



Praj Industries Limited

Q4 & FY16 Earnings Conference Call Transcript

May 23, 2016

- Moderator** Good day ladies and gentlemen and welcome to Praj Industries Limited Q4 FY16 Earning 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 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. Priyanka Watane from Praj Industries. Thank you and over to you ma'am.
- Priyanka Watane** Good day everyone. We welcome you to this conference call organized to discuss Praj Industry's operating performance and consolidated audited financial results for Q4 and FY16, which were announced on 20th May. I have with me Mr. Gajanan Nabar – CEO and MD, Mr. Surendra Khairnar – Associate Vice President (Accounts), Mr. Dattatraya Nimbolkar – CFO and Company Secretary and Vinati Moghe – Vice-President (Corporate).
- 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 the financial performance were e-mailed to you earlier. These documents, along with a quarterly results presentation have also been posted on our corporate website. I would now like to handover the floor to Mr. Nabar for his opening remarks.
- Gajanan Nabar** Good afternoon ladies and gentlemen. I welcome you to Praj Industries' Earnings call. I hope you have had the chance to refer to the results which were circulated earlier. The presentation for the same is available on our website. Let me start by giving you our take on the economic scenario in which we are operating. In India, the overall business sentiments have been stable to positive during FY16, helped by steady progress of growth-oriented initiatives, gradual turning of the interest rate cycle and stabilization of some important economic metrics. The levers seem to be falling in place for an improved operating environment in the times ahead. Among advanced economies, United States has experienced two quarters of sustained growth. In Europe, further monetary easing has boosted a cyclical recovery, though potential growth in most countries remains well below par. On the other hand, among the emerging economies, commodity driven countries are grappling with their economies.
- In Asia, countries such as Indonesia, Vietnam and The Philippines are promising and are also of interest to Praj. Coming to the developments concerning Praj – Ethanol blending in India reached 3.2% in FY 2015-16, as against 1.5% in the beginning of 2015. It is reported that Karnataka and Maharashtra achieved 10% blending during this period. The EOI released by OMCs has received an encouraging response from ethanol producers and it is learnt that OMCs have finalized contracts to procure 1.3 bn liter of ethanol for the current year. This is equivalent to 5% blending nationwide. Lok Sabha has passed the Industries (Development and Regulation) Amendment Bill, which gives better clarity on

control between the central and state governments over different grades of alcohol/ethanol. The beverage and industrial alcohol will be under the jurisdiction of state governments; whereas fuel ethanol will be a central government subject. This is a positive movement as it will facilitate inter-state transport of fuel ethanol with elimination of state specific duties and permissions. This especially bodes well for states with surplus feedstock, as they can export to other states with higher fuel consumption. For instance, the liquor ban in Bihar could be beneficial for the blending program. The state produces ~6 cr liter of ethanol from molasses, which will be available for the blending program and will compensate for the reduction in ethanol production in drought affected states like Maharashtra and Karnataka. It is understood that OMCs have been asked by the centre to maximize procurement of ethanol from Bihar.

All these developments are certainly creating a conducive eco-system for fuel ethanol blending program in India and are paving the way for 10% in near future. In the global ethanol market - Argentina has increased the blending mandate from the current 10% to 12%, with plans of plans 20% blending by 2019 and eventually 26%. In the last 6 months, Argentina has also increased the ethanol procurement prices twice. To achieve 26% blending mandate, ~1.75 bn liter of capacity addition is required. The current capacity is at 800 mn liter per annum. With 2 successful projects in Argentina, we have established a good reputation and are in discussion with several participants in the industry. With the easing of monetary policy, Argentina is considered a bright spot for ethanol. The state of Queensland in Australia has passed a bill that would require fuel retailers to comply with 3% blending mandate. We are responding to few enquiries. Thailand is exploring increased use of cassava as a feedstock. Currently 30% of Thailand's fuel ethanol is produced from cassava. This may go up to 40%. With implementation E20, Thailand will need 4.5 mn liter per day ethanol in short term period. The current capacity is 3.5 mn liters per day. Ethanol plant modernization is gaining interest surely and steadily. With our experience in the industry, the value proposition of reduction in energy and water consumption is finding a lot of takers. With customers getting more conscious of the impact of their business activities on the environment, our solutions drive sustainability of their operations. Coming to brewery business - With consolidation among the global brewers, we expect some structural changes in the market. The AB Inbev-SAB Miller merger will mean rationalization of capacities. This could mean building new capacity to meet the same. Immediately, we will see more of brown-field capacity build-out. We do see an increasing number of enquiries over the previous year for the same. With the majority of breweries located in Telangana state, we expect capacity build-out in Andhra Pradesh post the separation of excise departments of the two states. Andhra Pradesh has imposed import duty which makes local production more viable.

The government is due to announce major reforms in the pharma industry to help propel itself to the next level of innovation. The Make in India campaign and the union budget offer a number of tax incentives for R&D initiatives. Indian pharma companies are already gearing up for biosimilars and some of the leading companies have launched R&D programmes aimed at new drug discovery. The BioWiz bioreactor launched a year ago finds application in such programs. We have received orders from reputed biopharma companies for the same. With a reputed name in the industry and expanded suite of offerings, Praj HiPurity is in a good stead to serve the Indian pharma industry. Internationalization of this business is also on track.

Coming to Critical Process Equipment and Systems and water and waste water treatment businesses – With India moving toward Bharat Stage VI emission standards, Indian refineries are gearing up to make investments to the tune of Rs 40,000 crore in various unit operations of the refinery. It is our effort to bid for

equipment of our interest. The order related to Petrobras presently remains dormant. There are likely to be some changes in the main contracting company in Brazil which could see movement on the project. The prospective new contractor is already in discussion with us. The order continues to be in the pending order book.

On the 2nd Generation Cellulosic ethanol technology, we hear of few more demonstration plants being announced globally. The continuing interest and enthusiasm is heartening. Praj is also making headway in its efforts of installing a 12 MT per day, 2nd Generation Integrated Bolt-On "Smart Bio refinery" Demonstration Plant in Maharashtra. This will be a multi-feedstock and multi-product plant that will produce bio-ethanol, bio-chemicals, power, Bio-CNG and CO₂, complete with an integrated effluent treatment plant. Some highlights during the quarter – Innovation has always been the backbone of Praj's solutions to customers. We are glad to announce the commissioning of our first plant employing the novel EcoSmart technology in Europe. This 200 m³/day multi-product distillery is capable of producing fuel and beverage grade ethanol at significantly lower steam consumption thereby resulting in upto 40% energy and water reduction. It is one of the technologies from the suite of technologies which were launched 2 years ago as part of our modernization and plant upgradation business. Water and waste water treatment group recently commissioned zero liquid discharge ETP for a yarn manufacturing facility of one of the largest textile companies in Central India. This in-house developed application is used to dry high solid effluents.

Let me now cover the financial performance of 4th quarter ended 31st March, 2016 – The performance for the quarter and fiscal 2015-16 has been stable in the midst of challenging external environment and sombre international markets. Our rigor in operational excellence has been remunerative. This is reflected in the improved EBITDA value and margins. Revenue on consolidated basis stands at Rs 329.83 cr, which is 14% higher than previous quarter and 7% more than in the corresponding quarter. Export revenues account for 45%. Of the total revenue, 66% is from ethanol, 12% from brewery and 22% is from the emerging business. EBITDA excluding other income is at Rs 44.24 cr, a 7% increase over the previous quarter and 10% over the corresponding quarter. It is 13% of the sales. PBT and PAT are at Rs.40.53 cr and Rs 34.00 cr respectively. The Q4 FY 16 order intake stands at Rs 182 cr largely impacted by subdued international markets and timing issue in some orders. Ethanol forms 21%, brewery 26% and emerging businesses 53% of the total order intake, with a higher contribution of domestic orders at 88%.

The order backlog as of 31st March, 2016 is Rs 960 cr. Export orders are at 40%. Ethanol forms 53% of this, brewery 8% and emerging business the remaining 39%. On full year basis - Revenues on consolidated basis for the year ended 31st March 2016 stands at Rs 1015.80 cr against Rs 1012.20 cr the previous fiscal. We received Rs 1013 cr worth of new orders during the fiscal. Domestic orders form 68% of the total order book. Ethanol forms 58%, followed by brewery at 12% and emerging business 30%. EBITDA excluding other income stands at Rs 110.87 cr. At 11% margin, this shows an improvement of 19% over the previous fiscal. PBT at Rs 89.69 cr registered a 4% growth over previous fiscal. PAT stands at Rs 69.45 cr against Rs 76.27 cr in the previous fiscal. Please note that previous year in FY15, PAT includes Rs 11.9 crore (pre-tax) capital gain on sale of office building at Bavdhan, Pune and write back of Rs 10.76 crore towards excess provision for tax.

Cash on hand stands at Rs 208 cr. By and large, the Company continues to remain debt free. On the way forward - With India's GDP growth projected at 7.5% for FY 2016-17, supported by expectations of good monsoon, one can expect better days for the agri sector and rural spend; with an overall greater momentum in the Indian economy. In government's intent to increase use of biofuels, ethanol assumes a significant portion in India's energy matrix, while supporting the farming community.

Greenfield plants will remain Praj's mainstay. At the same time, we will increasingly pursue value addition through modernization projects in India and abroad. In our attempt to maximize revenues for clients through product diversification, we are in the process of expanding current offering to distilleries through value added bio-energy products like Bio-CNG which is increasingly finding acceptance and application as a transportation fuel.

As far as brewery group is concerned, we are engaging with all the key players to work on their growth plans in India and in Africa and South East Asia. In Praj HiPurity, we see good response to the process solutions suite. We will also grow in the international market aggressively. Key markets have been identified and teams are being put in place including the local representatives. In water & wastewater business, we plan to target larger ticket size orders. We are currently executing one such project for a solar panel manufacturer. In Critical Process Equipment & Systems, our focus is on skids as a key differentiator while engaging with global EPC & consulting companies to increase our registrations for business. In each of our business lines we are pursuing specific growth levers. We are glad to share that Mr. Pramod Chaudhari, Executive Chairman, Praj Industries, has been appointed as Chairman of Confederation of Indian Industry's (CII) national committee on Bio-Energy for the 3rd consecutive year. Mr. Chaudhari has been actively involved with CII for more than a decade, spearheading Biofuels movement in India.

The Company has been taking various initiatives which are expected to galvanize it towards the growth objectives and create greater momentum. Operational Excellence will continue to drive the effort towards better profitability. On corporate actions, our wholly owned subsidiary Pacecon Engineering Projects Ltd is renamed as Praj Engineering & Infra Ltd. Thank you ladies and gentlemen. We will now take questions.

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| Moderator | The first question is from the line of Bhalchandra Shinde from Anand Rathi. Please go ahead. |
| Bhalchandra Shinde | When we compare consolidated and standalone performance, we see that in this quarter, in subsidiaries, the performance declined by around 23% Y-o-Y and reported EBITDA loss as compared to corresponding period last year, any specific reason for this? |
| Gajanan Nabar | We are requesting investors to look at our consolidated picture because as we had mentioned earlier, some of the subsidiaries, not all, we have deployed them for project execution. The way we structure projects also depends on how we are tax optimized. So other than PHS, which is a wholly owned subsidiary, rest of the other subsidiaries are structured for local execution of the contracts. So our request is that when you are looking at Praj results, please look at them on a consolidated basis. Nonetheless, from specific timing standpoint, there are timing issues on various projects and in which state the projects are, so I wouldn't read too much into why this has happened. Overall, the PHS business has shown near to expected results and also improvement in the bottom line, because that's a key issue from a consolidation standpoint, as rest of the subsidiaries are only for local order execution. |
| Bhalchandra Shinde | Critical process equipment systems and others fall into subsidiaries or gets reported in the standalone business? |
| Gajanan Nabar | No, they don't fall into subsidiaries. Only part of the project for any of our business that we use for local execution falls in the subsidiaries, apart from Praj HiPurity Systems. |

- Bhalchandra Shinde** When we had an analyst meet 1.5 years back, we were targeting around 50% emerging business revenue. But looking at the current order book, emerging businesses right now is at around 30% and larger fall in order inflows is largely for emerging business. So how do you see this business going forward? What growth prospects are available? Are we seeing revival in the short cycle orders?
- Gajanan Nabar** On the emerging business, so the Petrobras order going slow or becoming dormant was a setback for the revenue last year, which obviously didn't reflect in the growth both for total revenue as well as growth in revenue for emerging business. But there are discussions going on currently about reviving this order and we are certainly looking at putting it back on track. Clearly on PHS, we are seeing more traction coming through two elements, one is the whole bio process cycle moving from biosimilars at a higher level for all Indian companies and some of the existing Indian pharmaceutical companies are also going into that direction that really augurs well for our business in Praj HiPurity Systems. Second driver is the internationalization of this business and we are clearly seeing some good prospects from the international front. So these are the two levers going in that direction.
- Coming back to your question on emerging proportion, we still stay on course for 50% contribution. In such cases, it's never a straight line, you have couple of years of very good growth and then a stop. This was a year, where we had little bit of a breather. But we are very sure that we will stay on course for 50% on back of these 2-3 levers that we have.
- On overall order book, it looks challenging from the standpoint for the last quarter specifically and this was a timing issue on couple of quarters. As you look at our speed and velocity of execution, the first two quarters' order book also determines our overall revenue for the year. We remain confident that the order book will show some significant improvement in the first two quarters of FY17 and thereby we also remain optimistic and confident of our overall revenue for FY17.
- Bhalchandra Shinde** On the working capital levels, we see a deterioration of around Rs. 100 crore, largely the receivables have increased slightly more and payables have increased more, any specific reason for that?
- Gajanan Nabar** There is no specific reason. It is mainly on account of very high fourth quarter corresponding the last quarter. There is no major dispute or anything, which is holding the money.
- Moderator** Next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.
- Vikram Suryavanshi** I was basically looking at this revenue composition. We have seen some weakness in execution in emerging business, this year. Apart from Petrobras order, are we seeing some weakness in terms of execution on the three emerging businesses?
- Gajanan Nabar** If your question is whether we are seeing any challenges or are the projects on hold on any other businesses, then the answer is no. The size and the cycle for emerging business as we call it is much shorter and smaller and that's how it reflects. So currently, we are not experiencing any hold up on order book, apart from Petrobras. Whatever we are reporting, currently, are all executable orders.
- Vikram Suryavanshi** How is the performance of PHS compared to your expectation in terms of revenue growth?

- Gajanan Nabar** From the revenue growth point of view, we could have done a little better. Order book point of view, we have definitely clawed back. Margin improvement point of view, it is meeting our expectations. So I would say it is a mixed bag.
- Vikram Suryavanshi** In this quarter, we have seen slightly lower orders from the domestic side, particularly on ethanol side, is it mainly timing issue or how do we look at it?
- Gajanan Nabar** It's mainly the timing issue. We are seeing a good traction and the government initiatives taken for blending program really augurs well with the market. We have seen good amount of enquiry flowing through. It was matter of timing that has caused this kind of numbers to come out. Otherwise, in the first two quarters, we remain optimistic to bring back the order book.
- Vikram Suryavanshi** Are we hopeful to complete this second generation demo plant this year?
- Gajanan Nabar** Yes.
- Vikram Suryavanshi** In terms of receivables, is this just because of fourth quarter is heavy and probably we can see normalization back in second half of the year in terms of balance sheet?
- Gajanan Nabar** That's correct.
- Moderator** The next question is from the line of Sandip Sabharwal from Sun Capital. Please go ahead.
- Sandip Sabharwal** Praj had hired a consultant last year and a significant amount of money was spent on that, the main intention was to drive new business segments as well as profitability of the business. You had indicated that eventually you are targeting margins moving up to high teens. In Q4 FY16 vs. Q4 FY15, the margins haven't moved up so much whereas last year had an expenditure of the payment to the consultant. So could you just explain how do you see this facet moving?
- Gajanan Nabar** We did say all this. We definitely hired the consultant; we believe that the work that they have done and what the organization is carrying forward is helping us. My only request and we have been telling this to our investors time and again that for a project company, where the projects lie in at least minimum two quarters on variety of grounds, don't look at only one quarter as a representative. But if you look at the trend in our EBITDA margins over the last two years, in the last 6 to 8 quarters, we have been constantly moving up from 5% level to now currently at 11% level. And that gives us the confidence that going forward as order book builds in and throughput increases, we definitely can move in the sphere of returns that we have committed to the investors. Anyway, we have given a timeline of 2 to 3 years and we are staying by that. So, there are specific projects, very specific project lifecycle or specific project stage, mix of international business, domestic business and variety of things, so if you look at just one quarter, you will get a warped picture. So my request is that if you look at a little longish period, a year is a good way to compare. So against 9% EBITDA last year, we have 11.5% EBITDA this year, which is a 20% improvement and we are expecting that we will continue on this trend.
- Sandip Sabharwal** On this Petrobras order, if there is a new main contractor then does the scope of your work remain same or how will that work?
- Gajanan Nabar** We are under discussion, broadly it will remain same. We don't have 100% clarity on it yet. But I see no reason why it will change dramatically. But there are still few

things to be crossed so we will hold completely on this. But it's moving in some direction, so we will see how it goes.

- Sandip Sabharwal** On the second generation ethanol plant, how is the progress and what's the total amount that will get invested in the first phase?
- Gajanan Nabar** The progress is pretty good. Our engineering for this size plant is almost complete and we are expecting that we will finish this plant by end of this fiscal year. We will spend about Rs. 20 to 25 crore on this project.
- Sandip Sabharwal** The capital subsidy that we are expecting hasn't come through as of now?
- Gajanan Nabar** No, that is still holding fire.
- Moderator** Next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.
- Sanjeev Zarbade** We have around Rs. 1,000 crore odd order book. Excluding the Petrobras order the remaining order book, could it be executable in FY17 entirely or it could spill over to next year?
- Gajanan Nabar** Maybe barring very small amount but about 95% would be executable in FY17.
- Sanjeev Zarbade** On your cost structure like in FY16, most of the margin gains have come from gross margin expansion while the employee cost and the other expenditure levels have actually gone up and the revenues have been largely stable. Is it because of commodity prices or revenue mix?
- Gajanan Nabar** I won't deny that there is some bit of commodity pricing here. But we have also taken certain steps to reduce costs, by value engineering, by multiple suppliers and various other initiatives to reduce the total cost and those have been obvious in our numbers and they are sustainable. So commodity pricing could have had some impact. But the larger portion comes through direct reduction of some of the cost base that we have worked through value engineering and other initiatives.
- Sanjeev Zarbade** The raw material to sales ratio, which is around 45%, is it sustainable?
- Gajanan Nabar** Yes, we believe so.
- Sanjeev Zarbade** How many employees we would be having right now and what is the outlook for the employee cost?
- Gajanan Nabar** Top of mind, we have about 1,250 number of people. We have always said that for a project company, which is in a specialized area of technology, for key skills it's not advisable and we don't believe that it's the right way to look at all of the employee cost in same way. So we carry a bit of overhang of additional cost but at the same time, when the order book turns up and we want to execute Rs. 1,200 to Rs. 1,300 crore, then there won't be an additional impact of very high cost, so that's how we have to look at it.
- Sanjeev Zarbade** You mentioned that there are couple of large orders which may get spilled over, could you throw some light there?

Gajanan Nabar	I wish I could share that but with sensitivity with customers and due to competition, we will hold it. But as and when these significant orders come in, we will share with the investors; we will not wait for the next concall.
Sanjeev Zarbade	Is the bid pipeline much larger than the previous fiscal beginning?
Gajanan Nabar	Praj is into multiple business facets. We have to go from business to business, but if you ask me an overall question, then yes.
Moderator	Next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
Saket Kapoor	The lumpiness of the numbers has been cause of concern due to the nature of the business. Will the first half again going to look lean going forward or are we getting some consistency in the reporting or in the order execution segment?
Gajanan Nabar	We are certainly working on this and are trying to see how to make it less bunching. The key driver to that is having multiple businesses depending on multiple different industries; not only ethanol or not only oil or not only pharma. We have multiple businesses, but currently we would carry forward some lumpiness from the order book.
Saket Kapoor	The trend would follow for the first half as it was for the last year?
Gajanan Nabar	I believe so.
Saket Kapoor	There is no surprise element in that?
Gajanan Nabar	There is no surprise.
Saket Kapoor	The ethanol blending project for the first time has reached the 5% mark. Going forward, what is the total capacity in the country and how much the capacity has to be upped going forward to meet around 7% to 12% of blending mandate?
Vinati Moghe	So 5% would require about 1.3 billion litres of fuel ethanol and we expect the basic spirit capacity should start building out to be above 7%. Even now there has been a bit of balancing which is being done. As we move towards 10%, we will expect to see more basic, that is, Greenfield capacity build outs happening. Currently, we are seeing a lot of balancing of capacities in terms of MSDH plant, which is the module for fuel ethanol production. So that is an indication that there is some movement in the market in terms of actually investing into fuel ethanol production.
Saket Kapoor	So there are no green shoots for the new capacity coming up in near future, whatever the debottlenecking will only suffice incremental demand, is this right?
Vinati Moghe	Currently, yes. The Greenfield that we are looking at or we are installing also includes the MSDH portion. In India, normally people have both the modules operating, one is the beverage alcohol and other one is the MSDH portion, so that is already happening.
Moderator	Next question is from the line of Vinod Malviya from Florintree Advisors. Please go ahead.
Vinod Malviya	Argentina would be requiring some 1.7 billion liters of additional capacity, so this is when they achieve 20% blending, is this right?

Gajanan Nabar	No. 10% blending.
Vinod Malviya	What type of capex will be required over there? In Argentina, can you throw some light over, how is the competition and scope over there?
Gajanan Nabar	I will just give you a very ballpark standardized answer on capex. It could be in the range of Rs. 4,000 to 6,000 crore. But don't hold me by it because it would keep changing on what else you build along with just the process plant. But it would be a pretty large capex that would be required if you have to build all 1.3 billion liters. In Argentina, there are couple of Argentinean suppliers against whom we have competed 1-2 very prestigious orders, so that gives us confidence. There are other people, who are showing up from Brazil and even US, so I would say there is a full fleet of competition there and at the same time, we have a very good experience and a very good name earned in last the few years in the Argentinean market, so we feel very confident.
Vinod Malviya	What would be the timeframe for this? By when will they achieve this blending target?
Gajanan Nabar	Argentina is currently at 12%, they will go to 15% and ultimately they will go to 26%. So to go to 20%, the timeframe is 2019. The capacity will continue to get built.
Vinod Malviya	On the OMC, there is a requirement of around Rs. 40,000 crore of capex, so what would be your addressable market over there and timeframe for that?
Gajanan Nabar	This is our other business, which is critical process equipment and systems - that is for Bharat Stage VI, Euro VI equivalent. The refinery will have to undergo lot of modifications and upgradation of their facilities. It has already kick started, tenders are out. So we are participating in some of that, in the next 1.5 to 2 years, it will start trickling; the order will not flow in one lump.
Vinod Malviya	What would be your addressable market out of Rs. 40,000 crore?
Gajanan Nabar	We are looking at around 10% of that.
Moderator	Next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.
V.P. Rajesh	Related to the ban that we are seeing in Bihar on alcoholic beverages, so what will the implication be for our business. Does it include the ethanol blending program of the government?
Gajanan Nabar	It's an excellent move by the government where they have clearly demarcated that beverage and industrial alcohol will become part of the state subject and fuel will become part of the central subject. What it means is that free movement of fuel ethanol is now possible right through the country; this will also help in achieving higher blending. Right now, there are situations where the feedstock is available, money is available, but people are not able to build capacities because they are restricted only with the geographical limitation of the state. But now this has been taken away from, and it would have a far flung impact in building capacity on a longer-term basis. Now from Bihar's standpoint, the ban is on beverage alcohol and obviously there are couple of distilleries there, who have already converted that into fuel grade. There is a full focus by the central government team to take as much as fuel ethanol possible and distribute in other states, so that's going to

happen. I would say there won't be a significant negative impact of Bihar ban on alcohol.

- V.P. Rajesh** Converting brewery alcohol to fuel ethanol, will that increase the capex?
- Gajanan Nabar** It definitely will require some capex. Some of those have already been built and few more will come out in the next few months.
- V.P. Rajesh** In terms of the capex that will come from 5% blending to 10% blending, what is the timeframe that you see for that?
- Gajanan Nabar** I would say next 2 to 3 years for total build out.
- V.P. Rajesh** What is the addressable market there?
- Gajanan Nabar** Out of the total, process plant, which is our mainstay, would form anywhere between 30% to 40%. We also play beyond process plant, so it is safe to assume 40% to 50% of the total opportunity is for Praj.
- V.P. Rajesh** In terms of rupees, it will be in what factors like Rs. 5,000 crore or higher?
- Gajanan Nabar** The total opportunity would be in the range of Rs. 4,000 to 6,000 crore. We would be anywhere between Rs. 2,000 to 3,000 crore.
- Moderator** Next question is from the line of Dhavan Shah from Indsec Securities. Please go ahead.
- Dhavan Shah** Can you provide the break-up between the fuel and the potable ethanol revenue for this quarter vis-à-vis Q4 FY15 and the same in terms of FY16 and FY15?
- Gajanan Nabar** We will share it with you offline.
- Dhavan Shah** The additional capex for Argentina would be around 1.25 billion liters, is it right?
- Gajanan Nabar** Yes, in 2019 timeframe.
- Dhavan Shah** Considering the cost for setting up of a plant at \$0.8, then it means around \$1 billion kind of opportunity, over the period of next three years right?
- Gajanan Nabar** Argentina has moved from 10% to 12%, they have enough capacity and also some capacities are being built. Now to achieve 26% buildup, they would require 1.75 billion liters of additional capacity. Now the current capacity is 800 million, from 800 million to go to 1.25 billion which is at 20% and you need to look at it from the futuristic perspective. Your dollar calculation is fairly okay but in that, there are things that we don't play into, so all of it is not an addressable market to us. We would be focusing in the market like Argentina only on the process plant and also our model is slightly different, so all those factors have to come in.
- Dhavan Shah** The order inflows from emerging business for this quarter was around Rs. 96 crore, so would it be possible to bifurcate among Waste Water and Praj HiPurity Systems or if you can share the how many orders the Company has received for the PHS or maybe Waste Water Stream for this quarter?
- Gajanan Nabar** We don't give detailed bifurcation but let me tell you that we have received some very significant orders for our Waste Water Stream. As I mentioned, we have

received an order from a solar panel manufacturer, which is a significantly large order. We also received a couple of module processed orders, bioreactors from very-very reputed firms, pharmaceutical companies in India. So those also form part of the order-book. Third on critical process also, there are some key orders from Indian buyers so this is how it constitutes close to Rs. 100 crore of order wins.

- Dhavan Shah** Could you give some overview about the hedging policy?
- Gajanan Nabar** We have a natural hedge, we do about 60% of hedge, we use a very conservative way of hedging.
- Dhavan Shah** Out of Rs. 450 crore of export revenue, how much do you hedge?
- Gajanan Nabar** Around 60%.
- Dhavan Shah** Are the receivables in USD?
- Gajanan Nabar** Mostly in Euros, only hard-currencies.
- Moderator** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Ms. Priyanka Watane. Thank you and over to you ma'am.
- Priyanka Watane** Thank you everybody. Please feel free to write to us in case of any queries. Have a good day.
- Moderator** Thank you very much members of the management. Ladies and gentlemen, on behalf of Praj Industries that concludes this conference call. Thank you for joining us and you may now disconnect your lines.