

## Resilience



## Board of Directors



*From L to R : Prakash Kulkarni, Gajanan Nabar, Rajiv Maliwal, Pramod Chaudhari, Berjis Desai, Kishor Chaukar, Utpal Sheth, Sivramakrishnan Iyer and Parimal Chaudhari*

# Company Information

PRAJ INDUSTRIES LIMITED

## Board of Directors

## Executive Directors:

Pramod Chaudhari, Executive Chairman  
Gajanan Nabar, CEO & MD

## Non-Executive Directors:

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

## Company Secretary

Dattatraya Nimbolkar

## 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, South  
Africa, Tanzania, Sierra Leone and UAE

## Contents

<b>1</b> Company Information	<b>2</b> Praj at Glance	<b>3</b> Chairman's Statement	<b>4</b> CEO's Statement	<b>5</b> Directors' Report
<b>9</b> Management Discussion & Analysis	<b>13</b> Sustainability Report	<b>15</b> Report on Corporate Governance	<b>29</b> Auditors' Report	<b>32</b> Balance Sheet
<b>33</b> Statement Profit & Loss	<b>34</b> Cash Flow Statement	<b>36</b> Notes to Financial Statements	<b>61</b> Consolidated Accounts	<b>91</b> Notice

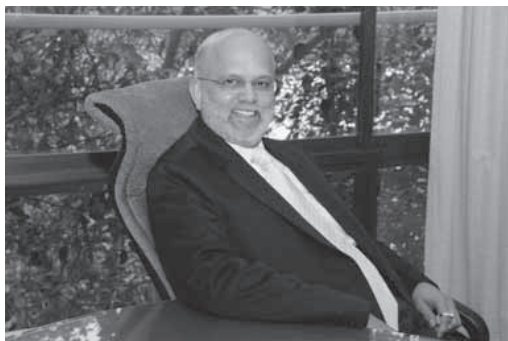
## Praj at Glance

	UOM	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04
SALES	₹ Mn	8804.441	5529.310	6022.840	7718.813	7016.267	6074.744	2674.985	2352.573	1065.187
OTHER INCOME	₹ Mn	432.295	247.739	424.517	241.797	386.827	89.328	25.326	30.658	21.388
TOTAL INCOME	₹ Mn	9236.736	5819.565	6447.357	7960.610	7403.094	6164.072	2700.311	2383.231	1086.575
TOTAL EXPENDITURE NET OF DEPRECIATION	₹ Mn	7975.777	5066.273	5111.594	6270.875	5603.961	5028.815	2349.938	2084.557	963.281
DEPRECIATION	₹ Mn	141.730	111.356	105.110	81.713	55.349	31.608	26.502	19.550	15.742
EBIDTA	₹ Mn	830.112	463.096	914.546	1451.808	1412.599	1048.446	330.356	269.809	109.582
PBT	₹ Mn	1119.229	599.420	1230.653	1608.022	1743.784	1103.649	323.871	279.124	107.553
PAT	₹ Mn	658.245	534.725	1138.847	1297.479	1535.437	865.293	244.125	217.577	81.381
NET BLOCK OF FIXED ASSETS + CWIP	₹ Mn	1829.211	1595.950	1441.252	1471.597	1059.683	454.528	279.022	210.783	178.135
SHARE CAPITAL	₹ Mn	359.096	369.557	369.477	366.862	366.324	167.800	162.225	81.113	81.113
RESERVES AND SURPLUS	₹ Mn	5148.677	5219.931	4953.857	4067.745	3142.041	1405.061	387.292	340.813	222.845
NET WORTH	₹ Mn	5507.773	5589.488	5323.334	4434.607	3508.395	1572.861	549.517	421.926	303.958
EPS BASIC	₹	3.58	2.89	6.18	7.08	8.55	5.19	3.01	2.68	1.00

### RATIOS

EBIDTA TO SALES	%	9%	8%	15%	19%	20%	17%	12%	11%	10%
PBT TO SALES	%	13%	11%	20%	21%	25%	18%	12%	12%	10%
PAT TO SALES	%	7%	10%	19%	17%	22%	14%	9%	9%	8%
RONW	%	12%	10%	23%	33%	60%	82%	50%	60%	29%
ROCE	%	20%	11%	24%	39%	67%	101%	63%	68%	29%
NO. OF SHARES	Nos.	179,548,092	184,778,723	184,738,492	183,431,082	183,161,810	83,900,066	81,112,520	8,111,252	8,111,252
DIVIDEND	%	81%	63%	72%	90%	99%	135%	63%	108%	45%
BOOK VALUE PER SHARE	₹	30.68	30.25	28.82	24.18	19.15	9.43	6.77	5.20	3.75
CASH EPS	₹	4.46	3.50	6.73	7.52	8.69	5.38	3.34	2.92	1.20

## Chairman's Statement



### Resilient Organization

Enduring, Consolidating, Growing, Sustaining

We have delivered on the objectives the Company had set out for itself for the fiscal 2011-12. While the topline and performance has been in line with our expectations, the margins though improving, need further attention. We will be taking this up during the coming year. Your Company has shown great resilience in the face of a global slowdown. In fact, **resilience** is ingrained in your Company's fabric which allows it to **endure** tough times and bounce back, **consolidate** even against challenges, **grow** in the face of adversity and **sustain** the future. Just like the 'five elements' of nature.

Your Company is an amalgam of various experiences and expertise. On one side, it is an engineering and projects Company given the fact that we undertake a large number of projects in which our process engineering plays a critical role. On another, we are a biotech Company, as the process solutions we offer encompass biotech platform, which are honed at Praj Matrix, our R & D Center.

Each area of expertise offers opportunities that will enhance our growth prospects. We will examine and build on each skill set for our future growth.

On the process engineering side your Company did undertake two new business lines over the past two years. Critical Process Equipment and Water & Wastewater Treatment Systems. The challenge now is to quickly integrate and scale up in the shortest time span. The best way is to consolidate and grow simultaneously. In line with this thought we have already resourced both the business lines adequately.

Our acquisition of Neela Systems with its niche business model of serving high purity water segment is proof of the Company putting its money where it can realize value.

To deliver on all aspects of the growth potential, your Company is working on a strategic growth plan. As we complete this plan, we will be happy to share the same with all.

We are also evaluating play in the biochemicals sector which is an outcome of our R & D focus. Praj Matrix has been working on various processes and biotech agenda which includes biochemicals, health & wellness and nutraceuticals. We are now in the process of developing business models for various opportunities. An identified team is developing a blue print for 'to-market' strategy. The biochemicals market itself is a trillion dollar opportunity. It is expected to be the next frontier of technology play.

Most importantly, on the lignocellulose biomass to ethanol front, the Board has given an in-principle consent to move ahead with a plan to set up a commercial scale demo plant which will be a technological feat in itself. This is expected to put your Company on the global map of advanced biofuels.

The Company has endured tough times over the last two years. We are now back on the growth path. It is time to make the future sustainable.

**Pramod Chaudhari**  
Executive Chairman

Pune, May 2012



## CEO's Statement



### Growth Dimensions

The world around us is changing rapidly and the challenges are mounting. Global Financial Crisis, unabated inflation, slide of Rupee, are some of the environmental factors which are posing huge challenges to organizations worldwide. In this environment, Companies which are nimble, balanced and growth oriented would stay ahead of the competition and thrive.

Good news is your Company is back on the growth track. Growth has many dimensions – one of which is financial indices. And financial indices invariably are an outcome of the quality of the output, quality of organization and quality of people. We had many WINS this year -to provide you a glimpse of some of them : – We achieved highest ever tonnage in manufacturing. We undertook three large ethanol projects on turnkey basis in international markets. We successfully commissioned the Waste Water Treatment facility at a textile park in India- a glowing example of our technological expertise. Critical Process Equipment's business has created strong customer relationships with global companies and is poised for exponential growth. Our Brewery plants business was accredited global supplier's status by a leading brewer.

To bring the balance in our portfolio it is essential that we substantially grow our Non-Ethanol portfolio. We took steps in that direction – Acquisition of Neela Systems – Niche High Pure Water Company, was one such step. Your company has created many such examples during the year, which make us feel confident that your company will charter a new horizon of growth with every coming year. Looking ahead, the work is quite cut out for us.

First thing first, our priority will be to consolidate and enhance our technology leadership in the Ethanol space. We created the Center for Innovation and Applied Technology which is engaged in creating robust processes which will provide customers value added propositions and help us increase repeat business.

We see a lot of synergies in the integration of Neela Systems. It is our endeavor to make this transition as smooth as possible, while gaining from the synergies.

Significant management efforts and focus would remain in exponentially growing our W&WWT<sup>1</sup> and Critical Process Equipments business and consolidating our Brewery Plants business. We are making major commitments to drive operational excellence.

The Second Generation Bio Fuels program would get top priority for actualizing the Commercial Size Demo Plant. We will leave no stones unturned.

It is my sense that your company is at a break out stage in its life cycle and would experience a 'New Dimension of Growth'. We are currently working on a medium term strategy plan which would provide the Praj team with insights and direction in its growth trajectory. Our aim is to balance our portfolio and accelerate growth.

We are in to a challenging year but as you may agree strong organizations thrive under adversities.

**Gajanan Nabar**  
CEO & Managing Director

Pune, May 2012

<sup>1</sup> Water & Wastewater Treatment Plants

## Directors' Report

### To The Members of Praj Industries Limited,

Your Directors are pleased to present the 26th Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2012.

### Financial Results

In the year under review, your Company has achieved a significant growth in total income of ₹ 9237 Mn (previous year ₹ 5777 Mn). While the total income increased by 60%, Profit before Tax increased by 87% to ₹ 1119 Mn (previous year ₹ 599 Mn). Highlights of performance are indicated below:

	(₹ in Mn)	
	2011-12	2010-11
Turnover	8805	5529
Other Income	432	248
Total Income	9237	5777
Total Expenses	8118	5178
PBT	1119	599
PAT	658	535
(+) Balance in Profit & Loss Account	3462	3252
Profit Available for Appropriations	4120	3787
Appropriations		
- Dividend		
Interim	-	-
Final (Proposed)	287	233
- Dividend Tax	47	38
- Transfer to General Reserve	66	54
Balance in Profit & Loss Account	3720	3462

### Dividend

The Board of Directors of your Company have recommended a dividend of ₹ 1.62 per equity share (81%) of face value of ₹ 2/- each for the Financial Year ended 31st March, 2012. The dividend is payable subject to shareholders' approval at the ensuing AGM. The dividend payout will be ₹ 334 Mn including dividend distribution tax.

### 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.

### Buy-back of Equity Shares

Your Company, pursuant to the approval of the Board of Directors under Section 77A of the Companies Act, 1956, decided to buy-back fully paid-up equity shares of the Company at a price not exceeding ₹90/- per equity share from the open market through the Stock Exchanges for an aggregate amount not exceeding ₹558.639 Mn being 10% of the aggregate of the Company's total paid-up equity share capital and free reserves as on 31st March, 2011.

The Company has closed the Buy-back on 24th April, 2012, after buying back 7,313,644 equity shares for a total consideration of ₹ 558.638 Mn (exclusive of Brokerage, STT and other charges) utilising

the Securities Premium account. All the equity shares bought back have been extinguished. Post Buy-back, the paid-up equity shares of your Company stand at 177,465,079 nos.

## Strategic Acquisition

During the year under review:

Your Company has acquired majority stake (50.20%) in Neela Systems Ltd "Neela" on 6th January, 2012 for a consideration of ₹ 646 Mn. Neela is a Mumbai based Company having business interests in Water Treatment and Modular Process Systems, focused on Biotech, Pharma, Life Sciences and Cosmetics Industries. Future arrangements provide for further increase in stake by Praj. Neela is now a subsidiary of your Company.

## Subsidiaries

Your Company has formed a wholly owned subsidiary by name Praj Industries (Africa) Pty. Ltd., in South Africa on 19th July, 2011. Praj Industries (Africa) Pty. Ltd., also formed two wholly owned subsidiaries by name Praj Industries (Tanzania) Ltd., Tanzania and Praj Industries (Sierra Leone) Ltd., Sierra Leone on 20th September 2011 and 28th October 2011, respectively.

Apart from the above, Pacecon Engineering Projects Ltd., BioEnergy Europa B. V., Netherlands, Praj Jaragua Bioenergia S.A., Brazil, Praj Americas Inc., Texas, Houston, U.S.A and Praj Far East Co. Ltd., Thailand continue to be the subsidiaries of your Company and are operating in their respective areas.

The Central Government has granted exemption under Section 212(8) of the Companies Act, 1956, from attaching to the Balance sheet of the Company, the Accounts and the other documents of its Subsidiary Companies. In view of this, Consolidated Financial Statements of the Company, which include the results of the said Subsidiary Companies, are included in this Annual Report. Further, a statement containing the particulars prescribed under the terms of the said exemption for each of the Company's subsidiaries is also enclosed. Copies of Annual Accounts and related detailed information of all the subsidiaries can also be sought by any investor of the Company or its Subsidiaries on making a written request to the Company Secretary at the Registered Office of the Company in this regard. The Annual Accounts of the Subsidiary Companies are also available for inspection at the Company's and/or the concerned Subsidiaries' Registered Office.

## Proceedings under Section 132 of the Income Tax Act, 1961

In the month of April 2012, proceedings were initiated by the Income Tax Department under Section 132 of the Income Tax Act, 1961. Though the Company is yet to receive a demand notice from the Income Tax Department, it is in the process of gathering the information / documents and tax advice.

Due to this, the Company is not in a position to reliably estimate the liability (if any) arising out of these proceedings. The management, on the basis of best estimate, has made a prudential provision of ₹250 Mn in the Statement of Profit and Loss which the Company presently believes to be adequate. In the subsequent quarters, when more clarity is achieved, the difference, if any, between the above referred provision and envisaged liability will be debited / credited to the Profit & Loss Account as the case may be.

## Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & 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

Mr. Berjis Desai and Mr. Rajiv Maliwal, Directors, retire by rotation from the Board and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.



## Auditors

### a) Internal Auditors

The Internal Auditors, M/s. Khare Deshmukh & Co., Chartered Accountants, Pune, have conducted 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 re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

### c) Cost Audit

Pursuant to the directives of the Ministry of Corporate Affairs, your Company has appointed Mr. Dhananjay V. Joshi & Associates, Cost Accountants as Cost Auditors of the Company under Section 233B of the Companies Act, 1956 for the year 2012-13.

## 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 2011-12 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

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 up to the date of the Annual General Meeting.

### "Group" for SEBI Takeover Regulations:

For the purpose of Regulation 2 (1) (t) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, persons constituting 'Group' as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 are – Mr. Pramod Chaudhari, Ms. 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 values innovation and invests considerable resources in promoting this value. The Company is constantly enhancing its offerings in the market as it recognizes that this is the most effective way to grow sustainably. Each year, it incorporates incremental innovation in order to improve competitiveness of its offerings. The Company focuses on energy, water and product yields for its existing business lines. While Praj Matrix carries out discovery based Research & Development, application related innovation is carried out by the Center of Innovation & Applied Technology as well as various groups working in tandem with them. The Company drives innovation through 'market-in' approach and through 'internal initiatives'.

Your Company is proceeding with its in-house program for scale-up of its Lignocellulosic biomass to ethanol program. During the fiscal, your Company acquired the rights to Qteros 'Consolidated BioProcessing Platform', after ceasing of the Joint Development Program.

Your Company has;

- Developed Xylose (Pentose sugar) fermentation strain with scale up of the microbe to pilot plant with minimum media and very low retention time. When incorporated into Praj's LC to Ethanol Technology, it will add significant value in terms of cost of production.
- Incorporated a specially designed MVR evaporation system in its solutions which significantly reduces steam consumption.
- Developed a distillation system called ECOSMART wherein capacity expansion can be undertaken with performance intensification such as enhancement of biogas in biomethanation of distillery effluent and other process and wastewater treatment applications.
- Commissioned a Sequential Batch Reactor system for wastewater treatment in the agrichemicals sector. This system is offered entirely through internal developmental efforts. The system considerably reduces energy for treatment of wastewater

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

## Foreign Exchange Earnings & Outgo

	(₹ in Mn)	
	31/03/2012	31/03/2011
Earnings	3634	1838
Outgo	1554	850
Net Foreign Exchange Earnings	2080	988

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: 29th May, 2012

**Pramod Chaudhari**  
Executive Chairman