



Praj Industries Limited

Transcript of Q2FY14 Earnings Conference Call October 28, 2013 12 noon

- Moderator** Ladies and gentlemen, good day and welcome to the Q2FY14 Earnings Conference Call of Praj Industries. As a reminder, all participants' line 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 the conference call please signal an operator by pressing * followed by 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 morning everyone. We welcome you to the conference call organized to discuss Praj Industries' operating performance and financial results for Q2FY14 which were announced earlier. I have with me Mr. Gajanan Nabar – CEO & MD and Mr. Surendra Khairnar, Assistant Vice President - Accounts.
- Before we begin, I would like to mention that some of the statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance were emailed to you earlier. These documents are also posted on to our corporate website. I would now like to hand over to Mr. Nabar for his opening remarks.
- Gajanan Nabar** Thank you Vinati. Good morning everyone and thank you for taking your time to join us on this conference call for second quarter of FY14.
- As mentioned last quarter, the financial numbers have been shared on a consolidated basis which includes Praj Industries Limited, India together with our local execution companies both in India and overseas and also subsidiaries. At the outset, I am happy to share the development on the second generation front. Praj has been retained as a technology partner by a reputed European company for an advanced biofuels R&D project to be implemented in Hungary. To this effect, a Letter of Intent has been signed, the R&D project will progress into a Second Generation Cellulosic Ethanol Demonstration Plant. Praj's second generation Cellulosic Ethanol efforts have started receiving recognition in the international markets. All the investments for this project will be made by the partnering company and EU funding.
- On the demo plant in India, we have completed most of the engineering. The project is going through the necessary regulatory permissions. Our efforts are directed towards further optimization of CAPEX.



The Indian Ethanol blending program is moving at a measured pace. Ethanol producers have offered 620 million liters or about 45% of the required quantity for the period December 2013 and November 2014. The OMCs have also brought out a tender for the following year. Ethanol producers are in a position to supply Ethanol during the next cane harvesting season based on good cane at the right price.

Second quarter of Fiscal 2013-14 saw some mixed developments in the Ethanol blending policies all over the world. According to the unauthenticated leaked report of the US environmental protection agencies, bio-fuel blending in the US is likely to be scaled down for the year 2014. However, RFS2 the guiding document of bio-fuels policy in US remains intact vis-à-vis the 15 billion gallons to be blended from first generation ethanol by 2015 and 36 billion gallons by 2022.

South America, which has been a very promising continent for Praj, saw some positive developments. Countries like Colombia, Argentina, Peru continue to sustain ethanol blending mandates. Argentina, which is currently at E5, is already discussing an increase of the blending mandate to E12. Brazil continues to import ethanol from the US. The supply quantity remains inadequate to serve the 25% blending target. African continent saw favorable developments. South Africa has declared E2 mandate starting 1st October 2015. Zimbabwe is moving from E5 to E10. To serve the mandate, South Africa will need immediate capacity build up and Praj is already working on a few proposals in the region.

Now a briefing on the emerging businesses, Praj has entered into a technical collaboration for exclusive rights to an advanced niche technology for waste water treatment which will help the company serve multiple industries competitively. Leading applications are in sectors like agro chemicals, specialty chemicals and metal working industries. The technology offering is light on CAPEX as compared to the existing technologies and systems. This is in line with the company's strategy to build a technology based portfolio to serve the water and waste water. A leading bio-tech company placed another order for a process system with critical process equipment and systems group for their project in Malaysia. Neela Systems received enhancement in the order from Hospira, the leading American Specialty Pharma Company. This is a follow up to the order in the previous quarter.

Now for a briefing on our financial performance, as shared in the previous quarter results conference call, we expect financial performance to improve in the second half of this Fiscal. The order book remains healthy. In fact we will see executability improving as we move into the latter half of this Fiscal. The consolidated income from operations was Rs. 194.2 crore in Q2 FY14 as compared to Rs. 173.06 crore in Q1 FY14 and Rs. 218.78 crore in Q2 FY13. EBITDA was at Rs. 9.32 crore in second quarter FY14 as compared to Rs. 0.48 crore in first quarter of FY14 and Rs. 13.26 crore in Q2 of FY13. The PBT was Rs. 7.85 crore in Q2 FY14 as compared to Rs. 4.92 crore in Q1 FY14 and Rs. 16.6 crore in Q2 FY13.

Profit after tax of Rs.6.47 crore in the Q2 FY14 as compared to Rs. 4.92 crore in Q1 FY14 and Rs. 13.4 crore in Q2 FY13. The breakup of the revenue of Rs. 194.2 crore comprises export of 54% and domestic business of 46%. Ethanol business forms 69%, brewery business forms 4% and emerging businesses forms 27% of the revenue. The order backlog, as on September 2013, is holding at Rs. 990 crore. While export is at 57%, the domestic business stands at 43%. Ethanol business form 65%, brewery business at 13%, and emerging businesses forms 22% of the total order book.

In keeping with the prudent practices, some orders which were showing inadequate movement have been removed from the order book. They will be reinstated as and when there is any sign of movement and executability on these orders. The order backlog for Neela Systems stood at Rs. 71 crore. The order intake in second quarter FY14 at Rs. 172.8 crore has been consistent with good mix of international orders. Out of this, 41% constitutes the international orders and 31% of the fresh orders received during the quarter are from emerging businesses.

Praj acquired a further stake of 10% in its subsidiary Neela Systems Limited for Rs. 20.4 crore. With this, the company now holds 70% stake in Neela Systems at a total consideration of Rs. 96.9 crore. The balance of Rs. 41.3 crore for a further 20% stake in the company will be paid over the next two years.

Praj Industries formed a subsidiary named Praj sur America SRL in Buenos Aires, Argentina to look after the company's business interest in the region.

Praj has also acquired the balance stake in its subsidiary Praj Far East Philippines Limited Inc. As a result, it is now a wholly owned subsidiary of the company.

Some good news, Mr. Pramod Chaudhari, Executive Chairman, Praj Industries, was conferred the life time achievement award 2013 by the Sugar Technologists Association of India. STAI is the apex body of sugar professionals in India. The award was bestowed on Mr. Chaudhari for the invaluable contribution by him and Praj Industries in the development of innovative and sustainable technologies in the field of ethanol under his leadership. Again, Mr. Chaudhari was also conferred NITIE most inspiring entrepreneur for the year 2013.

Ladies and gentlemen, we are in the midst of a major period of low activity in the economy. The company continues to weather this period with a great deal of resilience. We expect all the initiatives to start paying off as the economy starts turning up. However, the overall prospect remains healthy and the gradual scaling of emerging businesses will let us diversify our business model further which should put us in a good state in the future. With this, I wish all of you a very Happy Diwali and we will now take questions.

Moderator Thank you very much, sir. Participants, we will now begin with the question and answer session. We have the first question from the line of Bhalchandra Shinde from Batlivala & Karani Securities. Please go ahead.

Bhalchandra Shinde I would like to know is this rupee weakening effect helping us to some extent to acquire some export orders. What is the trend relatively on international order intake for last two, three quarters?

Gajanan Nabar I think Bhalchandra, it does help in some sense but, we have been there in the ethanol industry for the last 30 years and more than 15 years in the international markets. We have been winning orders despite what the rupee does. This shows our intrinsic value to the customer, it is just not based on the rupee appreciation or depreciation. So the point is, definitely it would help our profitability. Obviously it depends on which point of the exchange cycle we got the order and we booked the expenses and all that. This, definitely, also helps our new businesses like Critical Process Equipment and Systems which are now gaining ground in the international arena. But overall, I think we are obviously building a model which takes into account, our competitiveness and our value to the customer in all kinds of cases.

Bhalchandra Shinde Sir, on an average what will be the execution cycle for this current order book?

Gajanan Nabar I think I had mentioned in my earlier call for all our four businesses, now we have different cycle of execution. Ethanol and Beer remains at between 12 and 14 months. Water, waste water is between I would say 8 and 10 months. Our Critical Process Equipment and Systems remain at between 6 to 9 months and Neela remains between 4 to 5 months. So there are different cycles. So, on an average basis I would say a good bet is up to about 12 months as a cycle for the overall company.

Bhalchandra Shinde Can you share the figure of Neela Systems, how was the quarterly performance or first half performance?

Gajanan Nabar The first half was Rs. 33 crore and the PBT was a loss of Rs. 60 lakhs.

Bhalchandra Shinde And EBITDA?

Gajanan Nabar Can we send these details across to you?

Bhalchandra Shinde Sure. Sir, if you can share second quarter's performance?

Gajanan Nabar Second quarter was at Rs. 17.47 crore and the PBT was at a loss of Rs. 1 crore – Rs. 1.09 crore to be precise.

Moderator Thank you. We have the next question from the line of Bhagyesh Kagalkar from HDFC Mutual Fund. Please go ahead.

Bhagyesh Kagalkar First query is on the demo pilot plant. Where is it now and how much CAPEX is now envisaged?

Gajanan Nabar Now as I mentioned in my brief, the engineering is almost complete. I won't say it is 100% complete, but it is definitely more than 90% and right now actually we are working on couple of options to reduce the CAPEX. As you might recollect, we had announced the CAPEX to be between Rs. 130 and 140 crore and we are trying to see variety of options of how we could optimize this in the given scenario. Actually, the efforts are going on right now. So, once we have some numbers which we believe are going to hold, we will share that with all of you.

Bhagyesh Kagalkar And coming to the current turnover and the EBITDA as well as the PBT, if you see sequentially, you have improved but on YOY these numbers were still lagging as even what we used to achieve in June 2012 quarter of Rs. 200 crore turnover and margins were better. So what is dragging us down basically?

Gajanan Nabar No. Certainly Bhagyesh you have been tracking us for some time and you know that we have always said that don't judge us on a particular quarter. There are a variety of things which go in to a quarter. So, I would say and request our investors to have a little patience as I have said in my brief that our second half looks better.

Bhagyesh Kagalkar Okay, second half will be better?

Gajanan Nabar Yes, so I think we should look at this on a little longer period. It also depends on entry points of the orders and variety of other things that I mentioned earlier.

Bhagyesh Kagalkar And you had taken out some non-serious orders from the order book. If economy does well, they can come back on the order book. So what is the quantum?

Gajanan Nabar So you know the order book we announced was about Rs. 172 crore —We have taken about Rs. 40 crore of order out of this. So if I add back this value, we were at more than Rs. 200 crore of order book but as we have always said that we want to be diligent on our order book and executability of them. Thus, we have taken those orders out and published Rs. 172.8 crore as net new orders booked for this quarter.

Bhagyesh Kagalkar And which areas look promising for the order book now going forward for next 18 to 24 months, longer time frame?

Gajanan Nabar somewhere we also mentioned that our efforts in internationalization of the brewery engineering business have been bearing fruits. That area looks interesting and so is our main business of Ethanol, with mandates coming in South Africa and other parts of Africa. There are 10 countries in Africa which have gone for blending mandates which is very heartening news for all of us. Indian blending program is progressing well so we are expecting that it will start bearing fruits in terms of capitalization as the Indian markets and sentiments improve. Also, other areas like Argentina and Colombia in South America are showing good amount of traction. Coming back to our emerging businesses, they are all in seeding phases as we already mentioned and also we are seeing some good amount of traction. So I think, overall it is an optimistic scenario on order book content.

Bhagyesh Kagalkar Okay so next 12 to 18 months your outlook is that of rise in revenues followed by rise in margins, your execution will be faster?

Gajanan Nabar Yes, I don't want to be speculative in any sense. We have a good sense of the next half and beyond that, I think we will have to take some time and understand the market little better to make any comments on that.

Moderator Thank you. We have the next question from the line of Keith Olson from Green Dragon Fund. Please go ahead.

Keith Olson Just one question on the niche technology that you talked about and the exclusive rights. Can you describe in more detail what kind of technology that is and how are you planning to commercialize that?

Gajanan Nabar It is an advanced way of oxidization technology. So, what basically it would do is, it would be a suitable option for biological treatment that people do for waste water treatment and the advantage of this technology is that it doesn't have to wait for the load of the effluent. It could start as the load increases or it can be scaled down as the load goes down and it also works out to be substantially effective. It is also a very, very effective treatment for non-degradable COD, chemical oxygen demand. These two elements are making this technology very useful in sectors like agro-chemicals, where the non-degradable COD is seen. Many times, we don't have a solution for this in the current context. So we felt that this technology would certainly help us to address some of the critical questions or challenges faced by the industry and the plan is to take these to some of the key applications that we are currently working on and commercialize it on a scale basis over the next year or two.

Moderator Thank you. We have the next question from the line of Mahesh Bendre from Quantum Securities. Please go ahead.

Mahesh Bendre In the first half of this current year our consolidated sales have declined by 12%. What is the outlook for the second half?

Gajanan Nabar Yes Mahesh, I have already said the outlook looks better. Certainly, we feel better about the second half. I don't want to indulge into any speculation but certainly the outlook and the confidence that we have on the team is better than what we have seen earlier.

Mahesh Bendre So based on the order book execution of Rs. 950 crore where you have indicated that the blended execution time is around 12 months are we at least able to report the last year's revenue this year like covering whatever the loss we have made in first the revenue loss we have in the first half; will be able to cover in the second half at least?

Gajanan Nabar Again, I have given you all the facts and figures and it is for you to make the best judgment. We are obviously putting all the efforts to surpass that. But, there is some contribution of the external factors which are beyond the control and as and when we see them we obviously bring it to the attention of our investors, like we said that we have taken out orders worth Rs. 40 crore out of our order book so things like that. So barring that, I think we are on a straight course.

Mahesh Bendre So as things stand now we will be able to get the revenue what we reported last year, is it a fair understanding?

Gajanan Nabar I think I would tend to agree. That is where our efforts are, definitely.

Mahesh Bendre And when you see there is a definite improvement anticipated in the second half you are talking about sequentially or on a year-on-year basis?

Gajanan Nabar I would say both.

Mahesh Bendre And sir, the contribution of the emerging businesses is going up both in revenues and the order inflow. Is it the case because of that the margins are under pressure because these businesses are not, as of now, profitable?

Gajanan Nabar No, I wouldn't say that because our gross margins are still intact compared to even corresponding quarter last year. I think it is the total revenue which is impacting. So as the total revenue catches up, I think we need to make an inference on the emerging business space. I think right now it will be too early to make an impression on the emerging business case looking at this quarter alone. So I would say that please have little more patience for another two quarters to see how it pans out. We have already said in the beginning of the year that about 30% of revenue this year comes from emerging business. So I think we still stay on course for that.

Moderator Thank you. We have the next question from the line of Pooja Swami from Span Capital. Please go ahead.

Pooja Swami My question is regarding the second generation plant you just mentioned that you expect an expenditure of around Rs. 150 crore, right?

Gajanan Nabar Yes, in the range of Rs. 140 crore and Rs. 150 crore.

Pooja Swami Yes, so you have already taken some expenditure on this?

Gajanan Nabar No, right now we are just done with the engineering. We have not taken any expenditure as of now.

Pooja Swami So, when do you expect this total expense would be taken by you?

Gajanan Nabar As I explained earlier Pooja that we are right now working on optimization of the overall CAPEX. We have different ways to follow on this and there are lots of sustained efforts going on in that direction. So once we are through with it, we will take the call on start to spend.

Pooja Swami And sir, you have intended to bring in some PE investors, so what is the progress in that?

Gajanan Nabar Just a clarification Pooja. We didn't say we will bring a PE investor, we said we will bring a strategic financial partner and we are still working on that.

Pooja Swami And just one question on your accounts, according to your last year's annual report if we see your other income it is around Rs. 30 crore. The major part of it consists of your gains and interest from cash surplus, right?

Gajanan Nabar Yes.

Pooja Swami Yes, so if we see that from the profit before tax Rs. 92 crore if you remove this Rs. 20 crore means going forward when you take some expenses and your cash is reduced so this Rs. 20 crore will become zero at some point of time, right?

Gajanan Nabar No, but we are also adding cash back in terms of profits.

Pooja Swami So, you don't see any effect of this on the profits?

Gajanan Nabar We are not seeing significant impact on the profit.

Pooja Swami Lastly, what would be your dividend payout ratio?

Gajanan Nabar Last year it was 30%.

Pooja Swami And would it be the same for this year?

Gajanan Nabar We have been doing that consistently Pooja, so I don't see any reason not doing it going forward.

Pooja Swami And sir, your cash on book at present is, how much is it at present?

Gajanan Nabar About Rs. 200 crore on consolidated basis.

Pooja Swami And debt?

Gajanan Nabar Debt about Rs. 12 crore on consolidated basis.

Moderator Thank you. We have the next question from the line of Saif Shakeel from Banyan Capital. Please go ahead.

Saif Shakeel Sir, your employee expenses have risen by 20% QOQ. What could be the reasons for this?

Gajanan Nabar Mainly, the salary revision is the reason.

Saif Shakeel And the reason for the lower tax rate in this quarter?

Gajanan Nabar See we are in MAT presently.

Saif Shakeel And sir, there were recent media reports about the blending ethanol's mandate in India pointing out that how the ethanol producers have lower incentives because of the markup by the OMCs at Rs. 38 to Rs. 40 per liter for the ethanol procurement. So how do you think this is going to affect going forward and what will be the traction in terms of new orders?

Gajanan Nabar See anyways, the market price which was at Rs. 27 for this space has moved beyond Rs. 35. This is a significant move in terms of prices for the market. So right now, of course there are some teething issues between the OMCs and the ethanol producers but as there is this mandate which is now an ordinance of 5% blending. We believe that this issue is getting resolved and I think there would be pockets where these prices would get established, I think we have seen that there are certain pockets where the prices are getting established and the other pockets where there is still some amount of back and forth which is going on but we believe that in the next 3 to 6 months it will get settled. But overall, it is very positive for the ethanol industry in India.

Saif Shakeel And sir, on the balance sheet there is one item which you show as contracts in progress which have increased from about Rs. 50 crore to Rs. 120 crore. How do you read this – if you just give an idea of what are these related to and can it be taken as an indicator for say as upcoming revenues, is that a fair assumption?

Gajanan Nabar Yes, we follow accounting practice AS7. This is the reason why you see the contracts in progress. Obviously, contracts in progress would indicate the following quarter's robustness of the executability. That is an indication I would read.

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

Manish Goyal Sir, just you mentioned about second gen technology– so you have been retained as a technology partner. can you highlight that more in terms of what is the arrangement?

Gajanan Nabar Yes, we have received an LOI. We are not in a liberty to announce the name of the partner because they are configuring that at their end. But this is a leading European company in bioethanol space and we are going to work with them in terms of developing on specific feed stocks which would make sense for their geography and once this developmental activity goes through then we will work with them to build a demo plant in that area. So, that it would be a demo cum semi-commercial kind of a plant which will of course, put us in the next orbit. Manish, you are aware that EU is contemplating 2.5% of second generation blending as part of their overall blending program and this really puts us in good state in that direction. And I already mentioned in my briefing that the funding is done by the party and also part of EU funding.

Moderator The next question is a follow up question from the line of Bhalchandra Shinde from Batiwala & Karani Securities. Please go ahead.

Bhalchandra Shinde Regarding that exclusive rights to a niche technology which we were talking about how much potential market we see for that technology?

Gajanan Nabar We see a very large potential. I think it is answering certain right now chinks in the armor for wastewater treatment industry I would say. There is some work, there could be some customization work, and there could be more of a developmental work. But it would be useful for any of the challenges that we face on high COD and especially non-degradable COD area. So it is a very large portion of the total wastewater treatment market.

Bhalchandra Shinde Can we quantify on that front?

Gajanan Nabar We are right now in the process of putting all the nuts and bolts on the total picture. So I think you should give us a little more time. I don't want to make a preemptive announcement about the numbers right now.

Moderator Thank you. We have the next follow up question from the line of Mahesh Bendre from Quantum Securities. Please go ahead.

Mahesh Bendre Over the next 12 months what is the order inflow outlook in terms of from domestic ethanol, international ethanol and even domestic emerging businesses?

Gajanan Nabar Mahesh, I think it is very speculative at this point of time. You know how this is a capital forming industry. So I don't want to hazard a guess right now. Efforts are all out in all directions. We have also increased our efforts in international brewery engineering markets. We have increased our efforts obviously in emerging businesses, also in international markets. But I don't want to hazard a guess in terms of what could be the order book for the next 12 months. But we will keep you informed as and when the orders inflow.

Mahesh Bendre No, I am not looking for any number or any guidance as such but purely from quality view point do you seeing a substantial improvement in any of these three segments in any more geography?

Gajanan Nabar I won't say that. I think it is still a mixed bag, you know, something goes up equivalently, something goes down. So right now it is really choppy. There is no clear direction in any segment that will allow us to say there is a breakout happening. Clearly, no.

Mahesh Bendre And sir, the arrangement with the European player for the second gen plant, how it will be different than what we are setting up a plant in India? Is there any overlap between these two?

Gajanan Nabar In terms of feedstock, it will be more relevant for the Europe in that particular geography. It also has to meet all the green energy norms of Europe which anyway, we are designing and building in to our offerings for second generation. Apart from that, there are not too many diversions.

Mahesh Bendre How big is this development? Is it a major development from our company view point?

Gajanan Nabar Yes, it is a significant development. I think it puts our foot in the European market for second generation clearly.

Mahesh Bendre And just to conceptually understand if things go well with this European arrangement then how things are going to place going forward? The plant that will be setup based on your technology will there be a sharing of technology or how we are?

Gajanan Nabar No, the technology remains with us. We are not going to share the technology. We will share the benefit of the technology on priority basis with the customer of course. But we will not share the technology.

Mahesh Bendre And how long you expect this outcome is likely to come over the next 12 months?

Gajanan Nabar No, I think we are looking at between 18 to 24 months overall for all steps to happen.

Moderator Thank you. We have the next question is from the line of Chintan Sheth from SKS Capital & Research. Please go ahead.

Chintan Sheth Just a question on balance sheet side. We have seen a drop in long term investments as well as the short term investments from Rs. 15 crore to Rs. 5 crore on current investments and Rs. 150 crore to Rs. 87 crore. I just wanted to know which is reflective in our other income which declined from Rs. 10 crore to Rs. 4 crore?

Surendra Khairnar No, it is due to regrouping of investments.

Chintan Sheth So we are seeing these investments in this line or at the year-end period and the other income will be in that bracket only Rs. 4 crore to Rs. 5 crore quarterly?

Surendra Khairnar By-and-large it will be in the same range.

Chintan Sheth Another question on employee cost. As you have mentioned earlier that due to salary revision the employee cost has increased Rs. 33 crore, so the run rate will be remains the same I guess going forward?

Surendra Khairnar Yes.

Chintan Sheth Rs. 33 crore quarterly will be the run rate on that?

Surendra Khairnar Yes, roughly correct.

Chintan Sheth And Rs. 4 crore to Rs. 5 crore is the other income we will see quarterly coming in?

Gajanan Nabar Yes.

Chintan Sheth Coming back to the outlook as you say that you won't speculate on the numbers as of now, order inflows remained at Rs. 990 crore you declined reinstated the Rs. 40 crore order due to execution problem or slowness in the execution. So as we compare it with the quarter 1 order book of Rs. 110 crore, we came down Rs. 20 crore in our order book in Q2 that is Rs. 20 crore down and the average execution cycle is 12 months for the company as a whole if you see the Rs. 990 crore of order book getting converted or on an average Rs. 1,000 crore of we are seeing for past 4, 5 quarters of Rs. 1,000 crore order book backlogs. If we see the 12 months conversion and getting into the half years figure it comes around Rs. 500 crore getting reflected in to the revenue and still seeing the numbers on the revenue side on a YoY basis is being declining and what will be your take of when we will see the uptick on the revenues in coming years? I understand that there are number of technologies or number of business lines you are adding up and it will add a revenue to the company but as of now on a short term basis may be half year or one year going forward what is the management feel in terms of the orders getting converted in to its revenues?

Gajanan Nabar Now so Chintan, there are multiple questions. So let me try to attempt to answer some of them. One is let me clarify Rs. 990 crore is post taking out Rs. 40 crore of orders that I will say. So, Rs. 990 crore is net of that. That is one. Second is, it is a little bit simplistic to just take the order book and look at the total execution period and you need to obviously go in to the line wise where the execution is shorter or longer and that ultimately results. Also, it depends on the entry points of this order. You are right that in the last three quarters we have been talking about the order book of this magnitude and obviously the entry points would determine how it will impact the revenues. As I already said we are looking at a much better second half year. We are very optimistic about it; we are putting all our efforts to execute whatever we got in hand. In today's scenario and I am sure you are tracking the overall industry, you know that there are certain unanticipated things that could happen and some executions could go slower and that would obviously impact straight away on our revenue line, which is beyond management's control but definitely there are efforts towards how do we mitigate some of this and we are looking at as we said a much better second half going forward for this year. To answer anything for the next year I think we will have to wait for another three months. We do an assessment towards January and that is when we get some sense of how we are going to see the next year and probably that is the right time we will share this with our investors that what is the outlook remains for the FY15. But currently certainly second half looks better. We have been saying this for this is not the first time we said this, we are saying this for last two calls definitely and I think we continue to hold that. If there are any changes in this we will certainly be proactive in informing this to the investors.

Chintan Sheth Can we get an idea like the first half we have done around Rs. 370 crore of revenue, what kind of growth you are looking at on a first half to second half like you are seeing that you are very much optimistic but again you are cautious about the execution and extraneous environment in the industry prevailing. So what kind of growth numbers we can expect like from first half of Rs. 370 crore what will we look forward to?

Gajanan Nabar Mr. Chintan, you probably know, you have been tracking our company for some time. We don't off load our numbers or estimates. We just give you a sense of how good we feel the next half or next quarter looks. But what I would suggest is, please do get in touch with your specific questions with Vinati or you could have a meeting with us. Are there any further questions? We will clarify but certainly we will stay away from saying any numbers at this point of time. We are in a project business and we keep saying that.

Moderator Thank you. We have the next follow up question from the line of Manish Goyal from Enam Holdings. Please go ahead.

Manish Goyal I was just asking about the technology which is being deployed, will it be the own technology for the second gen which will be used for this LOI which we have received?

Gajanan Nabar Yes, it will be our own technology.

Manish Goyal So how do you plan to progress? Does this mean that you will now pause the plan for your own commercial demo plant in India or will you go ahead with both demo plants simultaneously?

Gajanan Nabar No, we certainly will go ahead. I think the feed stocks are different, the conditions are different and we are looking at reducing the total CAPEX exposure for our India demo plant also and as we have earlier said that this is our vehicle for bringing a lot

	of the new R&D pipeline technologies on second generation to the market over the next five years. So, that has not undergone any change. So that continues.
Manish Goyal	And you mentioned that EU has also mandated 2.5% from second gen biofuel and that is applicable from when sir?
Vinati Moghe	Yes, about a year from now.
Gajanan Nabar	I think the senate is going to vote in December on this but we believe that from FY15 that will be applicable. Of course, it will be gradually mandated.
Manish Goyal	And in US you mentioned that there has been some scale down in blending policy and then still but so there is confusion if you can clarify on that?
Gajanan Nabar	No, actually it was a leaked report. I just thought it is appropriate to share with the investors. It is not an official report. It was a leaked copy of the report so we don't know the validity of this report. But we just thought we should just share with you. That is one. Second is, it is only talking about FY14 blending limits. The overall blending limits in RFS2 remain the same. So there is no change.
Manish Goyal	And this Rs. 40 crore order which was removed from the order book was it domestic or international and from which area it was?
Gajanan Nabar	No, it was not a single order. There were one or two orders. Yes, it was from domestic market.
Moderator	We will take the last question from the line of Nirmal Shah from Sandstone Capital. Please go ahead.
Nirmal Shah	Sir, just wanted to check in the Rs. 990 crore order book how much impact the currency depreciation has played?
Gajanan Nabar	Zero. The way we look at order book is at quoted prices. So we don't move along with the currency.
Nirmal Shah	So when you said 57% of your order book is exports so those orders you are benchmark at the price at which when you received not mark-to-market as on September 30 th ?
Gajanan Nabar	Absolutely correct. That is the practice we follow.
Moderator	Thank you. I now hand the floor back to the management for closing comments. Thank you and over to you.
Vinati Moghe	Thanks a lot. Thank you for joining us today on this conference call. I apologize again for all the technical snags and some of you could not hear all of it but our transcripts will be available soonest so you can follow it through on that. With this and the best compliments for the season for the festival ahead Happy Diwali. If you have any queries please write in to me. Thank you and have a great day.
Moderator	Ladies and gentlemen on behalf of Praj Industries that concludes this conference call. Thank you for joining us, you may now disconnect your line.