



Praj Industries Limited

Q4 & FY15 Earnings Conference Call Transcript May 29, 2015

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- Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY15 Earnings Conference Call of Praj Industries Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your Touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Vinati Moghe of Praj Industries. Thank you and over to you, ma'am.
- Vinati Moghe:** Thank you. Good afternoon everyone. We welcome you to this conference call organized to discuss Praj Industries' operating performance and consolidated audited financial results for Q4 and Fiscal 2014-15, which were announced on 28th May. I would also like to draw your attention to the fact that the presentation which is also in conjunction with today's opening remarks is already on our website. You may want to open that and follow it there.
- I have with me, Mr. Gajanan Nabar – CEO & Managing Director; Mr. Surendra Khairnar – Associate Vice President – Accounts; Mr. Dattatraya Nimbolkar – CFO & Company Secretary and Priyanka Watane – Associate Manager – Corporate.
- Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risk and uncertainties. Documents relating to our financial performance have been e-mailed to all of you earlier. These documents along with quarterly results presentation have also been posted on our corporate website. I would now like to handover to Mr. Nabar for his opening remarks.
- Gajanan Nabar:** Thank you, Vinati. Good afternoon I welcome you all to Praj Industries' conference call to discuss the key events and financial performance for the fourth quarter and year ended in 2014-15. Thank you for taking the time to attend the call.
- I would like to take you through some of the key developments in the business operations and business environment of the company during this period.
- Fiscal 2014-15 was a watershed year in many ways. The year saw us breaking the Rs. 1,000 crores mark in terms of new order inflows with a 25% increase over the previous fiscal. We also saw a higher intake of international orders with the emerging businesses adding significantly to our global footprint. The order intake for emerging businesses doubled on a higher quantum of total order booking. In the fiscal, we also saw improvement in the margins- be it EBITDA or PAT or PBT.
- During the year we took several new initiatives to the market like eco-smart technology for distilleries, oil and gas skids by the critical process & equipment's business group, Biowiz bioreactor for high purity segment and various solutions of modernization and value added services to our existing customer base.

We have accelerated the transformation agenda for enhancing operational efficiencies, business performance, and processes for value maximization. We expect the results to flow-in in the coming years. The fourth quarter performance is also encouraging with significant improvement in profit margins. I will cover the financials in a while.

Starting with high purity business the Indian pharma industry is going through a process of consolidation and growth. We also see opportunities to serve the bio-similar segment, where there is a greater focus on R&D (amongst the Indian pharma companies). This speaks well for all our offerings like the recently launched bio-reactor. Also the recently announced pharma clusters as part of the 'Make in India' initiative is likely to create additional opportunities. There is an interesting trend among Indian pharma companies towards acquiring assets overseas, including in the US, LATAM and Africa and with our global presence we expect to serve any requirement arising out of these investments in the foreign markets.. Similarly focus on healthcare is also driving many developing countries to promote domestic pharmaceutical production. We are engaging with such countries and companies within. We shared earlier that Praj HiPurity Systems is aggressively pursuing internationalization, value added services and expanded scope in the pharma sector.. 28% of PHS' business now comes from new client acquisitions. The international lead bank has doubled over the last one year with a greater focus on internationalization. In our environmental business of converting water and wastewater treatment systems, there is now more clarity on the Ganga Action Plan. While sewage treatment is the main focus in phase 1, industries which have been served notices are also seeking solutions. These industries include distilleries, tanneries, paper and pulp which are located along the river. We are pursuing these opportunities in earnest, however it will be some time before the business builds up and demand strengthens for industrial wastewater treatment. Water and wastewater team has created strong presence in textile, food and beverages, chemicals, agro chemicals and pharma industries to 'reduce recycle reuse' and zero liquid discharge applications.

Additionally the team has developed modularized catalogue products for specific applications. These are expected to reduce the cycle time to the market. We will continue to pursue technological intensive value accretive businesses in these verticals. During the quarter the critical forces equipment group continued on its order win from the LATAM region with another order for skids. The CPES Group has moved up the value chain of skids which involves a higher quantum of engineering and manufacturing of the systems. We would like to share that we expect some delays in the execution timelines of the previously announced order for oil and gas skids due to some unforeseen circumstances on the client's side. We expect this situation to be temporary.

On the brewery business Indian market continues to throw interesting opportunities. The group is also accelerating internationalization at the back of commissioning of the African brewery and near completion of the brewery in Myanmar. Interest from international brewery companies measures up to Rs. 500 crores and is expected to grow. On the beverage alcohol front- India, Southeast Asia and Africa continue to be significant markets. We see business building up for beverage alcohol plants in these regions. In fact 85% of the order inflow during the year has been for beverage alcohol plants. Coming to fuel ethanol business I would like to brief you on the global environment and business dynamics.

There have been some important policy level shifts because of the fuel ethanol mandate in some regions which are likely to have major impact going forward. In the past one year the Government of India has announced several interventions that are positive for the ethanol blending program. These include sorting out of price issues and other logistical challenges. During the quarter, the government

also decided to waive off the 12.36% excise duty on ethanol for the 2015-16 season.

EU has come out in strong support of renewable fuels. European Parliament voted to approve new legislation that directs member states to blend 7% first generation bio-fuels with a greater emphasis on the production of advanced bio-fuels from waste feed stocks. In the US, the Environment Protection Agency is in the process of setting out the renewable volume obligation up to 2017. This is expected to end the uncertainty surrounding fuelethanol blending and creating a definitive path forward for second generation ethanol blending.

Fuel ethanol mandates continue to be supported in various parts of the world. For example, Thailand and Zimbabwe have increased the blending mandates. In South America, Ecuador has announced a rollout of 10% blending while in Mexico, the national oil company Pemex has announced contracts of 123 million liters to achieve the stated 6% blending mandate. Our 2G cellulosic Ethanol demonstration plant has received environmental clearance. We expect government support to be made available as part of the drive to promote use of fuel ethanol and to use availability of ethanol for blending with petrol. We entered into a strategic understanding with Gevo, a US based company with technology for isobutanol production. Isobutanolis a higher alcohol molecule with varied applications in gasoline blend stocks, jet fuels, solvents, etc.. With this the company has access to an additional technology in the second generation domain.

Coming to the financial performance for the quarter. As stated, our efforts are towards bringing emerging businesses to the level of the core business in terms of revenue size on a growing topline. We are on the right track to deliver this objective. The Q4 FY15 order intake stands at Rs. 266 crores. Of this ethanol forms 42%, brewery 34%, and emerging businesses 24%. Domestic orders form 76%. Sales revenues at Rs. 306.19 crores saw a growth of 40% over the previous quarter. Export revenues accounted for 42% of Q4 FY15. Of the total revenue, 52% is from ethanol, 14% from brewery and 34% from the emerging business. During the quarter there was a significant improvement in the profit margins. EBITDA excluding other income, stood at Rs. 39.83 crores, PBT at Rs. 46.25 crores and PAT at Rs. 36.61 crores with margins at 13%, 15% and 12% respectively. This is a result of the efforts of a transformation drive and some good quality orders. Both PBT and PAT have tripled over the previous quarter. PBT has registered a 51% growth and PAT registered a 75% growth over the corresponding quarter.

Coming to the Fiscal 2014-15's consolidated performance, we are glad to announce that the full year order intake at Rs. 1,200 crores shows a 25% improvement over the previous year. Of this, the ethanol business forms about 54%, brewery business 9%, emerging business form 37% and also export orders stand at 43%. International orders for emerging businesses have grown five folds over the previous Fiscal. At Rs. 1,011.83 crores, consolidated revenues have registered a 3% growth over the previous year. On this, the ethanol business forms 50%, brewery business 19% and emerging businesses form 31%. Also the export sales stand at 42%. The full year registered improved EBITDA, PBT and PAT numbers. EBITDA excluding other income stood at Rs. 92.65 crores, PBT at Rs. 86.38 crores and PAT at Rs. 76.26 crores. EBITDA saw a 17% growth over the previous year on a 3% increase in sales. Also PBT and PAT registered a 12% and 40% growth respectively over the previous fiscal year.

For the quarter and full year ending in March 2015, the order backlog of Rs. 1,010 crores international business stands at 42%, core business forms 67%, emerging business forms the remaining 33%. During the year there were certain onetime expenses to the tune of Rs. 38 crores which includes management consultancy

fees, provision for debtors in compliance with the amendments to the Companies Act or new company policy along with other miscellaneous items. Cash on hand is at Rs. 257.89 crores. On the proceedings of the board meeting, the Board of Directors has recommended a dividend of Rs. 1.62, i.e. 81% per share of Rs. 2 each. This works out to a payout of 44%.

Mr. Daljit Mirchandani has been appointed as a non-executive and non-independent additional director of the company with effect from 28th of May. The term of appointment of Mr. Pramod Chaudhari as Executive Chairman has been extended for a period of two more years with effect from 1st August 2015, subject to approval of general meeting.

As part of our organizational transformation process we have identified key levels of business and operational excellence with our diverse business portfolio and with our geographical presence, we expect the quality of business to improve further. We ended the Fiscal on a positive note, driven by balanced growth across business segments and geographies. Our growth prospects are exciting and backed by a strong order book, fundamentally sound operations and a steadily improving macroeconomic outlook. However, we would like to reiterate that no two quarters are similar, as much depends on the entry point and the progress of each project. We expect the second half of FY16 to be better than the first half.

We will now take questions.

- Moderator:** Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Bhalchandra Shinde from B&K Securities. Please go ahead.
- BhalchandraShinde:** Sir, congratulations on your great set of numbers!, Sir in your order book as you have specified 60% is from ethanol. Can you specify how much will be from fuel ethanol and others like alcohol beverages?
- GajananNabar:** 85% is beverage grade and balance 15% is from fuel.
- BhalchandraShinde:** And I now would like to come on the HiPurity side. As you said that we are increasing more on the internationalization etc. and the focus has increased by doubling. So sir, earlier we were seeing order enquiries of around Rs. 300 crore. Have we acquired any orders in HiPurity, like are we seeing any order inflows through that and how much of order inflow can we expect in FY16?
- GajananNabar:** As I mentioned, I think the order inflow has also improved. We have a 50% increase in the international business in PHS, that is PrajHiPurity. It now constitutes close to 20% of our revenues.
- BhalchandraShinde:** HiPurity will be 20% of the total revenue?
- GajananNabar:** No, the international orders in HiPurity. Of the total, HiPurity revenue is about 20%.
- BhalchandraShinde:** And sir, what kind of scenario will we see, like what exactly will HiPurity be contributing to our total sales over next two, three years?
- GajananNabar:** I think HiPurity is in a very, very good niche technology driven area. It is also addressing the pharma and biotech sector which is what we all call an evergreen sector, as it does not go through a lot of cycles like other industries. We also see India being a major player for increasing the active ingredients as well as other pharmaceuticals play. So as we see the investment climate improving in India,

there will be a more greenfield investment happening. Right now in the past few years we have not seen much of Greenfield expansion play in the pharma industry and most of them were either brownfield or smaller Greenfields. So we are optimistic about the pharmaceutical sector as we have seen inquiries and an order book for us. In addition to that, as I mentioned earlier in the narrative, there are lot of other countries in East Europe or even Southeast Asia where we are seeing significant impetus by the local governments to increase the pharma production. Some of our clients, either global clients or international clients are playing in those markets and hence we are kind of piggy riding or joining hands with them to offer our solutions in some of these countries and we are seeing a good amount of results coming out. So I think to answer your question in short, PHS or Praj HiPurity will play a very, very significant role in the overall revenue of Praj in next two to three years.

Bhalchandra Shinde: And sir, in industrial water treatment as you said that the tanneries and distilleries will come out with a CAPEX plan related to the water treatment for Ganga Action Plan. But as we know, most of the tanneries are in distressed conditions. So how do these bad balance sheets affect the CAPEX plans for the Ganga Action Plan?

Gajanan Nabar: I think this is a very valid question. The quality of customers is the key criteria for us before we go after any opportunity. We believe that there has to be some help coming from the state or the central government because if they want to implement this program (GAP), they will have to provide some assistance to industries. Otherwise due to the cost of purifying the Ganga, the industry will not be able to carry this out. So some kinds of a common effluent treatment plants are some of the models that are being thought about and worked upon. But as you rightly said, the question of quality of the customer is always primary for us and we will be selective about whom we will be working with.

Bhalchandra Shinde: And sir, last two questions. The first is related to the Petrobras order. You said that the order got delayed because of some oil and gas problems and some local issues, can you expand on this further? The second question is related to the profit margins of the company. What kind of margins can we expect going forward because our margin strength has been pretty vague in the past quarters?

Gajanan Nabar: So let me answer the first question. I think as I mentioned before, Petrobras went through some internal issues which everybody knows about as it was pretty public. That kind of delayed the execution for this project and that is why our order speed got reduced. We now have the understanding that Petrobras has mostly resolved all of their internal issues. There is a new management team and a new Board in place and so we are expecting in similar effect that they will follow up on the orders. So we expect that by June end or early July that we would get a clear signal in terms of the progression of this order.

My second answer, is to your question on the margin profile of the company. Definitely as we said earlier, there is a huge impetus on transformation and towards cost reduction or cost optimization. We have taken a lot of internal initiatives to drive the project excellence, drive the execution cycle, decrease engineering expenses and a variety of other objectives with the help of a multinational consultancy firm. I think some of these initiatives are bearing fruits. I would not say this shows in the results now but we will see some of the results through time. These will help our margin profile and our objective of going for a EBITDA in the high teens. In the next two to three years, we are looking to be going in the right direction.

Bhalchandra Shinde: Sir, on the Petrobras order, do we expect it to start in this Fiscal year and it will be executed in this Fiscal year?

- GajananNabar:** We expect most of the order to be complete this fiscal year. The engineering has already started, The only issue is on the manufacturing side which is going slightly slow, but we expect it to get back on track by June end or July. We will keep the investors informed about any progress in this issue..
- Moderator:** Thank you. The next question is from the line of Prabhat Anantharaman from HDFC. Please go ahead.
- P Anantharaman:** I have couple of questions on the order book front and the margin front. So if you could just help me understand what kind of pipeline do we have for the next one or two years?
- GajananNabar:** So I think we have announced a carry forward order book of more than Rs. 1,000 crores, which is about a 30% growth over the last fiscal. There is a good mix of international orders which is close to 43% of the total orders and orders from what we call the emerging businesses which is close to 40% of the total orders. As you know, our project cycles are different for different businesses, starting from 3 to 4 months for HiPurity business, to 12 to 14 months for ethanol distilleries. That is why this we have an aggregated project cycle. I do not think there is lot of action currently in India which is milled in to this growth. There are certain initiatives by the government on the blending program that has kind of rubbed in well with the ethanol investment. Hence I do not think that ethanol blending has reached its full potential yet. Everybody is looking for expansion but there are challenges like environment clearances which have been much better than it was in the past 6 months. This has improved business a lot.
- But issues like funding and land acquisition remain. So I think solving those problems will probably yield further upsides. For wastewater and HiPurity water as I mentioned earlier, there is not a lot of Greenfield projects which are happening currently. So some of the upside is not reflected in the numbers we see in the order book. Some of the efforts to globalize are bearing fruit and we are watching it very closely to see how this growth can be made sustainable and in those directions our efforts are made out to be. So I would say it is a good mixed bag which gives a very positive and confident feeling to the management team and we will see how it goes from here.
- P Anantharaman:** So is it safe to say that there is and we have the potential to grow the order book at about 10% to 15% per annum for the next two to three years?
- GajananNabar:** Yes certainly. I think all the indications are subject to the Indian industry taking off and as I said there is a fair amount of upside still not reflecting in our numbers. So yes, we can expect the growth to happen in the next two to three years.
- P Anantharaman:** Sir, what is your average execution period of the current order book and what are the margins that you expect?
- GajananNabar:** We obviously do not give margins per business but I can tell you the average time we execute orders.
- P Anantharaman:** Sir, a blended margin, would also be great?
- GajananNabar:** So the average time cycle would be is in the range of 8 to 9 months, depending on the proportion of orders coming and from which business. If you take out all the one timers and then put back the one timers, then what we had I think was a fairly representative margin profile.

- P Anantharaman:** So the margin profile will be about 9% to 10% blended margin?
- GajananNabar:** Yes for the last fiscal year but again there were some onetimers.
- P Anantharaman:** So now that we are seeing a lot of order inflow coming in from the emerging business, that has ramped up your order book,could give a rough margin that you could expect in the emerging order book?Also inlast con call you have mentioned that emerging business is very margin accretive business,so could you shed some light on this?
- GajananNabar:** We always felt that Praj HiPurity was a margin accretive business saw that with the advent in the area of oil and gas while making these skids.Please understand that skids require a little more engineering and manufacturing skills than just simplemanufacturing. You require an integration of mechanical, electrical, automation, and other types of engineeringwhichis why the margin profile is better. The only challenging spaceright now iswastewater treatment in India because customers are not willing to pay a premium for a technologically sound solution at this point in time. But as we have seen, the government is trying more and more to increase zero liquid discharge and 'reduce reuse recycle' solutions I think that would mean that fewer players would be able to offer a technically competent solution and hence the margin profile will increase.
- P Anantharaman:** Okay so, my final question is thatso we have a CAPEX need of about Rs. 35 crores or something.asyou mentioned last time.So we do not have much CAPEX I guess?
- GajananNabar:** No, so we did not spend that much.We spent about Rs. 15 crores and we do not foresee spending more than Rs. 20 crores barring the second generation plant. So the running CAPEX may not be more than Rs. 15 to Rs. 20 crores.
- P Anantharaman:** So we do not have much CAPEX? That means we obviously have a lot of upside in the order book and even margin profile can improve from from current 9% to about 10 to 11%. That is a safe assumption to make I guess?
- GajananNabar:** We believe so.
- Moderator:** Thank you. The next question is from the line of Sandeep Sabharwal from Sun Capital. Please go ahead.
- Sandeep Sabharwal:** I had just a couple of questions. One was on the onetime payments which you said was around Rs. 38 crores.So you expectnone of these kinds of expenditures in this yearof 2015-16?
- GajananNabar:** No, so I will tell you that there was close to Rs. 12 crores spent of that on professional consultancy fees which was of course for the year.Asignificant portion of the Rs. 38 crores was used to cleaneverything that we felt was not recoverable or even where there was doubt. If we can recover that money which we have donein some cases, we will write that back.
- Sandeep Sabharwal:** The Rs. 38 crores is a significant proportion of your overall EBITDA for this year so I think even if your EBITDA does not increase this year, it should get added next year?
- GajananNabar:** That is a good assumption, Sandeep.
- Sandeep Sabharwal:** Secondly, due to the rule changes,the depreciation went up from Rs. 25 crores to around Rs. 37 crores. I think so this would be onetime because you do not have

significant CAPEX and your depreciation was more than your overall CAPEX. So actual depreciation for this year should be similar or lower to what it was last year?

GajananNabar: Yeah, so as you said rightly, it would not grow to that proportion but rather stabilize around this.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: Sir, the same question, but a follow up to clarify what you mean, when you say Rs. 38 is included in this other expenditure?

GajananNabar: It is.

Vikram Suryavanshi: Okay and the second thing is if you look at the outstanding order book, the brewery proportion is smaller while moving ahead. So how do we expect to see that growth in brewery and basically what kind of orders can we expect in the field of breweries because we had a good year in the brewery business?

GajananNabar: Mr. Suryavanshi, good observation. There are typically a very small number of brewery projects. The business is built by 5 or 6 projects in a year and the timing of that is of course very critical. We foresee a significant number of enquiries and we will see how that goes. So though you are looking at a small base right now, one or two such orders which will be significant in size will very quickly make up for the gap that we are seeing today. But your observation is correct.

Vikram Suryavanshi: And do we see any export orders for breweries as that is what also our focus is on

GajananNabar: We are working on it. I think the narrative says that we are working on Rs. 500 crores of opportunity, which is very significant in the Southeast Asian and African markets. We are intensely discussing some of these opportunities with the customers.

Vikram Suryavanshi: In terms of second generation, on the project that is happening, when do we see the CAPEX happening. What approvals from government are we supposed to get and how is the overall development for the second generation?

GajananNabar: I think as I mentioned earlier, the government environmental clearance has come which is one of the key ingredients for our progress. Now we are waiting for the National Clean Energy Fund to come which is a government funding. We believe that government agencies are looking at this in a very positive manner and we will see when the funds get released. So that is how the progress is currently.

Moderator: Thank you. The next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

Sanjeev Zarbade: Sir, this is regarding the Petrobras order. Have we incurred any expenses on the order already?

GajananNabar: Yes, we have but we have an advance.

Sanjeev Zarbade: So manufacturing of some kind has already started right now?

GajananNabar: Yes.

- Sanjeev Zarbade:** But we have not booked any revenues as of now?
- GajananNabar:** No, we booked some revenues to the extent of following AS7.
- Sanjeev Zarbade:** And sir, just some bookkeeping questions regarding what the tax rate could be in the next few years?
- GajananNabar:** On consolidated basis this year we have paid 21%. I think next year also, we are expecting it to be in the same range.
- Sanjeev Zarbade:** 21%?
- GajananNabar:** Yeah, around the range of 21% to 23%.
- Sanjeev Zarbade:** And sir regarding the second generation ethanol, how important is the demo plan for the overall rollout of our offering in this segment?
- GajananNabar:** Yes, I think it is pretty important because it would also give confidence to our customers that we can scale it up on dry biomass basis, from 1 ton per day to close to 100 tons per day. This is equal to a ratio of a 1:100 scale up. In any technology, scale up is very, very important. So I think this will build the customer's confidence to a great extent.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Sir, I just wanted to have an idea on the value of the order from Petrobras that we have got and if that is in the number as of now?
- GajananNabar:** About Rs. 230 crores.
- Saket Kapoor:** And what portion is that of the revenue that we are booked for?
- GajananNabar:** I can give you the numbers separately as I do not remember it at the top of my mind.
- Saket Kapoor:** And we are expecting this order to be executed over this fiscal year itself?
- GajananNabar:** Yes, a majority of it.
- Saket Kapoor:** And out of this Rs. 1,200 crores, just Rs. 230 is a part of the order backlog?
- GajananNabar:** Order backlog, yes absolutely.
- Saket Kapoor:** Sir, , what are the management fees that you mentioned before and how do you calculate these management fees? Is this going to be a regular feature annually?
- GajananNabar:** No, let me clarify. We had mentioned this in a couple of calls earlier. These are management consultancy fees and not management fees. We hired a consultancy firm to help us with our value maximization initiative that we had taken last year. That is the fee that we are paying and that included a lot of backend and frontend initiatives to improve profit margins in short. So this will not be incurred again next year. It was only a one time one year fee.

- Saket Kapoor:** Sir, how was that paid out and what are the initiatives been taken up and what results are we expecting from the sales?
- GajananNabar:** So we are fairly happy with the progress that we have made. But as we said earlier that the transformation has to be sustainable and far reaching, hence we have to be very carefully and watch it. So that is what we are currently doing.
- Saket Kapoor:** What synergies have they played and just to elaborate on the same topic which direction are they taking? Also what was the purpose of the hiring and what feedback have we got back from the consultant?
- GajananNabar:** It was across the value chain and hence there are no strategic shifts that we are making out of this. But there are definitely operational shifts that we are currently making and we are taking more efficiency in and out of our system.
- Saket Kapoor:** Sir, what is the update on the metrics part? We have invested a lot of funds into it so how is the story playing out now? I am referring to the Praj Matrix.
- GajananNabar:** No, so Praj Matrix is the second generation development that has happened in-house, in Praj. Praj Matrix also supports our existing businesses, be it water or ethanol or brewery. We will do a lot of innovative, newer offerings in the market. So about 30% of Praj Matrix is used for that and the rest is for second generation and the rest are used for some of the bio-chemical and others businesses. So we made investments of course and we can look at further monetizing it. By supporting Praj Matrix, we have become more profitable.
- Saket Kapoor:** Sir, my last question is on the Ganga Action Plan. What kind of results are you getting by interacting with people at the various levels? What is the story behind this and what is the size of the opportunities. How well are we positioned to play it out because this is a very recent story. The situation of tanneries and other such industries that are polluting the system are not in a good health to stop polluting. So is there a huge build up that has been created out of this story and how do you think this is going to be played out?
- GajananNabar:** You are right and I think we have mentioned previously in the narrative that we have got a little more clarity on this issue now. The focus of the government in the first phase is going to be municipal but few good things which have happened out of this. The government is insisting on 'reduce recycle reuse' as well as a zero liquid discharge solution and that is why they have recommended certain technological schemes to the industry. Praj as a company can play a significant role in that technological scheme and there are a few of these industries that are our existing customers. For example Balrampur Chini is one such company that we are working with, to provide them with solutions. So we believe that in the next few years this will really unfold and become a significant opportunity for us. But we do not want to be speculative. So right now we are just looking at this opportunity and instead working on the ground with our customers.
- Saket Kapoor:** Sir, any update on the AGM? This time you have not mentioned when the AGM is scheduled. Generally we mention our AGM schedule right after the 4th quarter numbers. What date is the AGM scheduled?
- GajananNabar:** We will come back to you on that.
- Moderator:** Thank you. The next question is from the line of Apurva Kumar from Jefferies. Please go ahead.

- Apurva Kumar:** Just a follow up question on the opportunities in municipal wastewater treatment. So are we present in that segment or is it mostly in the industrial part?
- GajananNabar:** No, right now as we mentioned earlier we are not working in the municipal segment. We are observing that space but we are not working in it. Right now our focus is completely in the industrial part. But at the appropriate time when we feel that the municipal sector is technologically advanced enough to have some sort of technological play, we would consider looking at it. But right now we are not.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Lucky Investments. Please go ahead.
- SachinKasera:** Just one question on the margin front. This quarter our EBITDA is around 13% and you also mentioned that we have a certain one-time expense of around Rs. 38 crores. So of this Rs. 38 crores, how much was from the current quarter? And secondly, is this 13% EBITDA margin that we have shown this quarter, a sustainable number? Is there a certain high profit margin out of this that we executed because of this number?
- GajananNabar:** So I think there is a mix of both. There are certain expenses which impacted the EBITDA margins being booked in this quarter and there are also certain high quality orders which got executed. But I think we are also on ground to improve our margin. So I think all three aspects are applicable. And I think we have to wait to see whether this kind of margin is consistent and that would give us some lead indication of how it could get sustained. But I think the key is to sustain this kind of margin profile.
- SachinKasera:** But sir, can you quantify how much of this Rs. 38 crores of one-time expenditures was booked in the current quarter?
- GajananNabar:** About Rs. 15 crores to Rs. 17 crores.
- SachinKasera:** Secondly sir, this emerging segment you have mentioned, is around 40% of the order book. If I remember, a few quarters back we were discussing that because the initial links are from emerging orders and because we are entering new markets in a certain new segment, the margin in those initial orders are little low. So now that it has been some time and we have established ourselves in this segment, what is the profile in terms of margin of this 40% order book that we have from emerging segment? Is it much better than what we had initially?
- GajananNabar:** So PHS as we said is an established player and the acquisition that we did was always a leader in the field. We also always had a good profile of margins and we sustained that or probably improved it by little, whereas on the wastewater side, the situation is not very clear. In wastewater side customers are not willing to pay any premium and are probably not even looking for a technologically sound solution. It is also driven by how hard or intently the government is pushing the prevention of pollution and other such environmental issues.
- SachinKasera:** My question was related to the existing order book itself. As we have already have orders booked, we would have a sense of the margin. We see significantly better margins than initially than what we were looking at. The Rs. 400 crores of order that we have in the emerging book. There we have booked at a much better margin compared to what we were initially bidding at.
- GajananNabar:** Mr. Kasera, unless I observe this over significant amount of time, which is at least four to five quarters, I do not want to take a guess. This is because even if the

margin is better or whether it is sustainable or not, we need to wait for another two to three quarters. Then we can start putting a graph on whether the margins are improving on a quality of business basis from an outside-in perspective. We are putting all our efforts to improve our internal actions.

Sachin Kasera: And just to clarify you mentioned that in two to three years you look to achieve high double digit in margin?

Gajanan Nabar: Yes.

Moderator: Thank you. The last question is from the line of Jeremy Higgs from Green Dragon Fund. Please go ahead.

Jeremy Higgs: Yeah, it is Joss Masson with Jeremy Higgs and Tim Langer at the Green Dragon Fund. Congratulations from all of us on your stellar results. I just had a one question I wanted to ask you a question regarding the income tax benefit of Rs. 10.54 crores from prior years. I just wanted to know what that can be attributed to?

Surendra Khairnar: That Rs. 10.54 crores was on account of assessment of the past six years. So there was a net refund of Rs. 10.54 crores, which we have accounted for in the financial year '14-15.

Moderator: Thank you. I now hand the conference over to the management for their closing comments.

Vinati Moghe: I thank everyone for joining us for this conference call. I would like to mention that if any of you have not had your questions answered, we would like to invite you to send us an e-mail, so that we can respond to them. Have a good day and thank you very much, once again.

Moderator: Thank you very much, members of the management. Ladies and gentlemen, on behalf of Praj Industries Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.