

Praj Industries

Still in the Shadows

PRJ financial performance is expected to be under pressure for the 1QFY26 due to elongated execution cycle and delay in pick up from new facility in Mangalore. As a result, reduced execution levels combined with increased expenses from capacity expansion are expected to exert pressure on margins. Hence, we expect muted performance on both revenue and earnings front. We expect the company to post revenue decline of ~2% to Rs6.9bn in 1QFY26 vs. Rs7.0bn in 1QFY25. Further, order inflow traction is expected to be under pressure (Rs7bn) during the quarter given macro uncertainties. Although, recent Gol commentary ([LINK](#)) on ethanol pricing and increasing the blending mandate is positive we expect benefits to accrue only in FY27 and beyond. We estimate an EBITDAM of 9.0% compared to 12.4% in 1QFY25, as the execution slows down coupled with expanded cost due to expansion of capacity. On adj. earnings front, we expect PRJ to post 34% decline YoY to Rs408mn vs. Rs620mn in 1QFY25. We maintain BUY on the stock with a TP of Rs590. **Key Monitorables: US-India Trade deal and Gol road map to increase blending mandates.**

Ethanol Blending reaches ~20% in ESY25

In ESY25 (November-May 2025), the EBP achieved an average blending rate of 18.8%, while clocking 19.8% in the month of May. OMCs received 92.5 crore liters of ethanol under the EBP program in May 2025, bringing the cumulative total to 550.0 crore liters from November 2024 to May 2025. India's ethanol production capacity has seen a significant rise, growing more than fourfold in the past 11 years, reaching an annual capacity of 1,810 crore litres. This surge has been driven by favourable policy measures, according to a senior government official. Therefore, increase in blending mandates is key for next round of capex and growth.

45Z Stays — US Biofuel Hopes Don't Fade

The U.S. government has continued with **Section 45Z**, the **Clean Fuel Production Tax Credit**, as part of its broader climate and energy policy under the Inflation Reduction Act (IRA). Effective from January 1, 2025, this incentive offers a performance-based tax rebate to domestic producers of **low-carbon transportation fuels**, including ethanol. The House initially proposed extending the credit through 2031. However, the final version passed by the Senate extends the credit only through December 31, 2029 — shortening the timeline by 2 years. The value of the credit is tied directly to the lifecycle carbon intensity (CI) of the fuel — the lower the CI score (measured via the GREET model), the higher the per-gallon incentive, with a maximum of up to \$1.00 per gallon. The continuation of 45Z aims to promote cleaner fuel alternatives, reduce transportation emissions, and support the scaling up of sustainable fuel production technologies in the U.S. However, eligibility is limited to fuels produced using domestic (U.S., Canadian, or Mexican) feedstocks, excluding most international suppliers from directly benefiting from this scheme. This policy ensures that investments flow into local clean energy ecosystems while rewarding innovation in decarbonized fuel pathways.

Outlook – What should investors do?

Praj Industries stock has come under pressure in recent months (down 40% in last 6ms) due to macro headwinds, including policy uncertainty around ethanol blending, delayed capacity ramp-up, and tariff risks in the U.S. market. However, we believe investors should stay aligned with the company's long-term vision. With strong technology leadership and a proven execution track record, Praj remains a key player in the global clean energy transition. While near-term challenges persist, the long-term opportunity in low-carbon fuels is intact. We see the current weakness as a consolidation phase and advise investors to stay patient and focused on the structural growth story.

Flash Note

India I Mid Cap

4 July 2025

NIFTY 50: 25,461

BSE Sensex: 83,433

Institutional Research

Stock price performance (%)*

Company Name	1 Mth	3 Mth	6 Mth	1 Yr
Praj Industry	0.9	(2.3)	(40.4)	(32.2)
NIFTY Midcap 100	3.0	17.8	3.0	6.0

Source: Bloomberg * as on 04 July, 2025

Rating and Target prices

Company Name	Rating	Price (Rs)*	TP (Rs)
Praj Industry	BUY	499	590

Source: Centrum Broking, * as on 04 July, 2025



Shailesh Kanani

Research Analyst, Mid Cap

+91-22-4215 9001

shailesh.kanani@centrum.co.in

Mid Cap

Exhibit 1: Key monitorables

Company	Comments
PRJ	Update on Mangalore facility.
	Insight into opportunity from CBG and International markets.
	Margin outlook for FY26 and beyond.

Source: Company, Centrum Broking

Exhibit 2: Q1FY26 earnings expectations

Rs mn	Revenue			EBITDA			EBITDA Margin			PAT		
	Q1FY26	Q1FY25	YoY (%)	Q1FY26	Q1FY25	YoY (%)	Q1FY26	Q1FY25	bps change	Q1FY26	Q1FY25	YoY (%)
PRJ	6,869	6,991	-1.8	619	868	-28.7	9.0%	12.4%	-341	408	620	-34.3

Source: Company, Centrum Broking

Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1% or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. Centrum and affiliates have not received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for service in respect of public offerings, corporate finance, debt restructuring, investment banking or other advisory services in a merger/acquisition or some other sort of specific transaction.

As per the declarations given by him, Mr. Shailesh Kanani, research analyst and and/or any of his family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by him, he has not received any compensation from the above companies in the preceding twelve months. He does not hold any shares by him or through his relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance.

While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from doing so.

Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

Ratings definitions

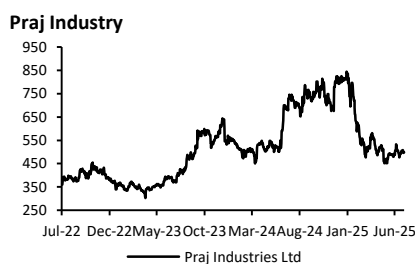
Our ratings denote the following 12-month forecast returns:

Buy – The stock is expected to return above 15%.

Add – The stock is expected to return 5-15%.

Reduce – The stock is expected to deliver -5-+5% returns.

Sell – The stock is expected to deliver <-5% returns.



Source: Bloomberg

Disclosure of Interest Statement	
1 Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL and a SEBI registered Portfolio Manager.
2 Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.
3 Registration status of CBL:	CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001469)
Praj Industry	
4 Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest	No
5 Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No
6 Whether the research analyst or his relatives has any other material conflict of interest	No
7 Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received	No
8 Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report	No
9 Whether Research Analysts has served as an officer, director or employee of the subject company	No
10 Whether the Research Analyst has been engaged in market making activity of the subject company.	No
11 Whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;	No
12 Whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No
13 Whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No

Member (NSE and BSE). Member MSEI (Inactive)

Single SEBI Regn No.: INZ000205331

Depository Participant (DP)

CDSL DP ID: 120 – 12200

Single SEBI Regn. No.: IN-DP-537-2020

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor

AMFI REGN No. ARN- 147569

Website: www.centrumbroking.com

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Chintan Madiya

(022) 4215 9000/9815; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)

Registered and Corporate Office:

Level -9, Centrum House, C.S.T. Road,
Vidyanagari Marg, Kalina,
Santacruz (East) Mumbai – 400098
Tel.: - +91 22 4215 9000