



Praj Industries

Investor/Analyst Conference Call Transcript

January 23, 2013

Moderator

Ladies and gentlemen good day and welcome to the Praj Industries' Q3 and 9 months FY13 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing * and then 0 on your touch-tone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Ms. Vinati Moghe of Praj Industries. Thank you and over to you ma'am.

Vinati Moghe

Thank you. Good day everyone. We welcome you to this conference call organized to discuss Praj Industries' operating performance and financial results for Q3 and 9 months FY2013 which was announced earlier. I have with me Mr. Gajanan Nabar – CEO and Managing Director of Praj and Mr. Surendra Khairnar – Assistant Vice President, Accounts. Mr. Nabar will cover key developments and macro environment followed by operating highlights.

As always before we begin I would like to mention that some of the statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance have been emailed to most of you earlier, these documents are also been posted on our corporate website. I now invite Mr. Nabar to provide an overview of the highlights and business environment for the quarter.

Gajanan Nabar

Thank you Vinati. A brief overview: our performance this quarter has been stable despite continued uncertainty in an operating environment. While we see some green shoots in the global market for first generation ethanol, it is emerging business lines of water and waste water as well as critical process equipment and systems that have seen traction. We have benefited from our expanded geographic presence, our presence in regions like Latin Americas, Africa and Asia Pacific have helped order flows. There has also been growth in select markets which has come about through



increased mandate intensity. There have been some interesting developments this quarter. The Indian government mandated 5% blending of ethanol in petrol from June 1st, 2013. While this has been in the works earlier we believe that the concerns on the fiscal situation and the expanding fiscal deficit have resulted in greater urgency to reduce the oil import bill. In response to this the oil marketing companies have floated a global tender for supply of ethanol. The difference this time is that the price will be determined through market mechanism, while the Chaudhuri Committee price recommendation will act as a guideline.

Further, the recent measures by the government to decontrol pricing of petrol and diesel will also cut under recoveries of the OMCs thereby placing them in a better position to pay market prices. In addition to these developments there are also expectations of a possible rate cut by the RBI later this month which would help to improve the environment for capital investments. On the first generation ethanol front, we see a positive reversal in Brazil. Ethanol exports in the year 2012 showed 55% over 2011 to 3.04 billion liters. With sugar prices softening Brazil is likely to divert more sugarcane for ethanol production. In Brazil the ethanol blend is expected to go back to 25%. Argentina, Columbia, Guatemala continued to be ethanol hotspots. Praj recently commissioned a corn ethanol plant in Argentina.

In USA grain sorghum is now being accorded advanced bio fuel status if it consumes biomass based power. Thailand is phasing out all high octane gasoline with gasohol, with this the requirement of ethanol has almost doubled. This will bring all of the installed capacity online. So far Thailand was exporting surplus ethanol to neighboring countries of Philippines and South Korea. With the Philippines having announced a firm mandate for ethanol blending there is a requirement for installing new capacity. Emerging businesses which consist of water and waste water solutions and critical process systems, cater to the pharmaceutical foods, and beverages, cosmetics and oil and gas sectors and is seeing growth. In the pharma sector, with patent cliffs approaching and an approximately 60 plus drugs expected to go up off patent, the global pharma industry shifting towards the emerging markets through organic or inorganic growth, the Indian generic companies will get a boost. With the food security bill and FDI in retail, we should see more investments in the food processing industry. Together with lifestyle products there is an opportunity for the hygienic sector which is being targeted by Praj for water, waste water and the process solutions business. Apart from this Praj is also making a rapid progress in the oil and gas chemicals and fertilizer sectors which requires specifically fabricated systems manufactured at our new facility in Kandla.

Neela Systems has also had a good quarter with order book looking up and sales getting back on line. This quarter we will launch products within our industrial bio based products and processes or IBPP vertical. The products that we have launched cater to livestock health and nutrition and are derived from agro materials and developed further through fermentation processes. These products provide solutions to a variety of health and productivity improvement opportunities in the dairy, poultry and aqua segments in a natural way as specialty feed supplements. The market for these products is estimated to be over Rs. 10,000 crore in South and

Southeast Asia and is expected to grow at a CAGR of 10%. These products have come through extensive research at Praj Matrix. The IBPP group has been formed to take potentially lucrative solutions emanating from our R&D centre towards commercialization. Apart from LHN products other areas currently in progress are bio chemicals, health and wellness and agri inputs.

A-state-of-the-art production facility at Jejuri has commenced production of performance enhancers for distilleries and will now take the production of LHN products. The factory located in the industrial zone near Pune is designed to world class standards in hygiene. We have developed only the first phase of this facility and have the capacity to expand it so forth. It will see further ramp up once success of this phase is established.

On the second generation front, we are giving final touches to the MOU with the customer for installation of the demo plant. The IEM has been received, a number of strategic partner companies have shown an interest in participation and are going over the terms of engagement.

Now, on the performance part – In the third quarter of fiscal 2013 income from operations stood at Rs.187.22 crore against Rs. 219.25 crore in the corresponding quarter. The EBITDA excluding other income is at Rs. 20.66 crore when compared to Rs.20.68 crore in quarter three of FY12. The EBITDA margin is at 10.87% as against 9.43% in the corresponding quarter. PBT is at Rs. 26.41 crore with a margin of 13.88% and PAT is at Rs. 23.26 crore with a margin of 12.23%. This is an improvement of 8% over the corresponding quarter. On the consecutive quarter basis the EBITDA grew nearly 50%, PBT 32% and PAT 46%.

In the 9 months of fiscal 2013 income from operations stood at Rs. 538.70 crore as against Rs. 612.43 crore. EBITDA against excluding other income is at Rs. 49.13 crore, the PBT is at Rs. 61.37 crore with a margin of 11.32% and PAT is at Rs. 51.34 crore for the period at a margin of 9.47%. Out of sales of Rs.187 crore 58% came from domestic and 42% from international with 72% coming from ethanol business. Praj plus local execution companies, 55% of the sales is from domestic and 44% from the international with 75% coming from the ethanol business. During the quarter we received orders worth Rs. 240 crore, we received a major order from Columbia for 400,000 liters for the ethanol plant at Rs.109 crore. This would be our 7th project in Columbia while domestic orders stood at 21% and international at 79% ethanol forms 65% of the order intake, brewery 7% and the emerging businesses form 28% of a new order intake. This quarter we also saw orders from the European regions, these orders are related to the existing customer base and include our implemental innovation offerings. Emerging business orders include key orders from major Indian and international companies like Linde, GE, Lanxess and ACG etc. The orders on hand stood at Rs. 850 crore, domestic orders are at 43% and international at 57%, ethanol forms 72%, brewery equipments 12% and emerging businesses form 16% of new orders on hand. The order includes local execution companies of the group as well. On Neela Systems front the company has sales of Rs. 22 crore and PAT of Rs.3.4 crore. While the year has seen volatility, going forward we sense that the environment will become more stable, we also see a continuing demand for our business

offerings. It would be our effort to bring the margin levels back as well and to ramp our performance.

As a company we have enough resilience and staying power to push our strategies forward. Our imperatives will include putting the second generation plant in commercial operations and closing on the partnerships for the same, consolidation of ethanol and brewery businesses, intensify efforts to ramp up and internationalize the emerging businesses, create a separate niche for the company in the hygienic space, build the IBPP business portfolio and bring more of the R&D pipeline to commercialization. We have the human capital bandwidth and the infrastructure in place. Our eyes will be on the market dynamics for leapfrogging on the opportunities. Thank you and we will now take the questions.

- Moderator** Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Mahesh Bendre of Quantum Securities. Please go ahead.
- Mahesh Bendre** Basically, on a practical purpose there is no difference between standalone and consolidated profit numbers, so I am just wondering for nine months what was the contribution from Neela Systems for sales and profit?
- Gajanan Nabar** The sales were Rs. 45 crore from Neela Systems and the PAT was Rs. 1.36 crore.
- Mahesh Bendre** Last year in FY12 this company had reported a sales of around Rs. 94 crore and PAT of around Rs. 13 crore before consolidation, so I am just wondering whether we will be able to cross this number this year or there will be some deviation in that?
- Gajanan Nabar** No I think one of the things is Neela System has a shorter order cycle, the execution cycle is of three to four months. We also have seen a good traction on their order book, so we are confident that we would be breaching the last year's numbers.
- Mahesh Bendre** Okay because in last conference call we had mentioned that we had some setbacks in Neela so I was just asking in that reference?
- Gajanan Nabar** Yes, so over the consecutive quarters, Neela has shown a much more improved performance so we are confident that it will continue to happen.
- Mahesh Bendre** But it will be able to report at least better than the last year's numbers that is the conclusion.
- Gajanan Nabar** No, I don't want to speculate but we are working towards bettering the performance.
- Mahesh Bendre** And sir margin for this quarter is 10.9% for quarter three FY13 and on nine month basis the margins are flat, so I just want to know what is your outlook going forward?

Gajanan Nabar For a company like Praj which is project driven but also very diversified, numbers in isolation would need to be seen with the other context and as I already mentioned on the call that the order book is at Rs. 240 crore for the quarter and Rs. 850 crore for total carry forward and the other significant important things which have happened are the 5% blending mandate in Indian market, the traction on emerging businesses so in all these context I think you need to look at the results.

Mahesh Bendre But I just wanted to know what is our outlook, do we think the margins have bottomed out there is a scope for margin improvement from here onwards or you still think that there could be surprises on the other side as well?

Gajanan Nabar We are constantly working on margin improvement so if we look at consecutive quarters, our EBITDA has improved. Also in terms of percentage over a corresponding quarter is EBITDA improved and the management had constant focus on improving margins, so I think that will continue.

Mahesh Bendre And the current order inflow does that include the Australian order also or a part of that?

Gajanan Nabar No it doesn't.

Moderator Thank you. Our next question is from Bhalchandra Shinde of B&K Securities. Please go ahead.

Bhalchandra Shinde Just wanted to know our raw material cost if you compare on Y-o-Y basis was comparatively lower, any reason behind that, was it due to the revenue mix or what?

Gajanan Nabar Yes, I think its quality of orders, it's also the revenue mix, also the focus on cost improvement programs.

Bhalchandra Shinde And sir for last two quarters, I have been seeing that order intake for our company is really good, it's around Rs. 200 to Rs. 240 crore. Means like do you see that kind of a good traction available in emerging markets, means like as you said in Philippines their mandate has been increased, can you elaborate more on how much potential is there and the orders that can be seen in pipeline from these emerging markets for ethanol .

Gajanan Nabar Let me reiterate one more point here is that Praj is in a situation to capitalize on all the opportunities worldwide for ethanol and beer businesses, so wherever there is mandate linked opportunities we encash. So as I mentioned in my earlier brief we are seeing some traction in Argentina, in Colombia, we are also seeing it in Thailand and Philippines and all these places we have people, we have resources and we are capable of executing and obviously capturing orders in these regions, So to answer your question in short, yes I think wherever the opportunities Praj will execute the ethanol linked orders. We are also seeing traction in the emerging segments so around 30% of the orders in this quarter's basket came from emerging businesses which is again I think in line with our

strategy of improving the leverage by increasing the emerging businesses in the quarter.

Bhalchandra Shinde What is your target on this emerging business? Where you think within the one year span this business should reach; 30% or will it reach 50%, 40% of the order book and another question is do we enjoy better margins on this emerging business or comparatively with ethanol related it is in line or below?

Gajanan Nabar Let me answer your first question, I think we are targeting to be in all three businesses of water, waste water, critical process equipment and systems and Neela put together we expect ourselves to be 30% of the overall growing pie of our business, that's the target on a one year horizon. And in terms of margins, yes I think they are catering to variety of segments even the critical equipments and systems business is catering to a very specialized fabrication needs and systems, we are also focused on pharma and biotech for our water and waste water, so qualitatively the margins are obviously improving.

Bhalchandra Shinde Other order on hand you said 12% brewery and I missed the remaining bifurcation.

Gajanan Nabar Are you asking on the total basket?

Bhalchandra Shinde Yes.

Gajanan Nabar The emerging business which is critical process and water is 16%.

Bhalchandra Shinde And ethanol.

Gajanan Nabar 72% is the balance.

Bhalchandra Shinde Since we have ended that JV in Brazil after that whatever the requirements or whatever the capacity expansions in Brazil how do we facilitate that means have we done the JV with anyone else or we can cater it from outside?

Gajanan Nabar So, Brazil is a very interesting market for ethanol and we keep watching the market very carefully. In the last two years nothing much has happened in Brazil in terms of action on the ground and that's where I said that with easing of sugar prices and also the blending mandate going back to 25% in Brazil we are seeing the plans are getting pulled up and maybe there are more shoots for new capacity expansion and we are looking at it critically as to how do we address this market.

Bhalchandra Shinde Can we cater directly to this market means if at all the mandate will reach to 25% and capacity expansion takes place then will Praj get benefited with this?

Gajanan Nabar No, we are certainly looking at it, I think we certainly are capable of catering to this market. We are looking at various ways of business modeling to enter this market again.

Bhalchandra Shinde My last question related to the order book. Where you see this order book growth can you throw some light on guidance or anything related to that?

Gajanan Nabar You know Bhalchandra as I mentioned we don't like to speculate. I would only say that we are seeing some good traction in all segments that we are in.

Bhalchandra Shinde But are we seeing pick up in CAPEX on ethanol businesses or alcohol breweries, Can we say that the kind of capacity expansion may grow at a rate of 15% - 20%?

Gajanan Nabar In today's situation it's very difficult to predict, a lot depends on how the capital formation in overall industry happens, lot depends on government policies, lot depends on interest rates and all those things, so it would be very speculative to say but I think there are some positive factors like 5% blending, beer and ethanol, beverage grade markets in India continually grow double digits, and of course I mentioned about emerging businesses so that environment we are working to .

Bhalchandra Shinde Renuka Sugar actually mentioned in one article that OMCs have tendered out for 140 million tonnes of ethanol related ethanol supply. I want to know it's like at what level actually sugar manufacturing companies you think that will start adding the capacities?

Gajanan Nabar We will have to watch for next six months to nine months period because this is getting effective from 1st of June, 2013, and we have to really watch carefully how this would substantially impact the capacities in India.

Bhalchandra Shinde But last time also it got implemented 5% mandate this time the difference would be that ethanol will be linked to the market price.

Gajanan Nabar Okay just to clarify last time it was more of an advisory this time it has come out as a mandate, the most important is it also priced linked so the oil companies will have to pay market linked prices, so that's the big difference.

Moderator Thank you. Our next question is from Ankush Mahajan of K R Choksey. Please go ahead.

Ankush Mahajan The tax rate is less in this quarter, could you tell us what is the reason that the tax rate is low?

Surendra Khairnar It is because of the reduction in the deferred tax liability.

Ankush Mahajan So, could you tell us what would be the tax rate in FY13.

Gajanan Nabar It would be in the range of around 18% to 20%.

Ankush Mahajan So now my question is this new production facility for bio based product, as you say the livestock health and nutrition business, could you throw some light on it that what kind of operation that we have commenced and the

profitability that we are looking and what would be the growth that we are looking at in this segment?

- Gajanan Nabar** We just started with LHN activities this quarter as I mentioned. The good part of it is, it comes from our pipeline of Praj matrix so it is supported by our R&D efforts. The second is that it is based on agro materials which we are very familiar with and the industries that we deal with and third is the processes that we use, the fermentation processes is what we have been extensively working with for the last 30 years. So, this is all given for this. We have build a very state-of-the-art facility in Jejuri which is high on hygiene and other things, which is required for this product group. But I think it would be too early to predict in terms of profitability and obviously we have the internal details and working but I think we are looking at stabilizing the process plant, looking at the customer mix, the channels and everything and probably in three to six months' time we would be able to give you some more information on this.
- Ankush Mahajan** Another is the 5% mandatory blending if you look that in the last year that this is whatever the oil marketing companies they have added 2.5% of blending, it's not 5%, so now in this year FY14 we can expect 5% blending, there is 2.5% extra they need to buy from sugar companies, so what industry size that we are looking for Praj?
- Gajanan Nabar** I mentioned on the earlier question this will get effective from 1st June, so from 1st of June onwards we should see the percentage of blending getting 5% and closer. As of what we know now, obviously it also has lot of geographical impact in India as well as how importation is possible or not possible at what prices and if I just go on a theoretical basis, the capacity already exists, so that's why I said we need to watch from next six to nine months is how this whole thing gets blended and what opportunities are there, but it definitely has a positive rub off on total fuel led in market.
- Ankush Mahajan** Could you give me some ballpark number that if I need to set up one million tonnes of ethanol capacity, what would be the costing for that?
- Gajanan Nabar** Ankush can I take this offline with you.
- Moderator** Thank you. Our next question is from Manish Goel of Enam Holdings. Please go ahead.
- Manish Goel** A couple of clarifications, on the order book does Rs. 850 crore of order book include Neela Systems also?
- Gajanan Nabar** No it doesn't.
- Manish Goel** So would it be possible to give Neela System's order book?
- Gajanan Nabar** Yes we can but just have to be clear that the Neela Systems execution cycle is shorter so the order book has to be looked in that perspective, so currently they are looking at around Rs. 90 crore of orders.

Manish Goel In quarter two you had an order book of Rs. 60 crore which has jumped to Rs. 90 crore

Gajanan Nabar Are you mentioning orders on hand or total orders booked?

Manish Goel If you can give me both numbers.

Gajanan Nabar So carry forward orders on hand are about Rs. 60 crore and the total order book for the period are Rs. 90 crore.

Manish Goel Order inflow, year till date is 90 crore.

Gajanan Nabar Yes.

Manish Goel In quarter three you said revenues were Rs. 22 crore and what was the profit number PBT number or PAT number?

Gajanan Nabar I gave the PAT number of Rs. 3.4 crore.

Manish Goel Because first half we had a fairly significant fall in profitability so now will this run rate on the PAT margins continue going forward?

Gajanan Nabar That's what we are trying to achieve.

Manish Goel Few more questions on our second generation project, if you can highlights in terms of what is the progress we have made in terms of inducting strategic partners or are we looking at financial partners also, number one. And number two, have we commenced the construction of the facility and number three, if you can give some more details in terms of what is your understanding with your client for the MoU which you are signing up with the client in terms of operations.

Gajanan Nabar The first question is that yes we are looking for both strategic and financial partners, and we are seeing some expression of interest that we have received from the industry that's one. Second is right now we are into an engineering phase and we have made a substantial progress, so we are hopeful of completing as scheduled, the commissioning of the facility in early 2014 and third is on the MoU with the customer of course it's confidential in nature but that is progressing well and we are hoping to close on it in this quarter.

Manish Goel What would be the CAPEX for this commercial demo plant and will it be subject to receiving these funds from strategic partner or a financial partner?

Gajanan Nabar The CAPEX is going to be in the range of Rs. 125 crore, I think plus or minus these are preliminary numbers right now and your second question whether we are looking for a partner right now that is financial and strategic partner the answer is yes.

Manish Goel So basically the construction will commence only if you have a financial or strategic partner?

Gajanan Nabar Manish of course you know that our balance sheet length is to support us on this one, and in both cases whether we close the deal on the financial and strategic partner or not we definitely are capable of going on our own as well.

Manish Goel Is there number which has been finalized in terms of investments from the Praj balance sheet on this particular project?

Gajanan Nabar No, not yet.

Manish Goel In a follow up to this if you can probably give some insights on globally how things are progressing on the cellulosic front, I believe one Italian company was probably to launch a commercial demo plant in to start the commercial operations, I think Chemtex M&G Group in Italy?

Gajanan Nabar Yes, Manish you are right this is beta renewables which is part of the Chemtex, they were suppose to commission the plant in November of last year but we are still waiting for the details of how the commissioning has happened so we don't have more information on that. We are actually tracking it.

Manish Goel And any significant developments in the US or any other markets because on the other side what we are seeing is that the gas prices have been coming down and availability of gas has increased so is there any let down in terms of development for second generation biofuel?

Gajanan Nabar No I think the projects which were announced seriously are still the three – four projects which were announced and they are are still continuing, the investment is happening, they are at various stages, there are some at in a very preliminary stages, some at little more advanced stages, but we are not seeing any reversals on those sides yet.

Manish Goel On your traditional first generation ethanol market with the changing dynamics in the US market for ethanol as the corn prices have gone up and the subsidy has been removed, are you seeing increasing traction in your traditional markets like South and Central America and Africa since you have already got one order from Colombia?

Gajanan Nabar There are countries which would have much higher mandate intensity than the others, right now we are seeing mandate intensity in Argentina, in Columbia, in Guatemala and South Central America, we are seeing similar developments in Southeast Asia, in Thailand and Philippines also in some countries in Africa we are seeing this movement, so this would continue to happen worldwide, I think US as we all know that there is corn wall beyond which first generation ethanol is not possible but on the tropical side we are seeing much more action.

Manish Goel But have the enquiry levels increased in recent past as compared to may be what you were seeing six months downward?

Gajanan Nabar Yes, we are seeing a little more activity in these regions that I mentioned yes absolutely.

Manish Goel On the India front if you can highlight how is the scenario both on ethanol front and non-ethanol. Are you seeing any slowdown in brewery and beverage alcohol plants number one and with the 5% blending norm being getting mandated in India also are seeing any demand from the sugar companies?

Gajanan Nabar As I already mentioned on the call for the impact of 5% we will have to wait for little longer may be six months to nine months' period to see what's the impact. On the beverage side I think it's a matter of timing, it's also that the capital formation is challenging but the demand is consistent. It is double-digits and it's growing. Same is the case with brewery business, the demand is in fact growing significantly in rural India so we see some traction in that and emerging businesses as they are dependent on a variety of different sectors, there are pockets of growths which we are trying to harvest.

Moderator Thank you. Our next question is from Sanjay Maniar of ICICI Direct. Please go ahead.

Sanjay Maniar I think one specific question on the 5% blending, I think it has been notified quite a few times now, but at this time what kind of percentage blending is happening and what is basically with demand coming from this blending and what would be the demand from the 5% blending?

Gajanan Nabar Right now it's obviously less than 5% because currently it's not a mandate, it's a fixed price, and it's a monitored price and that is obviously resulting into that oil company is not getting enough to blend that's the first. But on capacities, I already mentioned that we will have to wait for some time to see the impact, right now if I just do pure math, the capacity already exists for this amount of ethanol. But we will have to really see how it works economically from a geographical location standpoint, and also importation standpoint.

Sanjay Maniar So if my numbers are concerned, in 5% blending we probably require somewhere around 1,000 million liters of ethanol and you are saying that there is enough capacity to produce that much.

Gajanan Nabar Yes, plus or minus but yes.

Sanjay Maniar So this 5% mandatory blending will happen, its effect as you said from 1st of June but do you think oil marketing companies will go ahead with it because even earlier as you mentioned that it was not mandatory but has the government put some penalties or like some strict action against them if they won't do that?

Gajanan Nabar Again it will be little speculative or little beyond the scope, but certainly India is spending about \$100 billion on oil imports and if we continue like this we will spend \$300 billion by 2020. It is lot of foreign exchange which will be spent on oil so of course in everybody's interest to use renewables fuels which are based on the Indian feedstock. The rest of the things whether there would be penalty or we wish certainly that these 5% goes through and as the Indian government has earlier indicated that we reach to 10 and

higher. These percentages of blending happen, overall interest of the Indian economy, but we have to wait and watch how it actually gets further implemented.

Sanjay Maniar And then one more thing I think around 10% as you mentioned I think SIAM has some objection regarding that so, do you think cars and vehicles require some sort of modification beyond 10% or at 10%?

Gajanan Nabar For old model yes, but for the latest models there won't be any modifications required, up to 5% of course there is no modification required.

Sanjay Maniar Okay so there is only beyond 10%?

Gajanan Nabar Yes.

Sanjay Maniar I think few quarters back we have some tax liabilities of Rs. 25 crore if I am not wrong, so any update on that?

Gajanan Nabar No, that's it there is no further update on that.

Moderator Thank you very much. Our next question is from Mahesh Bendre of Quantum Securities. Please go ahead.

Mahesh Bendre In nine months your reported sales are Rs. 539 crore, I am just wondering what is your contribution from domestic ethanol, domestic brewery, and water business within that?

Gajanan Nabar Domestic portion is 58% for domestic ethanol, export is the balance 42%. Ethanol in that is 71%.

Mahesh Bendre Within these two domestic?

Gajanan Nabar Okay let me answer this question on two sides, the split between domestic and export is 58 to 42 okay and split between different product groups is ethanol 71% and brewery is 20% and water and wastewater and CPS is 8% as part of sales.

Mahesh Bendre And this brewery and water business will be purely domestic focused. There won't be an exposure to international?

Gajanan Nabar No as I said in my brief we are looking at using our resources, our customer base our channel partners in various geographies and pushing the emerging businesses also. In fact we also have got some international orders in this business already. So we are seeing some good traction in international market as well. But we are going selective in these international markets.

Mahesh Bendre In this livestock health and nutrition business we have mentioned that we already commissioned a production facility and sales have also commenced so I am just wondering what is the potential for this business for next two years and how the response has been from the market?

Gajanan Nabar I had mentioned on the earlier question, it's too premature to give any definitive numbers but the market what we are looking at is Rs. 10,000 crore and growing at 10% CAGR. So it's a substantially large market again, Praj is not restricted to play only in India. We are an international company we have resources worldwide, so it lends us more support to approach these markets worldwide.

Mahesh Bendre How is the response from the market and since we already started production and selling so I wanted to know?

Gajanan Nabar No, I think the decision to go for this business vertical was done after an extensive study of the response from the market extensive trials and all that which has gone into it, so the decision has obviously happened after we ascertain that there is a good opportunity for us as Praj.

Mahesh Bendre So, there is no contribution as of now in this quarter in sales, even no nominal sales was conducted from this business segment?

Gajanan Nabar That is correct.

Mahesh Bendre And in last two three quarters, we have been booking decent amount of orders, so this quarter also we have booked around Rs. 250 crore so based on your own assessment of the market and even enquiry flows, do you think that the order intake sustainable over the next three four quarters, or you think situation is still volatile?

Gajanan Nabar No, situation remains volatile certainly but we remain cautiously optimistic. In India of course everybody knows the challenges on capital formation. Of course in the past few months government and RBI have taken significant positive steps so we certainly hope that this will augur well on our businesses. Internationally again it all depends on blending intensity for various markets and we are ready to cater to all the markets. So I think I would still keep watching the market very carefully.

Mahesh Bendre The Australian order we were doing a designing part of that so will the main part come later in somewhere or it is not there, what is the status now.

Gajanan Nabar Certainly, we will execute that order which was for the designing part of it and we are waiting for that customer to take the final decisions on the order so that is still not happened yet.

Mahesh Bendre But is it in pipeline?

Gajanan Nabar It remains in the pipeline, yes.

Mahesh Bendre What is the cash level in the standalone and consolidated level?

Gajanan Nabar It's about Rs.188 crore.

Mahesh Bendre On a standalone basis?

Gajanan Nabar Yes.

Mahesh Bendre	So, sir why this fall I guess probably we have added Rs. 240 crore of cash last quarter?
Gajanan Nabar	So, one of the reasons is we have paid the installment of Neela, one. Second is we also recently purchased a new office location in Pune where we spent close to Rs. 45 crore.
Mahesh Bendre	So this is the CAPEX?
Gajanan Nabar	Yes.
Mahesh Bendre	What is the CAPEX plan for this year and next year?
Gajanan Nabar	We are still working on it. We will probably share it in the next quarter or so.
Moderator	Our next question is from Atul Rastogi of CIMB. Please go ahead.
Atul Rastogi	My question is more related to technology in a sense that has there been any new developments in ethanol technology over the last let's say two-three years globally?
Gajanan Nabar	Let me talk about Praj first and then talk about the global environment. We have established ourselves as leaders in this technology worldwide only because we kept improving and innovating on our offerings every time, so that continues to happen. As I mentioned in the brief we have got an order from Europe, it was on some new innovative technologies that we have offered to the customers. Worldwide of course there are lots of efforts which are happening most of the efforts are focused on second generation biofuels, but also some improvements on the current offerings.
Atul Rastogi	But there is no new technology or anything which is more disruptive in nature?
Gajanan Nabar	No but we keep absolutely close watch on that, but there is nothing which is disruptive or different.
Atul Rastogi	And in terms of let's say competitive intensity how is that moving up? Has that reduced or increased in the new orders that you are bidding for?
Gajanan Nabar	The competitive intensity is similar or slightly higher of course but Praj has managed in this turbulent time to maintain the market share and in some markets even grow the market share in our traditional businesses.
Atul Rastogi	Who will be the major competitors in terms of geographies, where would they come from?
Gajanan Nabar	There are several competitors because we play in the worldwide markets. There is nobody who is offering these offerings worldwide. There is Cargill, ICM, Vogelbusch, and Dedini in Brazil there are several so we have to compete in pockets with each one of them.

Moderator Thank you. Our next question is from Bhalchandra Shinde of B&K Securities. Please go ahead.

Bhalchandra Shinde I just wanted to know regarding that bio nutrition, how much revenue is it that we will supply to the client or we will directly cater to the market?

Gajanan Nabar No, we will supply to the client.

Bhalchandra Shinde And who can be the potential clients for all these things?

Gajanan Nabar Who makes final product for health and nutrition for livestock.

Bhalchandra Shinde Can you give example means like potential clients who can be buyer of bio nutrition?

Gajanan Nabar Yes there are people like Godrej, Saguna, Venky's like that, yes there is other in aqua area and other three livestock also.

Moderator Thank you. Our next question is from Akhil Dhawan of Locus Investments. Please go ahead.

Akhil Dhawan I just wanted to know if there is any debt on the balance sheet as of December?

Gajanan Nabar There is no debt on the balance sheet.

Akhil Dhawan Absolutely zero? So, the net cash is Rs. 188 crore?

Gajanan Nabar Yes.

Moderator Thank you. As there are no further questions from the participants, I would now like to hand over the floor back to the management for closing comments.

Vinati Moghe Thank you very much for joining us on this call. I would request if somebody has anymore questions to send them across to us we will be happy to respond.

Moderator Thank you very much. Ladies and gentlemen on behalf of Praj Industries that concludes this conference call.