



22<sup>nd</sup> Annual Report  
2007-08

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FUTURE



## Company Information

### PRAJ INDUSTRIES LIMITED

#### Board of Directors

#### Executive Directors

Pramod Chaudhari, Executive Chairman  
Shashank Inamdar, CEO & M.D.

#### Non-Executive Directors

Berjis Desai  
Sivaramakrishnan Iyer  
Anil Joshi  
Daljit Mirchandani  
Kishor Chaukar  
Utpal Sheth  
Parimal Chaudhari

#### Company Secretary

: Deepak Mogal

#### Auditors

: BSR & Co.

#### Internal Auditors

: B. K. Khare & Co.

#### Bankers

: Bank of Maharashtra  
State Bank of India  
ABN Amro Bank N. V.  
HSBC Ltd.

#### Solicitors

: J. Sagar Associates  
Vakils House,  
18, Sprott Road, Ballard Estate,  
Mumbai 400 001

#### Registered Office

: "PRAJ HOUSE",  
Bavdhan, Pune 411 021

#### R & D Centre

: Matrix - The Innovation Center  
Gat No. 402,403,1098,  
Village Urwade Tal. Mulshi Dist. Pune

#### Manufacturing Facility

: S. No. 748, Sanaswadi, Pune 412 207  
Gat No. 745, Sanaswadi, Pune 412 207

#### Export Oriented Unit

: Gat No. 105, Taluka Khed, Dist. Pune,  
Alandi Markal Road, Dhanori, Pune 412 105.  
Kandla SEZ: Gandhidham, Kutch 370 230, Gujrat.

#### Subsidiaries

: BioCnergy Europa B.V., Zoetermeer,  
The Netherlands. [www.biocnergy.eu](http://www.biocnergy.eu)  
Pacecon Engineering Projects Ltd.  
Praj Far East Company Ltd, Bangkok, Thailand.  
Praj Far East Pte Ltd, Singapore.  
Praj Jaragua Bioenergia S.A., Saracoba, Brazil.  
[www.pjbioenergia.com](http://www.pjbioenergia.com)  
Praj Schneider Inc. Omaha, Nebraska, USA  
[www.prajschneider.com](http://www.prajschneider.com)

## Notice

Notice is hereby given that the Twenty Second Annual General Meeting of PRAJ INDUSTRIES LIMITED will be held on Friday, **27th June, 2008** at 10.30 a.m. at the Registered Office of the Company at "PRAJ HOUSE", Bavdhan, Pune 411 021 to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date together with the reports of Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Sivaramkrishnan S. Iyer who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Anil Joshi who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint the Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and authorize Board to fix their remuneration.

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:  

"RESOLVED THAT Mr. Kishor Chaukar who was appointed as an Additional Director w.e.f. 19th June, 2007, pursuant to Section 260 of the Companies Act, 1956 and who holds office up to this Annual General Meeting and for the appointment of whom the Company has received a notice under Section 257 of the Act from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company whose period of office will be liable to determination by retirement by rotation."
6. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:  

"RESOLVED THAT in accordance with the provisions of Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to contribute on behalf of the company to charitable, philanthropic and other NGOs notwithstanding that such contributions, subscriptions and expenditures do not directly relate to the business of the Company or the welfare of its employees up to a 2% of profit after tax or Rs. 25,000,000/- whichever is lower, in any Financial Year as may be considered proper by the Board notwithstanding that such amounts in any Financial Year may exceed Rs. 50,000/- or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the said Act during the three financial years immediately preceeding, which ever is greater, whether utilized during that Financial Year or carried forward to the succeeding Financial Year/s."
7. To pass the following resolution, with or without modifications, as a Special Resolution:  

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner following:

  - (a) to insert the following definitions in Article 2 after the expression "Promoter":
    - (i) "Tata Nominee Director" means a Director appointed by Tata Capital Limited (TCL) having Corporate Identity Number U65990MH1991PLC060670.
    - (ii) "Affiliate" means with respect to any person, any other person directly or indirectly Controlling, Controlled by, or under direct or indirect common Control with, such person, and in the case of a natural person, also any Relative of such person. A holding or subsidiary Company of any entity shall be deemed to be an Affiliate of the entity.
    - (iii) "Control", "Controlling" or "Controlled by" means with respect to any person, means the ability to direct or cause the direction of the management, business or policies of such person, whether obtained directly or indirectly, and whether through the right to appoint and to remove all or the majority of the members of the Board of Directors of such person, the ownership of shares or other securities, voting rights, contracts or otherwise.

- (b) to insert the following Article after the existing Article 67A of the Articles of Association:

67B. TATA Nominee Director.

So long as TCL together with its Affiliates holds at least 4.5% (four and a half percent) of the paid-up equity share capital of the Company, TCL shall have the right to nominate, remove and / or substitute 1 (one) Non-Executive Director on the Board."

By Order of the Board of Directors

Place : Pune  
Date : 7th May, 2008

DEEPAK MOGAL  
Company Secretary

Notes:-

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.**
- (b) In order to be valid, proxies duly stamped, should be lodged with Company at its Registered Office not later than forty eight hours before the commencement of the Annual General Meeting.
- (c) The Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 in respect of business under Item Nos. 5,6 and 7 above, is annexed.
- (d) Members are requested to notify immediately any change of their address to their Depository Participants (DPs) in respect of their electronic share accounts and to the Company at its Registered Office in respect of their physical share folios, if any, to avoid procedural delays.
- (e) Members attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
- (f) Members are requested to notify their queries, if any, on financial statements and etc. at least 48 hours before the time appointed for the meeting to facilitate the answering thereto.
- (g) The unclaimed dividends up to the Company's financial year 1998 have been transferred to General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants for the said year are requested to claim the amount from the Registrar of Companies, Pune, PMT Commercial Building, 3rd floor Deccan Gymkhana Pune 411004.

Pursuant to sections 205A to 205C of the Companies Act, 1956, any money transferred to Unpaid Dividend Account which remains unpaid or unclaimed for a period of 7 years from the date of such transfer shall be transferred by the Company to a fund called Investor Education and Protection Fund to be set up by the Central Government. Accordingly, the unclaimed or unpaid dividend for the years 2003 - 2004 onwards will become transferable at the end of the seven years respectively, to the said Fund and no claims shall lie against the Fund or the Company in respect of individual amounts thereafter. Shareholders are therefore requested to check up and send their claims, if any for the years, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 before the respective amounts become due for transfer to above Fund.

**ANNEXURE TO THE NOTICE**

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

**ITEM NO. 5**

Mr. Kishor Chaukar was appointed as an Additional Director of the Company with effect from 19th June, 2007. He is a Post Graduate in Management from IIM Ahmedabad. He is currently Managing Director of Tata Industries Limited.

As per the provisions of Section 260 of the Companies Act, 1956 (the Act), he holds office up to the date of this Annual General Meeting. The Company has received a notice from a member along with a deposit of Rs.500 as per Section 257 of the Act signifying his intention to propose the appointment of Mr. Kishor Chaukar as a Director of the Company. The Board of Directors recommends his appointment as Director.

None of the Directors other than Mr. Kishor Chaukar is in any way concerned or interested in this resolution.

**ITEM NO. 6**

The Company is authorised by its Memorandum of Association to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees. By virtue of Section 293(1)(e) of the Act, however the maximum limit which can be so contributed in any financial year is Rs. 50,000/- or 5% of the Company's average net profits as determined in accordance with Sections 349 and 350 of the Companies Act, 1956 during the immediately preceding three financial years whichever is greater. Section 293 (1)(e) permits such contribution in excess of these limits if shareholders approve the same. As such your Board seeks the shareholders' sanction to make contribution in a financial year up to a limit of 2% of profit after tax or Rs. 25,000,000/- whichever is lower for philanthropic purposes and for discharging corporate social responsibilities whether expended during the year or carried forward to subsequent years.

The Board recommends the resolution for your approval. No Director of the Company is directly or indirectly interested or concerned in the resolution.

**ITEM NO. 7**

Tata Sons Limited has acquired 1,34,22,400 Shares of the Company from the Promoters and transferred such shares to its wholly-owned subsidiary, Tata Capital Limited ("TCL"). Considering that TCL is a significant investor in the equity share capital of the Company, the Company has agreed that TCL shall have a right to nominate one Non-Executive Director on the Board of the Company, so long as TCL together with its Affiliates continues to hold atleast 4.5% of the paid-up equity share capital of the Company. This has necessitated the alteration of the Articles of Association of the Company as set out in item No.7 of the Notice. The said director shall be liable to retire by rotation.

None of the directors of the Company except Mr. Kishor Chaukar, Managing Director of Tata Industries Limited, is in any way concerned or interested, in this resolution.

**By Order of the Board of Directors**

**DEEPAK MOGAL**  
**Company Secretary**

Place : Pune  
Date : 7th May, 2008

## Praj - At a glance

PARTICULARS	U/M	07-08	06-07	05-06	04-05	03-04	02-03
SALES	Rs. Mln	7016	6075	2675	2353	1065	882
OTHER INCOME	Rs. Mln	387	89	25	31	21	13
TOTAL INCOME	Rs. Mln	7403	6164	2700	2383	1087	894
TOTAL EXPENDITURE	Rs. Mln	5604	5026	2345	2083	956	816
DEPRECIATION	Rs. Mln	55	32	27	20	16	16
EBIDTA	Rs. Mln	1799	1138	356	300	131	79
PBT	Rs. Mln	1744	1104	324	279	108	47
PAT	Rs. Mln	1535	865	244	218	81	24
NET BLOCK	Rs. Mln	1060	455	279	211	178	176
SHARE CAPITAL	Rs. Mln	366	258	162	81	81	81
RESERVES & SURPLUS	Rs. Mln	3142	1315	387	341	223	183
NET WORTH	Rs. Mln	3508	1573	550	422	304	264
EPS	Rs.	8.55	5.19	3.01	2.68	1.00	0.30
<b>Ratios</b>							
EBIDTA TO SALES	%	26%	19%	13%	13%	12%	9%
PBT TO SALES	%	25%	18%	12%	12%	10%	5%
PAT TO SALES	%	22%	14%	9%	9%	8%	3%
Return on Net Worth	%	69%	104%	67%	77%	38%	21%
Return on Capital Employed	%	67%	101%	64%	68%	31%	19%
Dividend (%)	%	99%	135%	63%	108%	45%	Nil
Book Value per Share	Rs.	19.15	18.75	6.77	10.40	7.49	6.50
Cash EPS	Rs.	8.69	5.35	3.34	2.92	1.20	0.50

Note :

1. Face Value of Share @ Rs. 2/- per share
2. RONW in the Year 06-07 & 07-08 reflects increase in capital due to preferential allotment



## Chairman's Statement



### Shaping the Future

Shaping the Future is all about managing migration from the well trodden path onto a new one. During 2007-08, Praj has done just that - we have been engaged in future defining actions - putting technology to the test; global aspirations into action; networking and increasing our area of influence; enhancing customer value, and most important, we have focused our energies on to a single thought - applying biotechnology/science/bio based technologies for a sustainable future.

Our recently inaugurated advanced R & D facilities, *Matrix-the innovation centre*, is a testimony to our investment into the future. We did not just equip it as a state-of-the-art centre of innovation, but we also achieved breakthroughs in next gen biofuels technology.

The next generation biofuels do not merely attempt to overcome the food vs. fuel debate, they also demonstrate how scientific temperament in a society/corporation can overcome the issues facing our planet.

In fact, we have a slightly different take on this debate – we feel it should be food and fuel rather than food vs. fuel. There is a tremendous synergy between the two sources of energy – one for human consumption and another for transportation. In today's connected world, both are equally important. While one is for survival, the other is for livelihood. In order to transcend the debate and work on the same side, we should go beyond the rhetoric to look at how we can make the two seemingly conflicting ideas work as one. We have used technology to play this role.

Technology is a great equalizer. Technology provides sustainability. The common philosophy of sustainability wherein reduce, reuse and recycle has been employed by the biofuels industry over the years. It also forms the tenet of all our processes and actions.

We extended ourselves beyond our scope to accord sustainability through our understanding of feedstocks. Our plan to set up an *energy crops group* is guided by our concern that technology should actively promote agriculture. Many efforts have been made earlier in this direction with good results around the world.



This also enables us to increase our area of influence thereby enabling us to shape the future which is more sustainable. We have made a beginning in Philippines and in Mexico where we are working with Government Agencies to arrive at solutions which will help both, agriculture and biofuels. Apart from that we work with various Companies to find solutions to feedstock issues.

Shaping the Future is also about assuming responsibility for it, or taking a leading position for it. Our leadership emanates from our global aspirations, *directing our actions* to attain this status. Today, we have a presence across more than 40 countries in all five continents. In Europe and Brazil, we have partnered global Companies from that region and in USA we have acquired a Company. Our pride lies in the fact that we are able to understand customer requirements and serve customers in diverse geographies.

In doing all this, we would like to remind ourselves that our customers remain a significant part of our success. In fact, our repeat business continues to be in the region of 30%. It speaks volumes for our customer satisfaction rating. We don't plan to rest on our laurels. Customer satisfaction is a continual process. The closer we work with our customer, the better we are at adding value to their business. Our investments into R & D, in expanding our manufacturing capacity, setting up a workshop closer to the port, internal initiatives towards value engineering and the sheer resource base in terms of manpower (which is one of the largest in this industry), is testimony to our commitment to customers.

As we move on towards our 25th Anniversary year, I would like to bring in more transformations in our corporate fabric. I would like for PRAJ to enhance its activities as a good corporate citizen – a caring organization which will improve quality of life for everyone and above all work towards a greener and cleaner environment. We have made some beginnings. We would now like to take it forward in a big way.

In time to come, Praj will explore the frontiers of bio based technologies which will create a lasting differential for the Company. Our work with cellulosic ethanol is a beginning towards this end. Industrial Biotech holds great promise. During one of my discussions with Vinod Khosla, who is also an investor in my Company and a biofuels evangelist, he mentioned that technologies which are closest to natural phenomenon or have elements of bio-mimicry are the most sustainable.

Industrial processes have a tremendous scope to move closer to nature. And biotech is one way to get there. Industrial biotech, I feel, is as yet unexplored - Playing second or even third fiddle to other - biotech streams. We should recognize that the time for white biotech to assume its greater responsibility is now, when the world is grappling with different challenges, the biggest of them being global warming.

What has fascinated me about biotechnology and its application to industrial process is the fact that it can be integrated with multiple disciplines and can bring out the most optimum solution. We have been doing some of this with ethanol and now with biodiesel. We would now like to take this forward.

I would like to see PRAJ drive itself with new energy and vigor. Transform itself into a powerhouse of process solutions through innovation and a constant search for sustainable ecosystems which will shape the future.

**Pramod Chaudhari**  
*Executive Chairman*

Pune, May 2008.

## Directors' Report

**To The Members of Praj Industries Limited,** Your Directors are pleased to present the 22nd Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2008, together with the notice of Annual General Meeting.

### Financial Results

In the year under review, your Company has recorded a total income of Rs. 7403 million (previous year Rs. 6164 million). Profit Before Tax also increased from Rs. 1104 million in FY 2006-07 to Rs. 1756 million in FY 2007-08. (Rs: in million)

	2007-08	2006-07
<b>Turnover</b>	<b>7016</b>	6075
<b>Other Income</b>	<b>387</b>	89
<b>Total Income</b>	<b>7403</b>	6164
<b>Total Expenses</b>	<b>5647</b>	5060
<b>PBT</b>	<b>1756</b>	1104
<b>PAT</b>	<b>1535</b>	865

### Dividend

Your Company declared Interim Dividend of Rs. 1.98 per share (99%), which was paid in the month of February 2008. Your Directors are of the opinion that the said Interim Dividend should be treated as final dividend for the year 2007 - 2008.

### Increase in Share Capital

The overseas Investors, Directors and Promoters who were granted 7,300,125 convertible warrants during the previous year i. e. 2006 - 07, have converted these warrants by payment of the balance 90% amount during the year under review.

During the year, your Company allotted 91,372,879 shares as bonus in the ratio of 1 : 1 in terms of the shareholders resolution passed at the 21st Annual General Meeting.

During the year, your Company allotted 588,740 shares on exercise of options under the Employee Stock Option Plan 2005 Grant I & II.

Consequent to the above, the Issued, Subscribed and Paid - up Share Capital of your Company increased from 83,900,066 shares (Rs. 167.800 million) to 183,161,810 shares (Rs. 366.324 million) as of March 31, 2008.

### Proceeds of Preferential Issue

As reported in the last annual report, your Company issued shares and warrants on preferential basis to specified overseas Investors, Promoters and Directors. Your Company has mobilized total funds to the extent of Rs. 1170.453 million. Out of this, Rs. 786.084 million was deployed towards expansion of R & D, manufacturing facilities and acquisition of new company. The remaining funds are placed with Mutual Funds on a temporary basis until further utilization.

### Credit Rating

We are pleased to inform you that the ICRA continues to quote rating as "A1+" signifying highest safety for the short term debt of your Company.

Your Company has appointed CRISIL for obtaining credit rating for its banking facilities.

### Acquisitions / Promotions / Divestment / Closure

During the year under review :

Your Company promoted a Joint Venture Company, BioEnergy Europa B. V., with Aker Solutions, a renowned EPC Company. BioEnergy is based in The Netherlands. Your Company holds 60% of the equity while Aker Solutions holds the balance 40%. The Company is actively pursuing business opportunities in Europe.

Your Company has entered into a Joint Venture with Jaragua Equipamentos, Brazil to form Praj Jaragua Bioenergia. This Joint Venture will be based near Sao Paulo, Brazil. The Company will pursue business opportunities and provide turnkey solutions to the Brazilian Biofuels Industry. Praj