AXIS DIRECT

Result Update
16th February, 2026

Praj Industries Ltd
Capital Goods

HOLD
Target Price
325

Bio-Energy Headwinds Persist; Signs of Growth in Other Businesses

Est. Vs. Actual for Q3FY26: Revenue: INLINE; EBITDA: MISS; PAT: MISS

Changes in Estimates post Q3FY26

FY26E/FY27E/FY28E: Revenue: 0%/1%/1%; **EBITDA:** -12%/-1%/1%; **PAT:** -52%/-3%/-4%

Recommendation Rationale

- **Bio-energy Slowdown Continues:** The company's 1G Ethanol business continues to remain impacted by subdued demand and an extended execution cycle. However, management is witnessing good traction in brownfield projects focused on operational efficiency and value-added product additions.
- **Margin Deteriorating:** EBITDA margins declined during the quarter, primarily due to lower export revenue. The company partially offset margin pressure through employee cost rationalisation and expects margin improvement going ahead through a better revenue mix and cost controls.
- **GenX Gains Traction:** While fixed costs at the GenX facility continue to weigh on margins, the plant is now being utilised for a diversified product basket. The facility has been inspected by 12 customers, and framework agreements have been signed with select clients. The recently received CCUS order will also be executed at this facility and is expected to create an additional revenue stream.
- **New Growth Opportunities:** Management believes recent government announcements aimed at strengthening the CBG and carbon capture ecosystem will open new opportunities. The company continues to make progress in Bio-isobutanol for diesel blending and SAF development.
- **Improving Export Outlook (Long-term):** Recently signed trade deals with the US, the UK, and Europe are expected to improve competitiveness in key export markets. Greater tariff clarity is also likely to support overseas customers in closing pending capex decisions.

Sector Outlook: Cautiously Optimistic

Company Outlook & Guidance: Near-term Demand and Policy Support: While the company expects demand for greenfield bio-energy projects to remain subdued in the near term, it anticipates a gradual improvement from here onward. Supportive government policies are likely to aid long-term growth of the domestic sustainable energy segment, while recent trade deals are expected to provide Indian companies with a competitive advantage in export markets. Margins and Growth Initiatives: Management expects margins to improve steadily as capacity utilisation rises. The company is actively pursuing new growth avenues and technology-led opportunities to support scale-up and achieve its FY30 targets.

Valuation: 20x Sept'27E (Unchanged)

Current TP: Rs. 325/share; (Earlier TP: Rs 340/share)

Recommendation: We **maintain our HOLD rating on** the stock.

Financial Performance: The company reported revenue of Rs 841 Cr, down 1% YoY and flat QoQ, inline with our estimates. EBITDA stood at Rs 47 Cr, down 19% YoY and 15% QoQ, missing our estimates by 17%. EBITDA margin declined to 5.6% from 6.9% in Q3FY25. PAT came in at Rs (12) Cr, down 130% YoY and 164% QoQ, significantly below our estimates. Earnings were impacted by a one-time exceptional expense of Rs 34 Cr related to the implementation of new labor regulations. Order intake during the quarter stood at Rs 914 Cr, compared to Rs 813 Cr in the preceding quarter.

Outlook: Praj Industries Ltd continues to focus on expanding its portfolio and strengthening its existing capabilities. The company has also started diversifying product offerings from its Mangalore GenX facilities, which is likely to improve utilization levels to some extent. With a conducive regulatory environment in India and an improving tariff situation, momentum is likely to pick up from FY27. Additionally, the focus on newer offerings is expected to create new growth opportunities.

Valuation & Recommendation: We have marginally revised our FY27/FY28 estimates and continue to value the stock at 20x Sept'27E. This translates into a TP of Rs 325/share (revised down from Rs 340/share), implying an upside of 5% from the CMP. **We maintain our HOLD rating on the stock** as the business shows signs of stability, but a clear recovery is still awaited.

Key Financials (Consolidated)

(Rs Cr)	Q3FY26	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	841	-1%	0%	824	2%
EBITDA	47	-19%	-15%	57	-17%
EBITDA Margin	5.62%	-124bps	-101bps	6.91%	-129bps
Net Profit	-12	-130%	-164%	23	-154%
EPS (Rs)	-0.7	-130%	-164%	1.2	-154%

Source: Company, Axis Securities Research

(CMP as of 13th February, 2026)

CMP (Rs)	309
Upside /Downside (%)	5%
High/Low (Rs)	595/273
Market cap (Cr)	5,683
Avg. daily vol. (1m) Shrs.	36,80,122
No. of shares (Cr)	18.4

Shareholding (%)

	Jun-25	Sep-25	Dec-25
Promoter	32.81	32.81	32.81
FIIs	16.86	17.53	17.32
DIIs	17.43	14.83	13.64
Retail	32.89	34.82	36.23

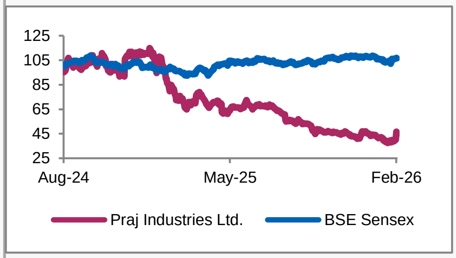
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	3,228	3,255	3,881
EBITDA	315	212	363
Net Profit	219	51	214
EPS (Rs)	11.9	2.8	11.7
PER (x)	25.9	111.9	26.5
EV/EBITDA (x)	17.6	26.2	15.3
ROE (%)	16%	4%	14%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E	FY28E
Sales	0%	1%	1%
EBITDA	-12%	-1%	1%
PAT	-52%	-3%	-4%

Relative Performance



Source: ACE Equity, Axis Securities Research

Results Gallery

[Q2FY26](#)
[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)

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Key Highlights

- **Financial Performance:** The company delivered a steady sequential performance, with consolidated income from operations at Rs 841 Cr in Q3 FY26. Margins were pressured due to a reduction in export revenue and lower fixed cost absorption at the Praj Industries GenX facility. Profitability was further impacted by a one-time incremental charge of Rs 34.4 Cr following the notification of new labor codes in India.
- **Order Book:** The order backlog as of December 31, 2025, stood at Rs 4,491 Cr, with domestic orders contributing 66% of the total. Q3 FY26 order intake was Rs 914 Cr (vs Rs 813 Cr in the previous quarter), with international business contributing 32%. The share of Bio-energy in the overall order book declined to 77%, as 42% of new orders came from the Engineering business, while Bio-energy order inflow slowed. Notably, order intake included a significant breakthrough CCUS skids order from a global oil major, which can open opportunities for similar orders.
- **Bio-energy Business:** The 1G domestic segment is witnessing a slowdown in greenfield projects due to supply-demand imbalance and customer-side funding constraints. However, brownfield projects remain healthy as customers focus on operational efficiency and value-added co-products such as DCO. Policy announcements on higher biofuel share in energy mixes in countries such as Indonesia, Argentina, and Panama are creating fresh engagement opportunities. The company is also progressing in Bio-IBA for diesel blending and believes the technology is ready for commercial scale-up.
- **CBG (Compressed Biogas):** The company continues to strengthen its technology capabilities across multiple feedstocks. Two plants based on rice straw and Napier grass were recently commissioned. Management remains encouraged by the Union Budget 2026 announcement mandating CBG blending into CNG along with excise duty exemptions.
- **SAF (Sustainable Aviation Fuel):** The integrated ethanol-to-jet demo plant at the Matrix R&D center has received strong interest. While a formal SAF blending policy in India is awaited, the company is already executing engineering orders for US clients and expects completion by the end of the fiscal year.
- **Praj GenX:** Following a sharp slowdown in the energy transition segment, the facility has diversified into traditional energy and new verticals. The facility has been inspected and audited by 12 customers. The company secured its first breakthrough CCUS skids order from a global oil major for execution at this facility. Management estimates that revenue of Rs 400–500 Cr is required for the GenX facility to reach breakeven.
- **Engineering & Other Developments:** The company secured large ZLD orders from a leading metal major and a greenfield brewery project in India, each valued at over Rs 100 Cr. In the High Purity segment, the company secured its first contract under the National BioE3 Policy for precision fermentation.
- **Guidance & Vision 2030:** Management remains committed to its Vision 2030 target of becoming a Rs 10,000 Cr revenue company. While the 1G ethanol segment may remain subdued in the near term, growth is expected to be driven by SAF, CBG, Bio-IBA, and diversification of the GenX facility into segments such as data centers. The company also expects sector-level benefits from recent trade deals. Sequential margin improvement is expected as higher-value orders are executed and fixed cost absorption improves at new facilities.

Key Risks to Our Estimates and TP

- Changes in the pace of order execution or cancellation of orders.
- Changes in government policies and/or international policies and regulations.
- Advent of newer technologies leading to changes in business models/prospects.

Change in Estimates

	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,255	3,881	5,068	3,260	3,825	5,025	0%	1%	1%
EBITDA	212	363	587	241	368	579	-12%	-1%	1%
PAT	51	214	381	106	221	397	-52%	-3%	-4%

Source: Company, Axis Securities Research

Q3FY26 Results Review

(Rs Cr)	Q3FY25	Q2FY26	Q3FY26 Axis Est	Q3FY26	YoY Growth (%)	QoQ Growth (%)	Axis Variance
Revenue	853	842	824	841	-1%	0%	2%
Net Raw Material consumed	483	384	375	454	-6%	18%	
Gross Profit	370	458	449	387	5%	-15%	
Gross Margin %	43.4%	54.4%	54.5%	46.0%	262bps	-840bps	-851bps
Employee	91	87	91	81	-11%	-6%	
Other Expenses	220	315	301	258	17%	-18%	
Total Expenditure	794	786	767	794	0%	1%	
EBIDTA	59	56	57	47	-19%	-15%	-17%
EBITDA Margin	6.9%	6.6%	6.9%	5.6%	-124bps	-101bps	-129bps
Less: Depreciation	23	27	27	27	14%	-1%	
EBIT	63	35	38	27	-58%	-23%	
Less: Net Interest	4	5	5	5	14%	1%	
Add: Other income	28	5	8	6	-79%	8%	
Profit Before Extraordinary Items and Tax	59	30	34	22	-63%	-27%	
Less: Extraordinary Expense (net)	-	-	-	34.4			
Profit Before Tax	59	30	34	-13	-122%	-143%	
Less: Total Tax	18	10	11	-0	-103%	-104%	
Profit After Tax	41	19	23	-12	-130%	-164%	-154%
Reported EPS (Rs)	2.2	1.0	1.2	-0.7	-130%	-164%	-154%

Source: Company, Axis Securities Research

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Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Net sales	3,466	3,228	3,255	3,881	5,068
Raw Material	1,962	1,655	1,565	1,901	2,534
Employee benefit expenses	319	349	335	372	467
Other Expenses	814	910	1,143	1,243	1,480
EBITDA	372	315	212	363	587
Other income	59	61	26	48	48
PBIDT	431	376	237	411	635
Depreciation	44	86	105	106	106
Pre-tax profit	377	270	112	285	508
Tax provision	94	80	27	71	127
RPAT	283	219	51	214	381

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	37	37	37	37	37
Reserves & Surplus	1,238	1,345	1,396	1,610	1,991
Total Equity	1,275	1,382	1,433	1,647	2,028
Total Non-Current Liabilities	162	174	174	174	174
Trades Payable	497	482	450	531	694
Other Current Liabilities	793	990	990	990	990
Total Current Liabilities	1,459	1,605	1,573	1,654	1,817
Total Capital Employed	**2,895**	**3,160**	**3,179**	**3,474**	**4,018**
Net Block	407	446	520	570	635
Goodwill	63	63	63	63	63
Total Non-Current Assets	671	730	804	854	919
Cash	168	126	42	78	251
Inventory	221	253	214	250	312
Receivables	836	556	624	797	1,041
Investments	402	358	358	358	358
Total Current Assets	2,224	2,430	2,375	2,620	3,100
Total Assets	**2,895**	**3,160**	**3,179**	**3,474**	**4,018**

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Net Profit Before Tax	377	299	78	285	508
Depreciation	44	86	105	106	106
Working Capital Changes	-97	-200	-61	-128	-143
Tax Paid	-104	-103	-27	-71	-127
Cash From Operating Activities	199	43	115	212	364
Cash From Investing Act	-10	71	-179	-156	-171
Cash Flow from Financing	-124	-161	-20	-20	-20
Change in Cash	65	-47	-84	36	173
Opening Cash	99	168	126	42	78
Closing Cash	168	126	42	78	251

Source: Company, Axis Securities Research

Ratio Analysis

(%)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Operational Ratios					
Gross profit margin	43%	49%	52%	51%	50%
EBITDA margin	11%	10%	7%	9%	12%
PAT margin	8%	7%	2%	6%	8%
Growth Indicators					
Sales growth	-2%	-7%	1%	19%	31%
EBITDA growth	21%	-15%	-33%	72%	61%
PAT growth	18%	-23%	-77%	322%	78%
Efficiency Ratios					
Total Asset Turnover (x)	1.3	1.1	1.0	1.2	1.4
Inventory turnover (x)	7.1	7.0	6.7	8.2	9.0
Sales/Working Capital	6.2	10.2	8.3	6.9	6.8
Liquidity Ratios					
Total Debt/Equity(x)	0.00	0.00	0.00	0.00	0.00
Total Asset/Equity(x)	2.28	2.25	2.16	2.04	1.98
Current Ratio(x)	1.52	1.51	1.51	1.58	1.71
Quick Ratio(x)	1.37	1.36	1.37	1.43	1.53
Interest Cover(x)	37.99	16.72	10.48	18.10	29.22
Per Share Data					
Earnings Per Share (Rs)	15.43	11.92	2.76	11.65	20.76
Valuation Ratios					
Adjusted PE (x)	20.0	25.9	111.9	26.5	14.9
Price / Book Value(x)	4.5	4.1	4.0	3.4	2.8
EV/Net Sales(x)	1.6	1.7	1.7	1.4	1.1
EV/EBITDA(x)	14.9	17.6	26.2	15.3	9.5
EV/EBIT(x)	14.3	19.2	41.9	18.2	10.5
Return Ratios					
ROA	10%	7%	2%	6%	10%
ROE	24%	16%	4%	14%	21%
ROCE	30%	19%	8%	18%	26%

Source: Company, Axis Securities Research

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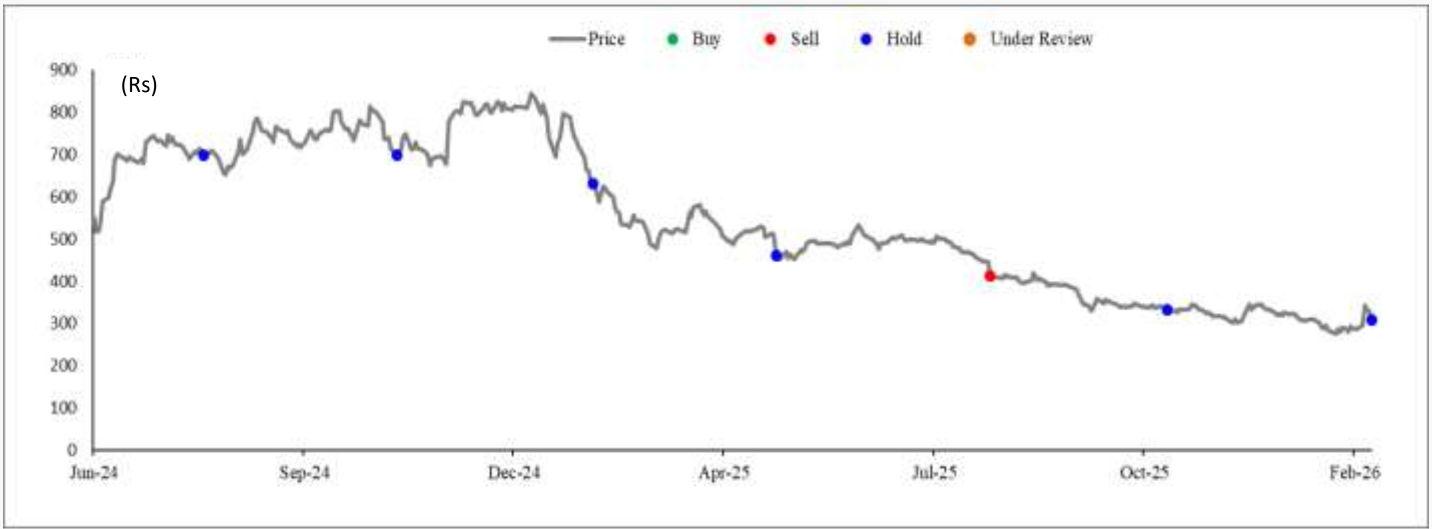
Praj Industries Price Chart and Recommendation History



Date	Reco	TP	Research
03-Jun-24	BUY	618	Result Update
29-Jul-24	HOLD	760	Result Update
29-Oct-24	HOLD	765	Result Update
01-Feb-25	HOLD	690	Result Update
02-May-25	HOLD	500	Result Update
13-Aug-25	SELL	350	Result Update
07-Nov-25	HOLD	340	Result Update
16-Feb-26	HOLD	325	Result Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
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NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

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