





Committed to
Sustainability

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PRAJ INDUSTRIES LIMITED

Board of Directors

Executive Directors:

Pramod Chaudhari, Executive Chairman
Gajanan Nabar, CEO & Managing Director

Non-Executive Directors:

Berjis Desai
Kishor Chaukar
Parimal Chaudhari
Prakash Kulkarni
Rajiv Maliwal
Sivaramakrishnan Iyer
Utpal Sheth

Company Secretary	Deepak Mogal
Auditors	B. K. Khare & Co.
Internal Auditors	Khare Deshmukh & Co.
Bankers	Bank of Maharashtra The Royal Bank of Scotland HSBC Ltd.
Solicitors	J. Sagar Associates, Mumbai
Registered Office	"PRAJ HOUSE", Bavdhan, Pune 411 021, India
R & D Center	Praj Matrix – The Innovation Center Gat No. 402, 403, 1098, Village Urwade, Tal. Mulshi, Dist. Pune, India
Manufacturing Facilities	S. No. 748, Sanaswadi, Pune 412 207, India Gat No. 745, Sanaswadi, Pune 412 207, India
Export Oriented Unit	Kandla SEZ, Gandhidham, Kutch 370 230, Gujarat, India
Presence in	India, Thailand, The Netherlands, USA, Brazil and UAE

Praj at Glance

	UOM	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03
Sales	₹ Min	5529.310	6022.840	7718.813	7016.267	6074.744	2674.985	2352.573	1065.187	869.355
Other Income	₹ Min	290.255	424.517	241.797	386.827	89.328	25.326	30.658	21.388	12.915
Total Income	₹ Min	5819.565	6447.357	7960.610	7403.094	6164.072	2700.311	2383.231	1086.575	882.270
Total Expenditure Net Off Depreciation	₹ Min	5108.789	5111.594	6270.875	5603.961	5028.815	2349.938	2084.557	963.281	818.853
Depreciation	₹ Min	111.356	105.110	81.713	55.349	31.608	26.502	19.550	15.742	15.992
EBIDTA (Net of Other Income)	₹ Min	420.580	914.546	1451.808	1412.599	1048.446	330.356	269.809	109.582	65.996
PBT	₹ Min	599.420	1230.653	1608.022	1743.784	1103.649	323.871	279.124	107.553	47.426
PAT	₹ Min	534.725	1138.847	1297.479	1535.437	865.293	244.125	217.577	81.381	24.260
Net Block of Fixed Assets + CWIP	₹ Min	1595.950	1441.252	1471.597	1059.683	454.528	279.022	210.783	178.135	175.945
Share Capital	₹ Min	369.557	369.477	366.862	366.324	167.800	162.225	81.113	81.113	81.113
Reserves And Surplus	₹ Min	5219.931	4953.857	4067.745	3142.041	1405.061	387.292	340.813	222.845	182.642
Net Worth	₹ Min	5589.488	5323.334	4434.607	3508.395	1572.861	549.517	421.926	303.958	263.755
EPS Basic	₹	2.89	6.18	7.08	8.55	5.19	3.01	2.68	1.00	0.30
Ratios										
EBIDTA To Sales	%	8%	15%	19%	20%	17%	12%	11%	10%	8%
PBT To Sales	%	11%	20%	21%	25%	18%	12%	12%	10%	5%
PAT To Sales	%	10%	19%	17%	22%	14%	9%	9%	8%	3%
RONW	%	10%	23%	33%	60%	82%	50%	60%	29%	11%
ROCE	%	11%	24%	39%	67%	101%	63%	68%	29%	14%
No. of Shares	Nos.	184,778,723	184,738,492	183,431,082	183,161,810	83,900,066	81,112,520	8,111,252	8,111,252	8,111,252
Dividend	%	63%	72%	90%	99%	135%	63%	108%	45%	NIL
Book Value Per Share	₹	30.25	28.82	24.18	19.15	9.43	6.77	5.20	3.75	3.25
Cash EPS	₹	3.50	6.73	7.52	8.69	5.38	3.34	2.92	1.20	0.50



Retain, Realign, Recharge

(Retain Leadership, Realign Organization, Recharge for Growth)

The Company has been through one of its toughest times following global meltdown and a lull in the renewable energy investments. Contrary to our expectations, the period of slowdown extended well beyond the normal. However, we do see signs of revival with interest from new regions growing. We are also seeing an increased enquiry pipeline which is one of the earliest signs of growing interest. During the trying period, your Company has retained its brand equity as the supplier of choice by customers and associates. This is true not only for the existing business lines, but also for the new ones wherein clients perceive a high level of qualification in Praj's offerings.

While in the immediate future, growth would come from existing business lines including the new initiatives, it is necessary to examine the potential to increase the scope of our offering. With two orders from Africa with increased scope, we see a beginning. We plan to increase this by adopting varying business models in different geographies. We will keep in mind that we ensure a healthy return on shareholder funds while doing so.

As you know, we are pushing our R & D efforts for commercialization of lignocellulosic ethanol which is considered 'biofuels of the future'. We saw interest revival in USA with many renewable IPOs being subscribed enthusiastically. We also saw continued support towards R & D in this field. This gives us the courage to push through with further developments. Our Joint Development Program with Qteros, a biotech Company based in USA, for scaling up of the lignocellulosic ethanol developmental activity demonstrates our progress. We are also examining developments in the renewable chemicals space where we have seen a lot of action lately.

While technology led solutions have been our mainstay, we also believe in putting an effective organization behind the same. Our transition in the top leadership is a move towards institutionalizing organizational processes. You were informed on the change in the position of CEO & MD. With the induction of Gajanan Nabar, we have brought in a professional from outside to manage the operations. A strong senior management team provides the continuity and support in this effort. I continue to lead the Company, providing strategic directions. We have also brought in other professionals at Board level. Their experience has extended a strong support during the turbulent times and we hope to draw upon the Board's versatile domain knowledge in our effort to retain growth.

As we recharge for growth, we will be on the look out for opportunities which will sweat the assets and give maximum value to shareholders.

Pramod Chaudhari
Executive Chairman

Pune, May 2011



Growth Momentum

Recharging the momentum for growth is always a challenge. In the six months since coming on board, one of the things I noticed was the strong will and a very positive outlook of the Organization. This has ensured that even if the Company was facing one of the most difficult periods since its inception, the enthusiasm for innovation and enterprise was strong as ever. Given this spirit, we can turn the tide faster.

The economy round the world is going through a rebuilding phase. Even though inflation is at an all time high, there has been no demand destruction in the emerging economies. Praj's growth businesses are highly focused on the emerging economies of India, Lat Am and S.E. Asia and upcoming ones like Africa. So, it is good news.

Your Company has attained a pole position globally in the first generation bio-fuels. I am happy to share with you that we are also making considerable progress in second generation Bio-Fuels. In fact, we have been working with many interesting aspects of how the carbohydrate economy can complement the hydrocarbon one.

The New businesses have got off to a good start. We will look to enhanced business contribution from these groups, namely Water & Wastewater Treatment and Customized Engineering & Systems. We will constantly look to building niches that will capitalize on our process knowledge and our ability to translate it into viable solution for customers worldwide. We are currently evaluating options of globalizing our brewery business.

While Clean Technologies is our business religion, we will continue to explore new relationships, business models and new engagements with customers worldwide so that we can provide the benefit of these technologies to them.

As the economies of the world rebuild themselves, your Company will stay in constant readiness to seize the opportunities. We have the qualified professionals operating at different levels; we have a strong customer connect; a vibrant brand; business proposition that is most relevant and a global presence that gives us the bandwidth.

I look forward to an exciting journey at Praj in meeting the challenges and exceeding the expectations. I look up to your strong support in my endeavor.

Gajanan Nabar
CEO & Managing Director

Pune, May 2011

Directors' Report

To The Members of Praj Industries Limited,

Your Directors are pleased to present the 25th Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2011.

Financial Results

In the year under review, your Company has recorded a total income of ₹ 5820 million (previous year ₹ 6447 million). While the total income decreased by 10% Profit before Tax decreased by 54% to ₹ 599 million (previous year ₹ 1231 million). The performance was impacted by adverse global market conditions.

(₹ in million)

	2010-11	2009-10
Turnover	5529	6023
Other Income	291	424
Total Income	5820	6447
Total Expenses	5220	5216
PBT	599	1231
PAT	535	1139
(+) Balance in Profit & Loss account	3252	2538
Profit Available for Appropriations	3787	3677
Appropriations		
- Dividend		
Interim	-	266
Final (Proposed)	233	-
- Dividend Tax	38	45
- Transfer to General Reserve	54	114
Balance in Profit and Loss Account	3462	3252

Dividend

Your Board of Directors decided to recommend a dividend of ₹ 1.26 per equity share (63%) of face value of ₹ 2/- each for the Financial Year ended 31st March, 2011.

Credit Rating

- CRISIL has reaffirmed "P1+" rating to Company's short-term banking facilities which signifies that the degree of safety regarding timely payment of instruments is **very strong**.
- CRISIL has also reaffirmed its rating of the Company's long-term bank facilities to 'AA/Stable'. The "AA" rating signifies **high safety** with regard to timely payment of long-term financial obligations.

Subsidiaries

Pacecon Engineering Projects Ltd. (PEPL), BioCnergy Europa B. V., Netherlands, Praj Jaragua Bioenergia S.A., Brazil, Praj Americas Inc., Texas, Houston and Praj Far East Co. Ltd., Thailand are subsidiaries of your Company and are operating in their respective areas.

Your Company has received approval from the Ministry of Corporate Affairs, Government of India under Section 212 (8) of the Companies Act, 1956 exempting it from attaching various documents in respect of subsidiary companies, as set out under Section 212 (1) of the Companies Act, 1956, to the Annual Accounts of your Company, for the Financial Year ended 31st March, 2011. As per the terms of the letter, a statement containing brief financial details of the Company's subsidiaries for the year

ended 31st March, 2011 is included in the annual report. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the Company and its subsidiaries at any point of time upon request. The same will also be made available for inspection by any member of the Company / its subsidiaries at the registered office of the Company.

Strategic Partnership / Joint Ventures

Your Company has entered into a strategic partnership with Qteros Inc., USA to accelerate commercialization efforts for industrial-scale cellulosic ethanol production. (Please refer to Annexure 1 for more details.)

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report (Annexure 1), Sustainability Report (Annexure 2) and Report on Corporate Governance and Compliance Certificate on Corporate Governance (Annexure 3) are annexed to this report.

Directors

Ms. Parimal Chaudhari and Mr. Sivaramakrishnan Iyer, Directors, retire from the Board by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Mr. Prakash Kulkarni, who was appointed on 11th October, 2010 in the casual vacancy caused by the resignation of Mr. Anil Joshi, holds office upto the date of the forthcoming Annual General Meeting. The Company has received Notice in writing along with requisite deposit from a member under Section 257 of the Companies Act, 1956 proposing candidature of Mr. Prakash Kulkarni for the office of Director liable to retire by rotation.

During the year, Mr. Shashank Inamdar stepped down as CEO & Managing Director of the Company effective 15th November, 2010 and subsequently resigned from the office of additional director with effect from 3rd February 2011. The Board placed on record its appreciation for the valuable contribution made by Mr. Inamdar during his tenure with the Company.

Mr. Gajanan Nabar was appointed as an Additional Director of the Company with effect from 15th November, 2010. He was also appointed as CEO & Managing Director of the Company. A detailed profile of Mr. Nabar is forming part of Corporate Governance Report. In terms of Section 260 of the Companies Act, 1956 he shall hold office upto the date of the ensuing Annual General Meeting. The Company has received Notice in writing along with requisite deposit from a member under Section 257 of the Companies Act, 1956 proposing candidature of Mr. Gajanan Nabar for the office of Director not liable to retire by rotation.

Mr. Pramod Chaudhari, Promoter Director, continues to lead as Executive Chairman of the Company.

Auditors

a) Internal Auditors

The Internal Auditors, M/s. Khare Deshmukh & Co., Chartered Accountants, Pune have conducted the internal audits periodically and submitted their reports to Audit Committee. Their reports have been reviewed by the Statutory Auditors and the Audit Committee.

b) Statutory Auditors

The Statutory Auditors, M/s. B. K. Khare & Co., Chartered Accountants, Mumbai, (Registration Number 105102W) hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

Directors' Responsibility Statement

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956, the Board of Directors states that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- The accounting policies selected have been applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2010-11 and of the profit of the Company for that period;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis.

Employee Stock Option Plan

- During the year, your Company allotted 40,231 equity shares on exercise of options under the Employee Stock Option Plan 2005 Grant I, II & III. Consequent to the above, the Issued, Subscribed and Paid-up Equity Share Capital of your Company increased from 184,738,492 equity shares (₹ 369.477 million) to 184,778,723 equity shares (₹ 369.557 million) as of 31st March, 2011.
- During the year, the Company has issued Grant IV – Plan A & Plan B of Options under the Employee Stock Option Plan 2005 aggregating 1,950,000 options to senior executives including new CEO & MD of the Company at the rate of ₹ 72.70 per option.
- The information to be disclosed as per SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed to this Report (Annexure 4).

Additional Statutory Information

Particulars of Employees:

The statement of particulars required pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011, forms a part of this Report. However, as permitted by the Companies Act, 1956, the Report and Accounts are being sent to Members and other entitled persons excluding the above statement. Those interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office. The statement is also available for inspection at the Registered Office, during working hours upto the date of the Annual General meeting.

Group for SEBI Takeover Regulations:

For the purpose of Regulation 3 (1) (e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting 'Group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 are – Mr. Pramod Chaudhari, Mrs. Parimal Chaudhari, Moriyaset Trust, Mr. Parth Chaudhari, P-Cube Enterprises Private Limited, Turtle Communication and Fusiontech Ventures Private Limited.

Energy Conservation, Technology Absorption, Adaptation, Innovation

Your Company offers innovative solutions to customers through continual research and development. During the year, your Company,

- developed a pre-processing system for sand removal from cassava chips for which the Company has filed a patent.
- worked on value-added products which can be derived out of brewery spent yeast;
- developed a technology package for Hyloronic Acid, a high value ingredient used in skin care formulations and in osteo - arthritic and ophthalmic treatments. Patent filing is in process.
- introduced an effluent treatment special process for evaporation of biometanated spentwash. The same is being tried out at a commercial scale operation.
- developed Technology for production of "Value added Fermentation Nutrition Products" from waste streams of Brewery Plants.

Other than this, your Company has introduced many new schemes and processes for lowering energy and water consumption and generation of wastewater. The initiatives taken by your Company to enhance its commitment to Sustainable Practices are given separately in a Sustainability Report, enclosed separately.

Foreign Exchange Earnings & Outgo

	(₹ in million)	
	31/03/2011	31/03/2010
Earnings	1838	2676
Outgo	850	762
Net Foreign Exchange	988	1914

Your Company has retained its status as a net forex earner.

Acknowledgements

Your Directors wish to place on record their appreciation towards all associates including Customers, Collaborators, Government Agencies, Financial Institutions, Bankers, Suppliers, Shareholders, Employees and others who have reposed their confidence in the Company.

For and on behalf of the Board of Directors

Place: Pune
Date: 24th May, 2011

Pramod Chaudhari
Executive Chairman