

Integrating Transformation

Annual Report
2014-15



Board of Directors

From L to R - Gajanan Nabar, Daljit Mirchandani, Kishor Chaukar, Berjis Desai, Pramod Chaudhari, Prakash Kulkarni, Parimal Chaudhari, Rajiv Maliwal and Sivaramakrishnan S. Iyer

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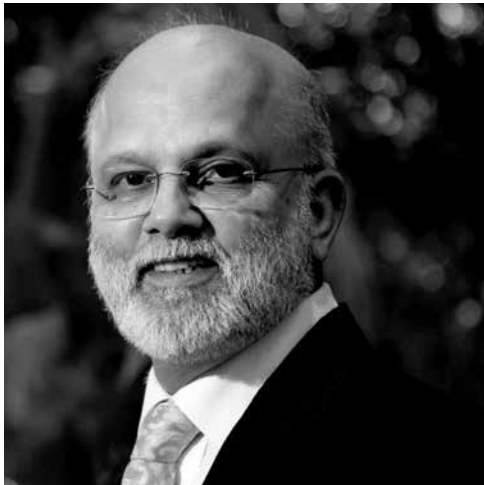
Company Information

Board of Directors	: Executive Directors Pramod Chaudhari, Executive Chairman Gajanan Nabar, CEO & MD
	Non Executive Directors Berjis Desai Daljit Mirchandani (w.e.f. 28/05/2015) Kishor Chaukar Parimal Chaudhari Prakash Kulkarni Rajiv Maliwal Sivaramakrishnan S. Iyer
CFO & 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 Tower", S.No. 274 & 275/2, Bhumkar Chowk- Hinjewadi Road, Hinjewadi, Pune 411 057. India
R & D Center	: Praj Matrix – The Innovation Center Gat No. 402, 403, 1098, Village Urwade, Tal. Mulshi, Dist. Pune 412 108. India
Manufacturing Facilities	: S.No.748, Sanaswadi, Pune 412 208. India Gat No. 745, Sanaswadi, Pune 412 208. India Plot No. E-20 & E-21 additional MIDC Area, Jejuri Tal. Purandar, Dist. Pune 412 303. India
Export Oriented Units	: Kandla SEZ Unit I, Plot No 307 to 314, Sector IV, Gandhidham, Kutch, 370 230, Gujarat. India Kandla SEZ Unit II, Plot No 282 to 286 and 294 to 298, Sector IV, Gandhidham, Kutch, 370 230, Gujarat. India
Presence in	: India, South Africa, Thailand, UAE and USA and also in Argentina, Namibia, The Philippines, Tanzania and Sierra Leone

Praj at Glance (Consolidated)

	UOM	14-15	13-14	12-13	11-12	10-11	09-10	08-09	07-08	06-07
SALES	₹ Mn	10118.457	9858.371	9190.714	10031.102	6649.290	7344.398	9542.174	7380.067	6301.937
OTHER INCOME	₹ Mn	340.163	230.092	312.286	443.375	295.156	456.695	252.147	388.527	89.145
TOTAL INCOME	₹ Mn	10458.620	10088.463	9503.000	10474.477	6944.446	7801.093	9794.321	7768.594	6391.082
TOTAL EXPENDITURE EXCLUDING DEPRECIATION	₹ Mn	8838.281	9081.384	8364.357	9118.177	6175.477	6412.838	8252.633	5983.412	5248.024
DEPRECIATION	₹ Mn	378.260	237.631	215.297	163.472	111.989	107.350	88.721	58.154	33.097
EBIDTA (EXCLUDING OTHER INCOME)	₹ Mn	926.588	791.382	849.418	924.464	473.872	935.150	1295.098	1397.416	1057.188
PBT	₹ Mn	863.819	769.448	923.346	1192.828	656.980	1280.905	1452.967	1727.028	1109.961
PAT BEFORE MINORITY INTEREST	₹ Mn	782.289	565.026	715.468	703.300	569.982	1198.323	1175.405	1513.227	865.991
PAT AFTER MINORITY INTEREST	₹ Mn	762.662	546.257	680.272	678.942	577.513	1195.856	1211.948	1529.250	865.991
NET BLOCK OF FIXED ASSETS + CWIP	₹ Mn	3071.989	3280.278	2959.784	2590.420	1599.808	1447.999	1539.485	1235.956	637.300
SHARE CAPITAL	₹ Mn	354.930	354.930	354.930	359.096	369.557	369.477	366.862	366.324	167.800
RESERVES AND SURPLUS	₹ Mn	5866.654	5470.277	5350.295	5174.588	5219.567	4908.715	3982.415	3130.078	1301.001
NET WORTH	₹ Mn	6221.584	5825.207	5705.225	5533.684	5589.124	5278.192	4349.277	3496.402	1468.801
EPS BASIC	₹	4.30	3.08	3.83	3.69	3.13	6.49	6.61	8.52	5.19
RATIOS										
EBIDTA (EXCLUDING OTHER INCOME) TO SALES	%	9%	8%	9%	9%	7%	13%	14%	19%	17%
PBT TO SALES	%	9%	8%	10%	12%	10%	17%	15%	23%	18%
PAT AFTER MINORITY INTEREST TO SALES	%	8%	6%	7%	7%	9%	16%	13%	21%	14%
RONW	%	13%	9%	12%	12%	11%	25%	31%	62%	86%
ROCE	%	14%	13%	16%	21%	12%	26%	35%	66%	102%
NO. OF SHARES	Nos.	177,465,079	177,465,079	177,465,079	179,548,092	184,778,723	184,738,492	183,431,082	183,161,810	83,900,066
DIVIDEND	%	81%	111%	81%	81%	63%	72%	90%	99%	135%
BOOK VALUE PER SHARE	₹	35.06	32.82	32.15	30.82	30.25	28.57	23.71	19.09	8.81
CASH EPS	₹	6.43	4.42	5.04	4.58	3.73	7.08	7.09	8.84	5.39

Chairman's Statement



Integrating Transformation

Two years ago, we set the stage for the transformation process with a single thought – *maximize value for all our stakeholders*. I am glad to say that we have covered a lot of ground during the implementation of this process - we implemented a new identity; we shifted to an environment friendly corporate address called Praj Tower which recently received the Leed Platinum Certification from IGBC; we started a strategy program with a global consulting firm.

We are now moving onwards to integrating various elements of transformation. By integrating, I mean embedding transformation into the very fabric of our organization, making the organization more sustainable. Because, the reality is that the world around us is very dynamic and we have to be in readiness to change as per the demands of the times. This will make us swifter and even more resilient.

We consider Innovation and Excellence to be the two pillars of organizational transformation. So, we concentrated on these two elements to start with. While innovation is all encompassing, we began with what we do best, *Technology Innovation*. I am glad to say that under the applied innovation, several new initiatives have been taken to market in the shortest possible time. We are also working on disruptive innovation at Matrix – the R & D Center. The mandate is to create new paradigms in biobased economy.

On the Excellence front, we have looked at the entire value chain. Best practices have been implemented in many areas and we are already seeing results of the same. We will continue to embed it across the organization. Our aim is to provide sustainable solutions and that can only come through if the solutions are viable. In fact, this is our pre-condition for the 2G technology where no efforts have been spared in order to make it competitive. More than anything else, transformation leads to unleashing of human energy, taking it to a new level. Our aim to put the organization onto the next growth phase is not just a factor of the tightening the 'nuts and bolts' and getting a new fleet but it is also about firing the imagination of the people and to make it possible for each one to realize their true potential. In order for this to happen the leadership of the organization should be first made to break the barriers. We are in the process of setting up a 'Leadership Academy' which will create the future leaders for the organization. Sustainability is all about people.

I am excited about the future of our Company. Globally, the past thirty years were marked with multiple periods of disruption in the economic cycles. In each period, we have been better prepared. We have been largely unscathed and have been on an even keel. However, if we have to stay the course of continual growth, we have to practise organizational transformation process consistently. With the new vigour, I am confident of traversing the path of sustainability very successfully.

Pramod Chaudhari

Executive Chairman

Pune, June 2015

CEO & MD's Statement



Delivering Transformation

Transformation journey starts making the difference only if it starts touching all aspects of the Organization – people, processes, performance & profits, leading to increased value for all stakeholders.

The transformation process, which was set in motion two years ago, has seen changes in many aspects of your Company's operations viz. business mix, customer profile, execution cycles and business models employed for each of the business verticals. What has remained constant, though, is the sustainability element in every single offering of Your Company.

The fiscal 2014-15 has been a watershed year in many respects. The year saw Your Company breaking the Rs 1000 cr mark in terms of new order inflow, with 25% increase over the previous year. Internationalization efforts for emerging businesses have yielded encouraging results with significant increase in the global footprint.

The transformation process is driven on vectors of Innovation and Excellence.

Keeping with the tradition of introducing new innovative offerings and technologies into the market, your Company commercialized several initiatives like Ecosmart & Ecophotox technologies for distilleries; oil and gas skids by the Critical Process Equipment business; Biowizbioreactor for high purity segment and variety of solutions for modernization and value added services.

On R&D front, the year saw introduction of Customized Research Services & Solutions (CRSS) to monetize the R&D efforts. Also, the total number of patents granted now stands at 16.

Your Company has clearly identified growth levers and a defined path. For ethanol/alcohol plants, it is modernization by leveraging the existing reference base, whereas for brewery plants, the focus is on international markets in the wake of two successful orders in Namibia and Myanmar.

For water segment (in Praj HiPurity Systems Limited and wastewater solutions), the growth levers are enhancement of scope & value added services, whereas the critical process equipment & systems will be driven by value accretive & niche space of process skids.

While driving innovation and growth, we increased our focus on Excellence and brought stringent financial discipline, improved business process efficiency and continually worked upon reducing waste.

Our efforts have been to make this transformation sustainable and far reaching.

In the coming years, your Company will continue to chart newer growth horizons based on high impetus on Innovation and Excellence. We will actualize the vision of being supplier of choice for sustainable technologies worldwide while creating value for our stakeholders.

Gajanan Nabar

CEO & MD

Pune, June 2015

Directors' Report

To The Members of Praj Industries Limited,

Your Directors are pleased to present the 29th Annual Report and the Audited Statements of Account for the year ended 31st March, 2015.

Financial Results

In the year under review, your Company has recorded total income of ₹ 8334 Mn. (previous year ₹ 8048 Mn). While the total income increased by 3.6%, Profit before Tax decreased by 13.0% to ₹ 682 Mn. (previous year ₹ 784 Mn). Despite turbulent global economy, your Company's performance has been stable. The performance summary is presented herewith:

	(₹ Mn.)	
Particulars	2014-15	2013-14
Turnover	8011	7827
Other Income	323	221
Total Income	8334	8048
Total Expenses	7652	7264
PBT	682	784
PAT	685	624
(+) Balance in Profit & Loss account	4081	3980
Profit Available for Appropriations	4766	4604
Appropriations		
Adjustment relating to Fixed Assets	29	-
Dividend		
- Interim	-	106
- Final (Proposed)	287	287
- Dividend Tax (interim Dividend)	-	18
- Dividend Tax (final Dividend)	59	49
- Transfer to General Reserve	69	63
Balance in Statement of Profit & Loss	4322	4081

State of Company's Affairs

Please refer Management Discussion & Analysis report annexed to this report dealing with the state of Company's affairs at length.

Summary of Consolidated Results

Total Income at ₹ 10459 Mn is higher by 3.7% over last year whereas PBT at ₹ 864 is higher by 12.4% over last year.

	(₹ Mn.)	
Particulars	2014-15	2013-14
Turnover	10119	9858
Other income	340	230
Total income	10459	10088
Total expenses	9595	9319
PBT	864	769
PAT (after Minority Interest)	763	546

Dividend

The Board of Directors of your Company has recommended a final dividend of ₹ 1.62 (81%) per equity share of Face Value of ₹ 2/- for the Financial Year ended 31st March, 2015. The dividend is payable subject to shareholders' approval at the ensuing AGM. The final dividend pay-out will be ₹ 346.020 Mn. (Dividend: ₹ 287.493 Million and Dividend Distribution Tax: ₹ 58.527 Million).

Reserves

The Company proposes to carry ₹ 69.000 Million to Reserves.

Credit Rating

- a) CRISIL has reaffirmed "A1+" 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

During the fiscal, your Company has divested from BioEnergy Europa B. V., The Netherlands and the subsidiary was closed. Hence it ceased to be the subsidiary of the Company.

Apart from the above, Pacecon Engineering Projects Ltd., India, Praj HiPurity Systems Ltd. (formerly Neela Systems Ltd.) India, Praj Americas, Inc., U.S.A., Praj Far East Co. Ltd., Thailand, Praj Industries (Africa) (Pty.) Ltd, South Africa, Praj Far East Philippines Ltd. Inc., The Philippines, Praj Sur America SRL, Argentina and Praj Industries (Namibia) Pty. Ltd., Namibia continue to be subsidiaries of your Company.

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 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 member of the Company or its Subsidiaries by 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.

The Company has formulated a policy for determining 'material' subsidiaries and such policy is hosted on the Company's website i.e. <http://www.praj.net/policies.html>

Further, a statement containing salient features of the financial statements of our subsidiaries in the prescribed format AOC-1 is appended as Annexure 7 to the Board's Report. The statement also provides the details of performance, financial position of each of the subsidiaries.

Corporate Governance

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

Directors

Mr. Utpal Sheth (DIN : 00081012) retired by rotation as Director of the Company on 28th July, 2014 and pursuant to his unwillingness to act as a Director, ceased to be the Director of the Company with effect from 28th July, 2014.

Mr. Gajanan Nabar, Director (DIN: 00714569) will retire by rotation at the ensuing Annual General Meeting and, being eligible, has offered himself for reappointment.

Pursuant to the provisions of the Section 161(1) of the Companies Act, 2013 read with the Articles of Association of the company, Mr. Daljit Mirchandani (DIN: 00022951) is appointed as Additional Director with effect from 28th May, 2015 and he shall hold office only up to the date of this Annual General Meeting and being eligible, has offered himself for re-appointment as Director liable to retire by rotation.

Mr. Gajanan Nabar was reappointed as CEO & Managing Director in the Board meeting held on 28.07.2014, subject to the approval of members in the ensuing Annual General Meeting, for a period of three years with effect from 01.08.2014.

The contract with Mr. Pramod Chaudhari (DIN: 00196415) to act as the Executive Chairman of the Company will expire on 31st July, 2015. The Board, in its meeting held on 28th May, 2015, has, subject to the approval of the members in the ensuing Annual General Meeting, extended the term of his contract to act as Executive Chairman of the Company for a further period of two years with effect from 1st August, 2015 on the same terms and conditions including remuneration.

Composition of Key Managerial Personnel (KMP)

The Company has the following KMP;

Name of the KMP	Designation	Date of Appointment	Date of Resignation
Mr. Pramod Chaudhari	Executive Chairman	08.11.1985	N.A.
Mr. Gajanan Nabar	CEO & MD	15.11.2010	N.A.
Mr. Dattatraya Nimbolkar*	CFO & Company Secretary	22.07.2011	N.A.

*Mr. Dattatraya Nimbolkar was appointed as Chief Financial Officer in addition to his holding of office as the Company Secretary in the Board meeting held on 26th May, 2014.

Composition of Audit and Nomination & Remuneration Committee

For details, kindly refer the Corporate Governance Report annexed to this Report (Annexure 3).

Declaration from Independent Directors

The Independent Directors have submitted their declaration to the Board that they fulfill all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 read with rules framed thereunder.

Auditors

a) Internal Auditors

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

b) Statutory Auditors

Your Directors would like to inform you that the Company has received a letter dated 10th June, 2015 from the Statutory Auditors B. K. Khare & Co., Chartered Accountants, Mumbai (Firm Regn. No. 105102W), conveying their unwillingness to continue as the Statutory Auditors of the Company. Pursuant to provisions of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, any casual vacancy caused in the office of the Statutory Auditors of the Company shall be filled by the Board of Directors within thirty days of such resignation, but if such casual vacancy is due to resignation of the Statutory Auditors, such appointment shall also be approved by the Company at a General Meeting convened within three months of the recommendation of the Board and the Auditor shall hold the office till the conclusion of the next Annual General Meeting. Considering the casual vacancy in the office of Statutory Auditors, the Company has vide its letter dated 13th June, 2015 approached M/s. P. G. Bhagwat, Chartered Accountants, Pune (Firm Regn. No. 101118W); to act as the Statutory Auditors of the Company. M/s. P. G. Bhagwat, Chartered Accountants, Pune, have conveyed their willingness to act as Statutory Auditors of the Company vide their letter dated 13th June, 2015 subject to the approval of shareholders in the ensuing Annual General Meeting. The Board of Directors has, subject to the approval of the shareholders in the ensuing Annual General meeting, appointed M/s. P. G. Bhagwat, Chartered Accountants, Pune as Statutory Auditors of the Company for a period of five years with effect from Financial Year 2015-16.

In view of the above, the Statutory Auditors of your Company, M/s. P. G. Bhagwat, Chartered Accountants, Pune, shall hold office from the date of their appointment by the Board of Directors till the conclusion of this Annual General Meeting and shall, subject to your approval, hold the office of Statutory Auditors from the conclusion of this Annual General Meeting until the conclusion of the Sixth Annual General Meeting of the Company to be held after this meeting.

The letter received from M/s. P. G. Bhagwat, also states that their appointment, if made, is as per eligibility required to be confirmed under Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules 2014.

Your Directors recommend the appointment of M/s. P. G. Bhagwat, Chartered Accountants, Pune, as the Statutory Auditors of your Company at the ensuing Annual General Meeting

Your Directors also place on record sincere thanks to B. K. Khare & Co. for their valuable contribution.

c) Cost Auditors

The Cost Audit Report under The Companies (Cost Audit Report) Rules, 2011 for the year 2013-14 was duly filed with the Ministry of Corporate Affairs on 18th September, 2014.

Your Company has appointed Dhananjay V. Joshi & Associates, Cost Accountants as Cost Auditors of the Company for the year 2015-16 at the remuneration as set out in item No 8 of the explanatory statement which is subject to the approval of members in the ensuing Annual General Meeting.

d) Secretarial Auditors

Kanj & Associates, Pune, Practising Company Secretaries, were appointed to conduct the secretarial audit of the Company for the financial year 2014-15, as required under Section 204 of the Companies Act, 2013 read with rules framed thereunder. The Secretarial Audit Report for FY 2014-15 forms part of the Annual Report as Annexure 6.

The Board has appointed Kanj & Associates, Pune, Practising Company Secretaries, as secretarial auditors of the Company for the financial year 2015-16.

Material changes and commitments, if any affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate and the date of the report

No material changes and commitments affecting the financial position of the Company occurred from the end of the financial year 2014-15 till the date of this report. Further there was no change in the nature of business of the Company.

Statement concerning development and implementation of risk management policy of the Company

In accordance with Clause 49 of the listing agreement, the Board formally adopted steps for framing, implementing and monitoring the risk management plan for the Company by way of Risk Management Policy.

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and mitigating risks associated with the business.

The policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

In today's challenging and competitive environment, strategies for mitigating inherent risks associated with business and for accomplishing the growth plans of the Company, are imperative. The common risks *inter alia* are risks emanating from; Regulations, Competition, Business, Technology obsolescence, Investments, retention of talent, finance, politics and fidelity.

As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

The Risk Management Policy is also hosted on the Company's website i.e. <http://www.praj.net/policies.html>

During the year, your Directors have constituted a Risk Management Committee which;

- i. Identifies, assesses, manages and monitors risk.
- ii. allows investors and other stakeholders to be informed of material changes to the Company's risk profile.
- iii. recommends to the Board and then formally announces clear standards of ethical behaviour required of directors, employees and contractors and encourages observance of those standards.

The Company has a system of monitoring, reporting and mitigating the major risks and uncertainties that can impact its ability to achieve its strategic business plans.

The Company has instituted adequate Internal Controls and processes to have a cohesive view of risks, optimal risk mitigation responses and efficient management of internal control and assurance activities.

In the opinion of the Board, there are no risks which may threaten the existence of the Company.

Internal financial controls

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

Policy on Director's appointment, remuneration including criteria for determining qualifications, positive attributes, independence of a Director and other matters

The Company's Remuneration Policy for Directors, Key Managerial Personnel and other employees is available on Company's website i.e. <http://www.praj.net/policies.html> and is also attached as Annexure 8 to this report.