



Praj Industries Limited

Conference Call Transcript

October 17, 2011

Moderator Ladies and gentlemen good day and welcome to the Praj Industries Q2 and H1 FY12 results conference call. As a reminder for the duration of this conference all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Ms. Vinati Moghe. Thank you and over to you.

Vinati Moghe Thanks. Good day everyone. We welcome you to this conference call organized to discuss Praj Industries operating performance and financial results for Q2 FY12 which were announced earlier. I have with me Mr. Pramod Chaudhari – Executive Chairman, Mr. Gajanan Nabar – CEO and Managing Director and Mr. Surendra Khairnar– Vice President Finance. Before we begin I would like to mention that some of the statements in today's discussion will be forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance were e-mailed to all of you earlier and these documents have also been posted onto our website. I now invite Mr. Chaudhari to provide an overview of the highlights and the business environment for the quarter.

Pramod Chaudhari Very good morning everybody, and thank you for joining us on this conference call. I'll take you through some of the major highlights of the performance and key developments during the quarter and the 1st half of this financial year, while Gajanan Nabar will walk you through the operational highlights and analysis.

As you have seen from our results, and in-linewith what we have been saying in the past, we have turned the corner in terms of our overall performance, we have seen and maintained a continuous growth for the 3rd consecutive quarter and perhaps the highest turnover for the 2nd quarter. Our order intake is also reasonably on track with order inflow for the 1st half being 20% higher than the 1st half of the previous fiscal year. Non-ethanol segments havealso grown significantly. It is a heartening sign, an indication that our performance to our plan, which we had shared with our shareholders last October, is back on track. Of course, we need to go further on improvement in profitability.

The economic situation is looking positive, albeit modest especially in the emerging markets where ethanol blending and the biofuel mandates are being strengthened.

Coming to certain global develements with regards to biofuel, Brazil is expected to have a production shortfall this season which will result in import of ethanol from US and Europe. On the other side, this provides stability for the ethanol prices in the regions. Capacity enhancement in Brazil has not yet taken place, but we are

closely watching and monitoring the ground reality in that area. In other parts of South America, especially in Argentina plans are underway to eventually go for 20% blending. You already know that Colombia is also on the anvil of introducing 20% blending from the earlier level of 10%, which got stabilized over a period of last 5 to 6 years. So overall, the region has given a thumbs-up to the program of blending and mandates are being introduced to increase the percentages from country to country.

If we come to Africa, Ethiopia is already operating with 10% blending, the others are discussing and trying to follow, namely Kenya and South Africa although they have not yet come out with concrete plans. Africa continues to remain an attractive production destination for Europe. The production from Africa is being considered favorably for that purpose, which can be seen from our project which is coming in Sierra Leone. In Southeast Asia, the countries' ethanol policy was passed in August and stipulates mandatory blending of 10% by 2015, however due to lack of supplies, they have focused on enhancing production capacity within Philippines to meet the new quota. A price mechanism has been put in place to promote local investment. Indonesia has recently removed gasoline subsidies which are expected to support bioethanol investments and the viability of projects will improve. In Europe several states like Spain, Sweden, Germany, Italy, Finland, Bulgaria have increased their national biofuel blending quotas in 2011 in comparison with 2010 on the basis of energy content and in line with RED, renewable energy directive of policy. Denmark has also introduced its first ever obligatory quota of 3.5%. So from an overall perspective, in almost all these continents the biofuel and ethanol blending programs are now further being firmed up and the blending percentages are being increased in many parts of the world.

In India, however the story is not the same. Beverage alcohol and beer production continue to grow. Beverage alcohol, as you know, possess a higher share of alcohol than biofuel or bio ethanol. Beer consumption, which did see some slowdown in the last quarter is a long-term story. The new global players attracted to serve markets in India continue to invest, this includes new players like Molson Coors, Carlsberg, Heineken is already there, SAB has geared their investment plans in India, United Breweries continues to be the largest investor in the space.

In case of Praj, our new businesses have also stabilized, we expect a greater traction as we go ahead and we make more progress in that area. As I said earlier, Praj will continue to explore new avenues of growth, we are also creating a stronger organization to identify new technology and develop solutions through which we can maximize our revenue streams for customer segment. We have recently set up a center of excellence for applied technology which will support current businesses to enhance their competitiveness through innovations. We have inaugurated two manufacturing facilities this quarter as we had informed you earlier, One for augmenting the capacity for customized engineering and manufacturing at SEZ in Kandla, where our earlier unit was there and this is unit 2 which is just inaugurated and other facilities are for the production of biotech consumables which are traditionally required for the distillery industry.

At Praj Matrix, our program from LC to ethanol, lignocellulosic biomass to ethanol is continuing and now getting the necessary acceleration to go towards demonstration plant. Our program with Qteros and also a program on in house technology are progressing well and maybe in another three months time, before the end of this financial year we should have a total clarity in terms of the way we are going forward. Against this background, we do see some dark clouds in the macro environment, In global markets while the economy continues to be hostile. Overall, since the last quarter, there has been further uncertainties over the debt situation in Europe while emerging markets have shown signs of somewhat slowing growth. Since the previous quarter, there has been an added challenge on

the domestic front on account of high inflation, higher interest rates and Forex volatility. Depreciation of the Indian rupee adds to the challenge especially for a net importer like India adding to price led inflation. Some respite from cooling off in commodity prices has been partly absorb. It is also partly helped partly offset the impact of the currency depreciation. With this background, now I will hand over the floor to Mr. Gajanan Nabar. He will be addressing his first maiden analyst call and he will update you with the key developments on the operational front. Over to Mr. Gajanan Nabar.

Gajanan Nabar

Thank you Mr. Chaudhari and very good morning to all our investors and thank you for joining this call. I will walk you through the financial performance and key developments in the business for this quarter. Income from operations was at Rs. 229 crore in the second quarter of FY12 versus Rs. 108.77 crore in the same quarter last year, a growth of about 100%. EBIDTA was at 19.29 crore in Q2 FY12 versus Rs. 8.6 crore corresponding quarter last year. This is a growth of about 124% over the last year. The EBIDTA margin increased from 7.9% for Q2 FY11 last year to 8.42% in Q2 FY12. Correspondingly, the profit before tax of Rs. 25.33 crore in Q2 FY12 versus Rs. 10.32 crore in Q2 last year, which represents 145% growth in profit before tax. Profit after tax of Rs. 20.53 crore in Q2 FY12 versus Rs. 8.9 crore in Q2 FY11.

Lets us take a peek at the first half-year performance. The income from operations was at Rs. 393.61 crore in the first half of this year versus Rs. 202 crore in the first half of FY11. Correspondingly, the EBIDTA was at Rs. 32.27 crore in the first half of this year versus Rs. 11.62 crore in the first half of FY11. And the EBIDTA margin correspondingly was 8.2% in this year's first half against 5.74% in the first half of FY11. PBT stood at Rs. 42.62 crore in the first half of FY12 versus 22.34 crore in the first half of FY11 and profit after tax of Rs. 34.16 crore in first half of FY12 versus 19.27 crore in the 1st half of FY11. There has been a Forex loss in this year which has no impact on cash outflow but is due to an accounting standard requirement. Considering the net of ForEx exchange loss, the EBIDTA which is currently at 8% will be seen at 11%. Correspondingly, the profit before tax will go to 13% from 11% and the profit after tax would go to 12% from 9%. In which case there is an improvement over the previous few quarters, which had the benefit off the exchange gain.

The order book backlog as on date at Rs. 900 crore, out of which 55% is from international and 45% is from domestic business. Ethanol and alcohol plants comprise 88% of these orders and non-ethanol groups, form 12%. The order intake during the quarter is Rs. 270 crore. 52% is from international while 48% have been contributed from the domestic businesses. Ethanol forms 78% and non ethanol portion is at 22%. So if one were to combine the orders received in the first and the second quarter of FY12 the net order addition in the first half has been Rs. 200 crore which is clearly indicative of the increasing traction in our business. However, we still remain cautiously optimistic and will keep monitoring the order book, the inquiry basket and the market trends very closely.

We are seeing headwinds in the Indian market from fund availability standpoint, though we are not seeing any negative impact as such on the order book at this point in time or also invoicing ability, if the situation does not correct soon or worsens we might start seeing the impact on the order book. We shall keep our investors informed about the developments in this area. Some of the key order wins in the second quarter has been from Illovo Sugar, a South African sugar major, a part of the global AB sugar group. This is the third on large orders that we have received from the group and this is the fourth Greenfield project being contracted in the last two years in the African region.

New businesses like water and wastewater treatment plants are also showing traction with the major order win from Tirupur textile industry belt, for textile common treatment plant. The market is offering us ample opportunity in recycle, reuse and zero liquid discharge area where Praj with its process knowledge and engineering capabilities can offer sustainable solutions. Praj has formed a wholly owned subsidiary, Praj South Africa PTY Ltd. and Praj Tanzania, a subsidiary of Praj South Africa as part of its execution capability builds in Africa.

We are happy about the inauguration of a new manufacturing facility at Kandla for manufacturing of high thickness critical process equipments. This puts us at par with the top players in the industry. We have also inaugurated cGMP compliant production plant at Jejuri near Pune, for its range of biotech products which caters to ethanol, beer and sugar industry segments. This state-of-the-art facility would help us to serve our global customers.

Our businesses all round have performed well. The ethanol business is showing good demand and non-ethanol businesses as will continue to do well. As part of our Capex plan, Praj has undertaken a Capex of Rs.25 crore during the second quarter of the year. The cash on hand is at Rs. 460 crore. We feel confident about the way our business is shaping up and are positive about driving this traction into the latter half of this year. We believe that all the segments that we operate in are demonstrating momentum and there are several opportunities to capitalize on. We are well prepared to face any challenges that come our way and look forward to a strong business performance in the coming quarters. We're confident that if the non ethanol business is taking more significant proportion of the over the next few quarters it will help the company to balance its market segment portfolio in addition to its current multi-geographic profile. With that, we will now take your questions.

Moderator	We will now begin with the question and answer session. The first question is from the line of Shefali Doshi from KJMC Capital Markets. Please go ahead.
Shefali Doshi	Regarding the new plant at Kandla the SEZ and the Jejuri plant, what has it contributed to the second quarter revenues to the order inflows and to the order book?
Pramod Chaudhari	As far as the revenue from the second quarter is concerned it is practically zero, it just got commissioned towards the end and on order book front also it has a very meager contribution just now as a lot of things are in the pipeline.
Shefali Doshi	As far as the total revenue is concerned, how much was the exports and how much was the domestic turnover?
Gajanan Nabar	Export sales were around Rs. 111 crore for this quarter, which forms 48% of the total turnover of this quarter.
Shefali Doshi	As far as your current order book is concerned, what will be the execution period for this order book?
Gajanan Nabar	It would be between 9 months to 12 months.
Shefali Doshi	Regarding the new order from Africa, will the same execution period apply to that order also or would there be some different order book or a different execution period?
Gajanan Nabar	It would be slightly longer than 12 months.

Shefali Doshi 15 to 18 months?

Gajanan Nabar Yes.

Shefali Doshi How about the margins over there?

Gajanan Nabar Margins are in line with the current portfolio margins, there is not much of a swing either way.

Shefali Doshi What will be the capex for the entire FY12?

Pramod Chaudhari Rs. 60 crore.

Shefali Doshi As you mentioned that the order book in the first half for FY12 has grown by 20% as compared to the first half of FY11 so the same percentage, do you see the order book growing further for FY12?

Pramod Chaudhari We wish it will.

Shefali Doshi In terms of the international order book, if you can share which regions have contributed well to the order book in the international geographies? Historically, it was the US and Europe, then it has come up to Southeast Asia; Central America so is it the same for this quarter or has there been a slight change?

Pramod Chaudhari We are not giving the complete data about the way some of the major orders have moved. They have moved in the direction that you have said So I think that it will continue in a similar manner. We are quite bullish on Latin America and we're also quite strong on the Africa side, maybe southeast Asia is little cautious.

Shefali Doshi Why was it, because Southeast Asia was, you were very positive this quarter so, what are the other developments which is making you to take this stance?

Pramod Chaudhari In Southeast Asia practically, the question is mainly on the feedstock side. The feedstock availability is a big challenge as I told you in Philippines also there is a problem about feedstock and Indonesia is just falling in place. So these are the two major reasons we are quite hopeful that Australia will ease out very soon, that is the way it seems to us. So it is not having a solid traction in a particular country, so that is why I'm putting Southeast Asia little bit on the slow track.

Moderator Thank you. The next question is from the line of Ketan Jain from Voyager, please go ahead.

Ketan Jain I just wanted to understand where would our operating margins over the next 2 to 3 years lie, in what range? And if one presumes the full rollout of our water treatment and other allied businesses which we're planning to grow, what level of margins do you foresee in the next 2 to 3 years?

Gajanan Nabar I think this is a pertinent question. Obviously our efforts are always to improve our margins. As you know in water and waste water treatment there are lots of players and obviously you have seen in the industry that the margins always remain under pressure, though with Praj's process knowledge and the engineering capability, we are trying to work in a slot or in a niche which would obviously improve our margin capability. So we're seeing in the next 2 to 3 years, we certainly think that our margins should improve as we gain momentum in the other niches that we are seeing today.

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Ketan Jain No, my question was more in the context looking at our past margins, it was in the range of 20 to 22%, so will it take a while to reach those levels or emit the new externality and the new business interface. Have the margins structurally come a level below?

Gajanan Nabar Our efforts are to get to the margins of the past but yes, it would certainly take some doing and some time to get there.

Moderator Thank you. The next question is from the line of Kirti Dalvi from Enam Asset Management, please go ahead.

Kirti Dalvi So a few questions, I think if I'm not wrong during our earlier conference call, we did mention that our order book execution cycle used to be 12 to 15 months. so is there a change in the kind of the orders that we are receiving currently? Because if it is 9 to 12 months the current order book gives us a visibility up to September?

Pramod Chaudhari When we referred about the current orders, some of the orders were from the non-ethanol group, with a little bit off shorter of cycle time. So that is why we talked about the overall average shifting.

Kirti Dalvi But is this a change which will persist in the future as well and will we see the order book shrinking, execution cycle getting shrunk?

Pramod Chaudhari Percentage of the non-ethanol content will increase; the average cycle time will get lower.

Kirti Dalvi But then would it be fair to assume that to fill this order book or to keep our capacity at an optimum level we need to fill our order book pretty fast?

Pramod Chaudhari Yes, of course you are very right.

Kirti Dalvi So we will see this kind of growth rate that we are showing in the past 2 to 3 quarters, need to continue or we will have the kind of feasibility at least going forward now?

Pramod Chaudhari Yes, we are looking at that kind of visibility as I said. Only the thing is that there are other factors. Some of them are economic factors, bank loans or debts, those are the things which keep us cautious. The pipeline is pretty robust and we are quite hopeful that we will be able to maintain the same kind of growth in order booking.

Kirti Dalvi In domestic area we have got something around Rs. 130 crore order in this quarter. Was it primarily from the beverage alcohol side?

Pramod Chaudhari Most of them yes.

Kirti Dalvi Okay and there would be some contribution from customized engineering as well or there was no order per se?

Gajanan Nabar No, there were orders from water and as well as customized engineering goods.

Kirti Dalvi And if you could help us with a few details on the revenue front, if you can classify it between beverage alcohol, beverage fuel ethanol and water treatment, if there is anything?

Gajanan Nabar Can we get back to you?

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Kirti Dalvi And similarly, if you could help us on the order book and order inflow that would help us a lot. The last question is, if you could give more details on the Africa and Tanzania subsidiaries? How much investment we have made and what are our plans on that front?

Pramod Chaudhari Investment are basically to facilitate the execution. These are because the local regulations and certain things, we have to have local company and there are no major investments in these areas.

Kirti Dalvi So there is no capital, some money must have gone in the deposits.

Pramod Chaudhari Absolutely negligible.

Kirti Dalvi Primarily will we look for tying up somewhere with some local partner there or we will do it on our own?

Pramod Chaudhari We are doing on our own but we always have the local sub contractors and vendors for execution purpose. These are basically execution subsidiaries and for that purpose we are going to have the local help of the contractor, subcontractor and vendors.

Kirti Dalvi And the orders which we have got from South Africa for the Greenfield plant, is it for the fuel ethanol?

Pramod Chaudhari We didn't mention South Africa, we mentioned Tanzania, it is a Greenfield project, beverage alcohol. And last quarter was from Sierra Leon it is fuel ethanol.

Kirti Dalvi And in this quarter particularly any large fuel ethanol order?

Pramod Chaudhari No.

Kirti Dalvi Okay so most of the orders which we have currently is from the beverage and from the brewery side?

Pramod Chaudhari No, there are a few orders but not large, so it is subjective. It does not mean that I don't know. I mean a large order are Rs. 100 crore orders, a single order large order.

Kirti Dalvi Okay so there are no Rs. 100 odd crore but we did receive many orders from the fuel ethanol side?

Pramod Chaudhari Yes.

Moderator Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

Manish Goyal Just looking at your revenue breakup, you have mentioned that internationally it is 48% of the revenues this quarter and sequentially we are seeing that this trend is improving but somehow the margin expansion is still falling short. So, would you throw some light on this?

Gajanan Nabar I think you are absolutely right. Our split is 52% in domestic and 48% in exports against the last quarter which was 66% domestic and 34% export execution sales. Now obviously you add back the one-time loss that we saw in foreign exchange which we said was a book loss. It was not really the cash outflow and adjust to that

I think the number of EBITDA and corresponding PBT would look better than what they are looking now. But certainly yes, I think as we grow more into international we ourselves see that the profitability of this segment is going to go up. So we are also kind of hopeful that the profitability balance would look much better than what we have seen in the last couple of quarters.

Manish Goyal Basically the last couple of quarters flow from international orders what we got, is it that the benefit of the better profitability could be seen in the Q3 and Q4?

Gajanan Nabar Yes, as these orders come for invoicing phase, yes we certainly see the impact.

Pramod Chaudhari But there is one more thing I must bring it to your notice, Our business model of wallet share, we are looking for higher wallet share in export markets and when we go for higher wallet share the relative percentage is lower on the increased wallet share so they won't become comparable absolutely to the earlier levels, you have to keep in mind that also.

Manish Goyal Broadly if you can just give us a revenue breakup only between ethanol and non-ethanol, that would be helpful? Just want to track how non-ethanol is progressing?

Gajanan Nabar This particular quarter it was 79% for ethanol and rest was non-ethanol.

Manish Goyal Okay and on the new customized engineering facility at Kandla, just want to get a sense that what kind of revenue potential can we see from this facility may be in couple of years? Basically what the kind of facility we have created in terms of size and just want to get a perspective?

Gajanan Nabar It is a 3,000 tons facility. So we could make up to 3000 tons of critical process equipment from here. The revenue potential could be anywhere in the range of Rs. 60-70 crore to Rs. 120 crore depending on what kind of orders we execute from here.

Manish Goyal And this would be serving both exports and domestic?

Gajanan Nabar Yes.

Manish Goyal Okay and what is the order book for this customized engineering currently?

Gajanan Nabar I think these are all new businesses so we are kind of monitoring them closely and at this point in time we don't want to throw any numbers to you.

Manish Goyal Just the reason why I asked for more clarity in terms of how is the order book breakup between non-ethanol, in terms of breweries are stronghold for many years and we have water and wastewater and we have customized engineering because we have just got an order from Tirupur also from wastewater. Can you give us some sense on that?

Gajanan Nabar You are absolutely right. I think brewery equipment and engineering goods obviously remain stronghold and continue to be that. But if I look at the split, now the other businesses in the first half have contributed about 30% of the total non-ethanol order book, 30%-35%.

Manish Goyal Sorry I didn't get you, 30% of what?

Gajanan Nabar Of the total non-ethanol order book.

Manish Goyal It is basically new businesses?

Gajanan Nabar Yes.

Manish Goyal Okay and sir are coming to Jejuri the new biotech facility which has been inaugurated. Here also if you can give some sense in terms of revenue potential and basically have we started with some product lines over there?

Gajanan Nabar Yes, we are pretty excited about this new facility that we built here of biotech products. We are already more kind of producing these products at our other smaller facility at another location and obviously this facility would get some kind of spring board to move from there. Because high-value low revenue sized products, so we are looking at the next 2 to 5 years, we are looking at anywhere in the range of between Rs. 60 to 100 crores coming out from these very specialize products from the current product portfolio.

Manish Goyal And this would be high margin products?

Pramod Chaudhari Yes, basically performance enhancer which we have been making at small facility which we are planning to step up that production and sell because as we're getting more and more references across the globe, more and more demand is coming from these products, we are getting geared up for that.

Manish Goyal But in FY12 just what could be the size of this industrial biotech products?

Pramod Chaudhari We are not doing the break up for these.

Manish Goyal Coming to Nasrapur, what is the plan over there?

Pramod Chaudhari There are some formalities and all those things are still under way so we are still deferring our plan to shift unless all permissions are in place, we will be able to take it forward.

Moderator Thank you. The next question is from the line of Ankush Mahajan from KR Choksey. Please go ahead.

Ankush Mahajan , The order inflow is Rs. 270 crore for the last quarter and the breakup is 55% from the international order and 45% from the domestic orders. Am I right sir?

Gajanan Nabar The order inflow is Rs. 270 crore and breakup between 48% from domestic and 52% international.

Ankush Mahajan Sir, can I get the breakup for this 48 from what are the different sectors there in the domestic market that we have received?

Gajanan Nabar All our new businesses currently are into domestic markets so they club under domestic so it is obviously domestic alcohol business, its water, wastewater and it is customized engineering and part of our ingredient business is also in the domestic market. These are from different sectors.

Ankush Mahajan You mentioned that due to the higher inflation and higher interest rates scenarios, the industrial capex is already slowdown. Are we able to sustain such growth in the coming quarters? Do you think some slowdown in the industry capex in our sectors?

Gajanan Nabar	As I mentioned in my initial thoughts, we are not seeing the impact right now either on the enquiry basket or on the order inflow. Right now we are not seeing that, but if the situation continues and gets worsened, we might see some of that but we just wanted to give you all heads up that the situation is not probably as good as was couple of quarters back from the financial and economic standpoint in the overall general market. Right now we're not seeing a direct impact on the order book.
Ankush Mahajan	Can we say that the next one or two quarters, things will be sustained?
Gajanan Nabar	Yes, hopefully.
Pramod Chaudhari	We will confirm that in January, yes.
Ankush Mahajan	Another thing is that we are more positive on the regions like Latin America and Africa. Others like Europe and US as you said in Southeast Asia there is some slowdown. So, are we expecting some slowdown in these two regions also or we are able to sustain, we are able to get more orders from these regions also?
Pramod Chaudhari	Slowdown in USA is well-known thing and same is the story with Europe. So movement on RED is increasing, little bit of a paradox happening in our sector. The mandates on the RED side are improving, the mandates are coming more and more in South America and also in Africa. It is going to be the question of availability of money, the economical situation. The emerging markets are not that much affected when it comes to investments. We are getting benefit of that plus we are distributed in many countries. That's become a very important plus point. We may not have a bunch of activities what it happened in the past but we are having definitely certain cases getting finalized in certain countries in line with the mandates they have declared that is how this whole basket is improving on this side, especially South America and Africa. So I don't foresee any major setback in these coming years in these two areas. Also Southeast Asia is comparatively slow but for different reasons, it may be because of availability of feedstock. These are different-different reasons in different areas happening given in the region. Cumulative fact is that we are still having good enquiry baskets with traction.
Ankush Mahajan	Another thing is I just want to know the revenue recognition trend. Suppose we have three sectors like ethanol segment, brewery segment, and water segment. Suppose we have for example Rs. 100 crore of order book and the execution time is four quarters that is 12 months, so what is the percentage of that order book will execute in a 1 st Quarter, 2 nd Quarter, 3 rd Quarter, and 4 th Quarter. Can you throw some light on that?
Surendra Khairnar	See, all these three sectors we will be recognizing the revenue on the basis of percentage of completion. So it does not matter in which quarter we are recognizing how much revenue. It is according to the percentage of completion.
Ankush Mahajan	Usually we see in engineering companies and the construction companies the revenue recognition in the 4 th Quarter is quite high at 35% to 40%, so same thing happens in our company or there is a different trend?
Surendra Khairnar	I do not know about other engineering companies but in our case we would be recognizing revenue on the basis of percentage of completion. The revenue could be higher in the second quarter or vice versa.
Ankush Mahajan	Is there no uniform trend?
Gajanan Nabar	Trend cannot be uniform.

Ankush Mahajan	Okay, thank you very much.
Moderator	Thank you the next question is from the line of Avinash Gupta from Globe Capital Markets, please go ahead.
Avinash Gupta	I have a few questions on Kandla? Basically, are we ready with all the inspections in Kandla, that has been completed and what kind of breakeven are we looking at and what is the market segment that we are looking at?
Gajanan Nabar	Yes I think all the relevant questions for starting a business like this and yes we have been working on getting the recognition, getting on some of the large multinational buyers who could tie this facility up on a longer time basis for some of their critical equipments and I'm glad to share with you that yes we have significant approvals for Kandla 1 facility. Kandla 2 facility just got started last month is under process of getting these approvals but people have already seen our practices, safety procedures, and all the other paraphernalia which goes along with the approvals apart from the physical facility, it would be easier this time to get this approvals in place.
Avinash Gupta	And what is the kind of the breakeven level that we are looking at?
Gajanan Nabar	We are looking at an investment of about Rs. 35 crores of revenue at a breakeven level.
Avinash Gupta	and what kind of contribution do we expect in this?
Pramod Chaudhari	In the total business or the contribution?
Avinash Gupta	Contribution in this kind of business the heavy equipment fabrication we normally look at?
Gajanan Nabar	I would like to clarify that this is not plain vanilla heavy equipment fabrication. We are looking at our process knowledge that Praj has built over so many years trying to take the advantage of that and offering that to the customer in building their critical process equipment again in a very select market segment. And we also do not want to be part of all the herds that can supply supplied heavy equipment manufacturing capability. There are a select few who can have that kind of capabilities in the Indian context, who can obviously international supply these equipments. So we are playing in that particular niche and I may clarify to you Avinash. You are asking about the contribution margin for the business? We are looking at certainly much improved contribution margins than what you could see in the current market.
Avinash Gupta	The current market means the kind of margins that you are having in the current businesses?
Gajanan Nabar	It will be in line with what we are showing now.
Avinash Gupta	Thank you.
Moderator	Thank you. The next question is from the line of Jeremy Higgs from Green Dragon Fund, please go ahead.
Jeremy Higgs	Just a quick question on Tirupur. How large are the orders that Praj won here?

Pramod Chaudhari Rs. 20 crore.

Jeremy Higgs Thank you very much. Is there likelihood that there are other companies that would be requiring services in the industrial belt as well there?

Pramod Chaudhari Yes Jeremy, this is a very important niche which we are opening up with our technical competency and we are quite bullish that this will have a potential in other textile parts or other places also. If you have got any such thing happening in that part of the world from where you are coming from please do let us know.

Jeremy Higgs Secondly Mr. Chaudhari, the biotech consumable, do you expect that these would be contributing to earnings to revenues in the second half of this financial year?

Pramod Chaudhari Not really, I will expect them for the next financial year.

Jeremy Higgs I know you have been searching, for an acquisition in the water sector, is there any update on the progress of that matter?

Pramod Chaudhari It's a little early but yes the things are quite active and hot on that front. I think we should have some good news on the early next calendar year.

Jeremy Higgs Thanks for that and my last question is that I remember a few years ago that you were at Copenhagen at the COP 16 meeting there and part of the Indian delegation. Are you planning to go to Durban later in November for the COP 17?

Pramod Chaudhari I had actually planned but now there is a conflict of interest, there is direct businesses are calling me to South America so I'd prefer to go to South America which is more directly relevant to our requirement. Maybe I would give a bye to COP 17.

Jeremy Higgs I just spoke because I know a local Sugar there, headquarters is in Durban, so I thought maybe you would go.

Pramod Chaudhari Your right and make an official trip.

Moderator Thank you. The next question is from the line of Gagan Thareja from B&K Securities, please go ahead.

Gagan Thareja Good morning, and you have indicated that part of your order book basically reflects the increased wallet shares that you're working on now, if one were to hypothetically sort of compare with your scope of the work remaining where it was last year, what could your order book have looked like at the end of the first half?

Pramod Chaudhari It is a very good question but a hypothetical question. I think taken the full wallet now I do not know what would be the order book if I were to knock off the portion. Some of the portion cannot be identified as a separate portion. Like if I go for items which are identifiable then I could have answered your question. But what happens in the earlier days we used to go for critical equipment now we are going with the surrounding equipment which are also kind of proprietary equipment and need not be very different outside the scope of the battery limit. So it is difficult but I can say roughly it would be about 10 to 20% lower, 25% in some cases, it will vary from case-to-case.

Gagan Thareja But in the meantime we can assume that if your order book would have been 10 to 20% on average lower given that?

Pramod Chaudhari You do not put it like that.

Gagan Thareja Specifically for those orders. Okay my second question is related to your revenue mix. Closing FY10 you indicated that beverages alcohol was 50% of your total revenue, and this is in the February presentation that you have given. Is it possible to understand beverage alcohol has a percentage of your total revenue was how much for FY11 and how much if I stand at for the first half of FY12?

Pramod Chaudhari I think we will come back to you with these details.

Gagan Thareja I do not need an exact number in the ballpark will it be at around 50 or would it have moved markedly out of that range?

Gajanan Nabar Yes, it would be slightly lower than 50 but I would not say it has moved dramatically, the beverage alcohol.

Gagan Thareja Would your order book also have a similar kind of a breakup, as your revenue mix would have?

Gajanan Nabar From order book standpoint it would be slightly more because as Mr. Chaudhari explained earlier significant order for this quarter was for beverage alcohol. So it is slightly higher but again it is not out of that.

Avinash Gupta Is the execution period for beverages alcohol orders lower than the ethanol plant?

Pramod Chaudhari It is not a technical, it is very simple. The mother alcohol plant remains the same. The add-on equipments whether it is for fuel or drinking so practically remains the same both the areas.

Avinash Gupta In that case what is causing your execution cycle to actually come down?

Pramod Chaudhari Execution cycle is low for non-ethanol areas in new businesses.

Avinash Gupta But those can be a very small part of your total order book?

Pramod Chaudhari That is right, average could go down to 9 to 12 month's average as against 12 to 15 months. And especially in Africa the projects can go up to 18 months. Again so there are many variable which play a role in deciding the order cycle?

Avinash Gupta So for your present order books should one go with the assumption that the mean execution period would be between 12 to 15?

Pramod Chaudhari That's the better guess, yes.

Avinash Gupta Okay and what would be your capacity utilization level stand at as of now?

Pramod Chaudhari What happens in as our case we have a stretchability in the capacity so we get a lots of things outsource also and that's how we can always play around that. Today if you can say we are somewhere around 80% to 90% capacity utilization.

Avinash Gupta Okay and is it a possibility where the new plant at Kandla that you put up could be utilized for your own projects instead of what, I am trying to say that you have now increases wallet share in ethanol projects. Would be it possible for you to use this facility to address this increase wallet share itself rather than taking standalone orders in other industries?

Pramod Chaudhari Technically it is feasible but strategically we would like to show a sustained involvement for non-ethanol project to give comfort to the prospective customers that this is not an ad-hoc kind of thing. For those customers also we are expecting some kind of consistent performance in those areas.

Avinash Gupta You also indicated that the heavy fabrication that you would do at Kandla would be different from the run of the mill fabrication that normally happens. Could you specify a little more in detail is it due to certain manufacturing parameters or certain design parameters, where is it that you would differentiate?

Pramod Chaudhari Both.

Avinash Gupta What would be the relevant end-user segment that you would be addressing?

Pramod Chaudhari It could be a very wide segment, it could be oil and gas, it could be specialty chemicals.

Avinash Gupta Let us say that you have a certification or something?

Pramod Chaudhari This is the starting point.

Avinash Gupta Alfa Laval recently indicated that they have increased substantially their net capacity to address the ethanol and the brewery segment. They have over the last few years lost out market share to you. Do you foresee that, with the renewed focus from Alfa Laval in the domestic and the Southeast Asian territories in the space that is relevant for you there could be a margin pressure?

Pramod Chaudhari No, I consider it's as a welcome move because that means that business is going to grow in this area. They would do a systematic investment if there is likely going to be a business pie, for me it is good news that they would be increasing in the sectors.

Avinash Gupta Lastly on the cellulosic ethanol ventures that you are undertaking with Qteros, you indicated that in a quarters time you might be in a position to show a demo scale plant?

Pramod Chaudhari We are not sure, we would take a call on our demo scale plant, we will be able to share with you definitely once we are ready with that.

Avinash Gupta And what would be the capacity for that demo scale plant?

Pramod Chaudhari It will depend on the kind of definition we take for the demo plant. A demo plant would be anywhere between 30,000 liters to 45,000 liters per day.

Avinash Gupta And what feedstocks would you be addressing?

Pramod Chaudhari We are evaluating that.

Avinash Gupta Thank you sir.

Moderator Thank you. Due to time constraints that would be the last question. I would now like to hand the floor over to the management for closing comments.

Vinati Moghe I thank all of you for joining us today. I do see that there are some more questions from others but will take them up later, you can send us an e-mail and we'll be

happy to take them up and respond to them at the earliest. Thank you very much for joining us, goodbye.

Pramod Chaudhari Thank you.

Moderator Thank you. On behalf of Praj Industries that concludes this conference. Thank you for joining us and you may not disconnect your lines.