

Transformation



Annual
Report
2012-13

Setting the **PACE**^{*} for 2nd Gen Biorefinery



Praj **A**dvanced **C**ellulosic **E**thanol^{*}

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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.

Cost Auditors

Dhananjay V. Joshi & Associates

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

Plot No. E-20 & E-21 additional MIDC Area, Jejuri
Tal. Purandar, Dist. Pune – 412 303.

Export Oriented Unit

Kandla SEZ Unit I Plot No 307 to 314, Sector
IV, Gandhidham, Kutch, 370230, Gujarat. India

Kandla SEZ Unit II, Plot No 282 to 286 and 294
to 298, Sector IV, Gandhidham, Kutch, 370230,
Gujarat. India

Presence in

India, Thailand, The Netherlands, USA, South Africa,
Tanzania, Sierra Leone, Philippines and UAE

Praj at Glance

	UOM	12-13	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05
SALES	₹ Min	7264.678	8804.441	5529.310	6022.840	7718.813	7016.267	6074.744	2674.985	2352.573
OTHER INCOME	₹ Min	291.763	432.295	247.739	424.517	241.797	386.827	89.328	25.326	30.658
TOTAL INCOME	₹ Min	7556.441	9236.736	5777.049	6447.357	7960.610	7403.094	6164.072	2700.311	2383.231
TOTAL EXPENDITURE EXCLUDING DEPRECIATION	₹ Min	6620.336	7975.777	5066.273	5111.594	6270.875	5603.961	5028.815	2349.938	2084.557
DEPRECIATION	₹ Min	128.902	141.730	111.356	105.110	81.713	55.349	31.608	26.502	19.550
EBIDTA (EXCLUDING OTHER INCOME)	₹ Min	647.617	830.112	463.096	914.546	1451.808	1412.599	1048.446	330.356	269.809
PBT	₹ Min	807.203	1119.229	599.420	1230.653	1608.022	1743.784	1103.649	323.871	279.124
PAT	₹ Min	661.815	658.245	534.725	1138.847	1297.479	1535.437	865.293	244.125	217.577
NET BLOCK OF FIXED ASSETS + CWIP	₹ Min	2219.552	1829.211	1595.950	1441.252	1471.597	1059.683	454.528	279.022	210.783
SHARE CAPITAL	₹ Min	354.930	359.096	369.557	369.477	366.862	366.324	167.800	162.225	81.113
RESERVES AND SURPLUS	₹ Min	5325.495	5148.677	5219.931	4953.857	4067.745	3142.041	1405.061	387.292	340.813
NET WORTH	₹ Min	5680.425	5507.773	5589.488	5323.334	4434.607	3508.365	1572.861	549.517	421.926
EPS BASIC	₹	3.73	3.58	2.89	6.18	7.08	8.55	5.19	3.01	2.68
RATIOS										
EBIDTA TO SALES	%	9%	9%	8%	15%	19%	20%	17%	12%	11%
PBT TO SALES	%	11%	13%	11%	20%	21%	25%	18%	12%	12%
PAT TO SALES	%	9%	7%	10%	19%	17%	22%	14%	9%	9%
RONW	%	12%	12%	10%	23%	33%	60%	82%	50%	60%
ROCE	%	14%	20%	11%	24%	39%	67%	101%	64%	69%
NO. OF SHARES	Nos.	177,465,079	179,548,092	184,778,723	184,738,492	183,431,082	183,161,810	83,900,066	81,112,520	8,111,252
DIVIDEND	%	81%	81%	63%	72%	90%	99%	135%	63%	108%
BOOK VALUE PER SHARE	₹	32.01	30.68	30.25	28.82	24.18	19.15	9.43	6.77	5.20
CASH EPS	₹	4.45	4.35	3.50	6.76	7.52	8.86	5.38	3.34	2.92



Transforming Praj

Every organization has a core which makes it unique and differentiates it from other organizations. I believe your Company has the core competency of being an innovative, integrated solutions provider. And, it is not a mere rhetoric. We have proven, time and again, our ability to resolve challenging situations by translating them into profits for our customers.

Be it our low steam distillation technology* for ethanol production; or the recycle, reduce and reuse of water in process plants; reduction of carbon footprints; turnkey plant construction in remote Africa; expanding the Colombian Fuel Ethanol Program; getting certified by a global chemical giant for lethal application equipment; developing technology for ethanol from agri-residue. And, there are many that precede this.

We have a lot going for us. An engaged team, an experienced leadership, an involved Board of Directors and an enviable global client base. Add to that the robust infrastructure, the R & D facility and a brand name that spells reliability.

But, we must not rest on our laurels. A lot has to be done before we can say that we have achieved the milestones we set for ourselves when we embarked on our turnaround plans in 2010. Ranging from scaling up of the emerging businesses to globalizing Neela Systems to taking brewery business overseas to successfully setting up the 2nd Gen Cellulosic Ethanol Plant, we cannot say it is business as usual. Each element will require 'out-of-box' thinking. Especially given the economic environment.

Going forth, we need to transform ourselves. From being predominantly a project led company to a products and services Company, as well. From being a single vertical business to being a solutions provider to multiple industries; connecting with the masses, touching lives through our many offerings; from being a Global Indian Company to a true-blue Global Organization.

People and sustainable community development will be another watchword. Our commitment to environment is stronger than ever. Equitable development can only happen with environmental balance and community development. Some of our initiatives towards this effort have been captured in the **Sustainability Report**.

As we move into our 30th year since inception, the process of transformation will help us get into the new trajectory we have been aiming for. Without changing the core, we would like to embrace new paradigms which will enable us to scale new heights.

Pramod Chaudhari
Executive Chairman

Pune, May 2013

*Patent pending



Managing Transformation,

We have come through another year of challenges and headwinds. At the same time we have much to feel good, safe and secure about. Your company will soon be completing 3 decades since inception- Three decades of Entrepreneurship, Sustainability, of 'never say die' spirit and above all putting 'customers First'.

Over the years, the belief of a few has become an Organizational DNA. This DNA has taken your company places – in more than Fifty Countries with over Five Hundred Successful projects. This DNA has also motivated us to be more sustainable. It has helped us transform ourselves several times over in the past 29 years. And now we are poised to shift to yet another Orbit.

Last year we said we will focus on a few things and I am glad to report that we have stayed on course on most of them. Our second generation demonstration plant wherein we plan to break ground by second quarter FY14. Integration with Neela is progressing well. The Neela Systems acquisition has not just opened the market for High Purity Water but it also enables us to provide integrated solutions to the hygienic sector. Your company has signed its first International brewery contract. Critical Process Equipments and Systems Business has caught on steam and your Company has become supplier of choice to several International Companies. We launched the Livestock Health and Nutrition (LHN) Business this year which has emanated from our R&D center Praj Matrix. We successfully commissioned and completed several plants worldwide.

What does this mean? It means that we are now dealing with very different types of customer profiles in addition to Praj's traditional customer base. We are dealing with varied customer expectations on process optimization, Engineering norms, Fabrication quality, Delivery schedules, etc. In short, we are dealing with multiple opportunities while building varied competencies within Praj. This has a huge positive impact on the Organization's fabric. It is stretching everyone to learn additional new skills. It is making us push ourselves to run simultaneously on multiple tracks. We call it Praj Next .

We believe it is going to be an exciting journey, full of challenges and opportunities. Our challenge is to keep multiple businesses growing with the same entrepreneurial spirit while managing operational discipline, balancing different project cycles and sharing core competencies across the board. We will emerge with agility in each of our business verticals while remaining connected by the same DNA at the core. I am very confident that this DNA will motivate us in transforming ourselves into a truly Global Company, driving shareholder value.

Gajanan Nabar
CEO & Managing Director

Pune, May 2013

To The Members of Praj Industries Limited,

Your Directors are pleased to present the 27th Annual Report and the Audited Statements of Account for the year ended 31st March, 2013.

Financial Results

In the year under review, your Company has recorded a total income of ₹ 7556 Mn (previous year ₹ 9237 Mn). While the total income decreased by 18%, Profit before Tax decreased by 28% to ₹ 807 Mn (previous year ₹ 1119 Mn). Considering very turbulent economic environment, your Company's performance has been stable. The performance summary is presented herewith:

	(₹ in Mn)	
	2012-13	2011-12
Turnover	7264	8805
Other Income	292	432
Total Income	7556	9237
Total Expenses	6749	8118
PBT	807	1119
PAT	662	658
(+) Balance in Profit and Loss account	3720	3462
Profit Available for Appropriations	4382	4120
Appropriations		
- Dividend		
Final (Proposed)	287	287
- Dividend Tax	49	47
- Transfer to General Reserve	66	66
Balance in Statement of Profit and Loss	3980	3720

Praj and Local Execution Companies:

The execution related responsibility is borne by the execution arm of your Company also known as Local Execution Companies (LEC). Each LEC is a subsidiary/step down subsidiary of your Company. These comprise of Praj Industries (Sierra Leone) Limited, Praj Industries (Tanzania) Limited, Pacecon Engineering Projects Limited, Praj Far East Philippines Limited Inc. and Praj Far East Co. Limited. Considering the combined results of Praj and LECs, the total income for FY 2012-13 receded by 10% while profit before tax has reduced by 26%, as summarized below:

	(₹ in Mn)	
	2012-13	2011-12
Operating Income	8282	9118
Other Income	267	411
Total Income	8549	9529
Total Expenses	7714	8394
PBT	835	1135
PAT	678	669

Dividend

The Board of Directors of your Company has recommended a dividend of ₹ 1.62 per equity share (81%) of face value of ₹ 2/- each for the Financial Year ended 31st March, 2013. The dividend is

payable subject to shareholders' approval at the ensuing AGM. The dividend payout will be ₹ 336 Mn including dividend distribution tax.

Credit Rating

- a) 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**.
- b) 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

Your Company has formed a subsidiary by name Praj Far East Philippines Ltd. Inc., in Philippines on 17th August, 2012.

Your Company has divested its stake in Praj Jaragua Bioenergia S.A., Brazil, on 22nd October, 2012. The Company had already provided for the divestment in earlier years.

Apart from the above, Pacecon Engineering Projects Ltd., BioCnergy Europa B. V., Netherlands, Praj Americas Inc., Texas, Houston, U.S.A., Praj Far East Co. Ltd., Thailand, Praj Industries (Africa) Pty. Ltd., South Africa and Neela Systems Ltd. continue to be the subsidiaries of your Company.

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 Subsidiary's Registered Office.

Proceedings under Section 132 of the Income Tax Act, 1961

In April 2012 the Income Tax Department initiated proceedings against the Company under Section 132 of the Income Tax Act, 1961. Currently, the proceedings are pending before the Settlement Commission. As per Company's estimate, adequate provision for liability arising out of this has already been made in the books of account.

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

Mr. Kishor Chaukar and Mr. Prakash Kulkarni, 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 reappointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

c) Cost Auditors

The Compliance Report under The Companies (Cost Accounting Records) Rules, 2011 for the year 2011-12 was duly filed with the Ministry of Corporate Affairs on 28th December, 2012.

The Central Government had approved appointment of M/s. 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. The Cost Audit Report for the year 2012-13 is due for filing with the Ministry of Corporate Affairs on 27th September, 2013.

Your Company has reappointed them as Cost Auditors of the Company for the year 2013-14.

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 2012-13 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, Mrs. Parimal Chaudhari, Moriyaset Trust, Mr. Parth Chaudhari, P-Cube Enterprises Private Limited, Turtle Communication, Fusiontech Ventures Private Limited, P-CUBE Trusteeship Services Private Limited and Plutus Properties LLP.

Energy Conservation, Technology Absorption, Adaptation, Innovation:

Your Company's operations are not energy or water intensive. However, as part of its sustainability focus, it provides solutions which focus on reducing energy, water and carbon footprints.

Your Company has intensified its innovation program. It has enhanced its focus on application of patents to monetize technology development and discovery. During the year, the Company has applied for 9 patents.

The discovery based innovation is focused on development of new products and processes. The Company has chalked out a program to develop different biochemicals and human health and wellness products. These are high value products which can be produced at the factory at Jejuri, which was commissioned during the fiscal.

Your Company has:

- Successfully commercialized the ECOSMART technology which was developed in the previous fiscal.
- Successfully commissioned a ZLD system for Textile Wastewater Management at a Dyeing Unit in Southern India.
- Installed a 'low-water', 'low-steam' distillation technology that has ensured that intake of water is reduced significantly (see sustainability report)
- Commenced commercial production of livestock health and nutrition product, which was developed at Praj Matrix – the innovation center.

Foreign Exchange Earnings and Outgo

	(₹ in Mn)	
	31/3/2013	31/3/2012
Earnings	3393	3634
Outgo	724	1554
Net Foreign Exchange Earnings	2669	2080

Your Company has retained its status as a net forex earner for past many years.

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: 13th May, 2013

Pramod Chaudhari
Executive Chairman