), NTPC Ltd. (NTPC.NS), Power Grid Ltd (PGRD.NS), Praj Industries Ltd (PRAJ.NS), Siemens Ltd (SIEM.NS), Tata Power Ltd (TTPW.NS), Thermax Ltd (THMX.NS), Torrent Power Ltd (TOPO.NS)

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage*	51%	37%	12%
IB clients**	47%	47%	35%
JPMS Equity Research Coverage*	49%	38%	13%
IB clients**	72%	70%	53%

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

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