

ANNUAL REPORT 2015-16



#REshapeTheFuture

## BOARD OF DIRECTORS



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

## CONTENTS

Company Information	01
Chairman's Statement	03
CEO & MD's Statement	04
Praj at a Glance	05
Directors' Report	06
Management Discussion & Analysis	14
CSR Report	17
Report on Corporate Governance	21
Auditors' Report	59
Balance Sheet	64
Statement of Profit & Loss	65
Cash Flow Statement	66
Notes to the Financial Statements	68
Consolidated Financial Statements	89
Notice	116

## COMPANY INFORMATION

<u>Board of Directors</u>	: <b>Executive Directors</b> Pramod Chaudhari, Executive Chairman Gajanan Nabar, CEO & MD  <b>Non Executive Directors</b> Berjis Desai Daljit Mirchandani Kishor Chaukar Parimal Chaudhari Prakash Kulkarni Rajiv Maliwal Sivaramakrishnan S. Iyer
<u>CFO &amp; Company Secretary</u>	: Dattatraya Nimbolkar
<u>Statutory Auditors</u>	: M/s P. G. Bhagwat
<u>Cost Auditors</u>	: Dhananjay V. Joshi & Associates
<u>Internal Auditors</u>	: Khare Deshmukh & Co.
<u>Secretarial Auditors</u>	: KANJ & Associates
<u>Bankers</u>	: Bank of Maharashtra The Royal Bank of Scotland HSBC Ltd.
<u>Solicitors</u>	: J. Sagar Associates, Mumbai
<u>Registered Office</u>	: "Praj Tower", S. No. 274 & 275/2, Bhumkar Chowk-Hinjewadi Road, Hinjewadi, Pune - 411 057, Maharashtra, India
<u>R &amp; D Center</u>	: Praj Matrix – The Innovation Center Gat No. 402, 403, 1098, Village Urwade, Tal. Mulshi, Pune- 412 108, Maharashtra, India
<u>Manufacturing Facilities</u>	: S.No.748, Sanaswadi, Gat No. 745, Sanaswadi, Pune - 412 208, Maharashtra, India Plot No. E-20 & E-21 additional MIDC Area, Jejuri, Tal. Purandar, Pune - 412 303, Maharashtra, India
<u>Export Oriented Unit</u>	: Kandla SEZ Unit I, Plot No307 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
<u>Presence in</u>	: India, Thailand, USA, South Africa, Tanzania, Sierra Leone, Philippines, Argentina, Namibia, Uganda and UAE



# CONFIDENCE of INNOVATION



Our innovations bear the hallmark of Praj value - **Reliability**. And we have demonstrated this adequately with the successful commissioning of the breakthrough **EcoSmart™ technology** all the way in Europe, amidst challenging climatic conditions. This novel technology brings best of both the worlds to an ethanol plant :-

- Flexibility of producing multiple grades of ethanol including fuel, pharma and beverage
- Reduced energy and water consumption by upto 40%

You can't have it better than this.

**EcoSmart™** Next Gen Technology - enabling customers with the **CONFIDENCE** of **INNOVATION**.

## EcoSmart™

Smart Distillation

---

### Praj Industries Limited

'Praj Tower', S. No. 274 & 275/2, Bhumkar Chowk-Hinjewadi Road, Hinjewadi, Pune - 411 057. India  
info@praj.net | www.praj.net | +91-20-71802000



## CHAIRMAN'S STATEMENT



*"Continuing volatility in the global economy calls for bold actions."*

I am happy to present the Annual Report of Praj Industries Limited for the Financial Year 2015-16. Your Company witnessed a stable year, despite a volatile and challenging environment. In a year when almost all sectors, barring few, continued to feel the ripples of the slowdown, Praj improved its EBIDTA by 19%, a function of the Company's transformation process.

*"Our Established businesses are expected to accelerate the rhythm in our growth, while Emerging businesses will sow the seeds for future development."*

Our endeavour lies in further scaling up our emerging business and establishing ourselves as an impactful player in multiple sectors within the Process and Engineering landscape, both in India and internationally.

While there are promising developments globally, I expect the economic stress to remain for a while. As the environment mends and newer paradigms emerge, it will be our effort to stay ahead of the curve. This will require us to take bold initiatives-adopting newer business models,

striking strategic partnerships and adopting a more entrepreneurial stance. It also means bringing in even greater efficiency and productivity so that the financial parameters can move to higher levels.

Nevertheless, we have laid out the foundation for a pivotal shift. I am excited about some of the developments during the year which will help us make this pivotal shift in time to come, like :-

- The Indian Government has made the Ethanol blending program scalable by removing some of the hurdles; The OMCs have also floated EOIs\* for 2G® plants which bodes well for Praj's 2G program;
- Our own '**Smart Biorefinery**' demonstration plant which raises our profile in the advanced bioeconomy league;
- Expansion of our current offering to distilleries through value added bio-energy products like **Bio-CNG** which is increasingly finding application as a transportation fuel;
- **Zero liquid discharge** is increasingly becoming a norm;
- The push by Indian Government on **R & D in the pharma** sector which augurs well for Praj HiPurity.

We remain committed to our vision of bringing sustainable solutions in every sphere including societal commitments.

Our operational excellence program has started yielding results. Our processes have been strengthened. Our teams are empowered to deliver on the commitments. What is required is scaling up combined with profitable returns for our stakeholders.

With a proven track record of fast-tracking innovation to market, a fully empowered team and experienced leadership at different levels, not to mention a strong balance sheet, your Company looks forward to REshaping its future.

**Pramod Chaudhari**  
Executive Chairman

Pune, June 2016

\* Expression of interest  
@ 2<sup>nd</sup> Generation cellulosic ethanol.

## CEO & MD'S STATEMENT



Dear Shareholders,

I am happy to share that, in line with our stated objective to get back to the higher profitability mark, Financial Year 2015-16 saw us delivering improved EBIDTA numbers. Let me bring in focus some key points for Financial Year 2015-16, which I am sure will be of interest to you.

### Highlights of Performance in Financial Year 2015-16

Emerging businesses continue to hold their own with new order intake at 30%.

We also saw new technologies and initiatives constituting 10 % of our order book.

Exports revenues have also been steady at 42%. Today, Praj has references in more than 75 countries. This gives us a vast canvas to work with.

During the year we also saw significant commercialization of new solutions. This includes a plant in Europe which showcases our novel

EcoSmart Technology. In India, we successfully handed over plants which demonstrate our Zero Liquid Discharge solution for both, distilleries and pharma plants. We supplied the internally developed BioWiz Bioreactor for a pharma plant in Europe, apart from India. The pipeline for innovative technologies is constantly being replenished and I am glad to share that we have a robust pipeline for the coming period.

### Specific opportunities

We are very encouraged to see the Indian Ethanol Program taking off. The 10% blending will be the real significant upside. India is also embarking upon introducing 2<sup>nd</sup> Generation ethanol with release of Expression of Interest for 2<sup>nd</sup> Generation technology. We will be watchful of overseas opportunities as we do see pockets of action in certain geographies. In the emerging businesses, we are bullish on high purity business. With a bigger suite of solutions, we are well positioned to contract higher ticket size orders. We expect the water & wastewater and critical process equipment & systems business to scale up once the economic cycle shows sustained improvement. In the meanwhile, the strategy is to be selective. We continue to pursue monetization of R & D initiatives. We expect some more time before we start reporting on this. The Indian brewery market is expected to rebound. Presently, we are pursuing brownfield opportunities.

### Strategic Initiatives

We expect to speed up some of the growth vectors on priority. This includes Internationalization of businesses, specifically our Praj HiPurity Systems's Business. The sales and marketing structure is in place, expertise for delivery as well as the local execution resources are being put together. We have received encouraging signals from the market.

Ethanol plant modernization business scale up is another vector we are already exploring. Our preparations are in place and we have already demonstrated the effectiveness of our solutions in some regions.

In the water & wastewater business, we are moving towards scaling up in terms of the order value. For this purpose, we are exploring strategic partnerships.

### Way Forward

While not losing sight of the profitability, we would like to boldly scale up our business. It is a tough balancing act. While I am encouraged by the operating margins that we have delivered this year, we need to cover more ground to deliver sustained performance in the coming period. This will help us REshape a sustainable, new Future.

**Gajanan Nabar**  
CEO & MD

Pune, June 2016

## Praj at Glance (Consolidated)

	UOM	15-16	14-15	13-14	12-13	11-12	10-11	09-10	08-09	07-08	06-07
SALES	₹ Min	10157.95	10122.03	9858.37	9190.71	10031.10	6649.29	7344.40	9542.17	7380.07	6301.94
OTHER INCOME	₹ Min	145.69	336.59	230.09	312.29	443.38	295.16	456.70	252.15	388.53	89.15
TOTAL INCOME	₹ Min	10303.64	10458.62	10088.46	9503.00	10474.48	6944.45	7801.09	9794.32	7768.59	6391.08
TOTAL EXPENDITURE EXCLUDING DEPRECIATION	₹ Min	9062.27	9216.54	9081.38	8364.36	9118.18	6175.48	6412.84	8252.63	5983.41	5248.02
DEPRECIATION	₹ Min	344.45	378.26	237.63	215.30	163.47	111.99	107.35	88.72	58.15	33.10
EBIDTA (EXCLUDING OTHER INCOME)	₹ Min	1108.78	930.16	791.38	849.42	924.46	473.87	935.15	1295.10	1397.42	1057.19
PBT	₹ Min	896.92	863.82	769.45	923.35	1192.83	656.98	1280.91	1452.97	1727.03	1109.96
PAT BEFORE MINORITY INTEREST	₹ Min	694.57	782.29	565.03	715.47	703.30	569.98	1198.32	1175.41	1513.23	865.99
PAT AFTER MINORITY INTEREST	₹ Min	694.47	762.66	546.26	680.27	678.94	577.51	1195.86	1211.95	1529.25	865.99
NET BLOCK OF FIXED ASSETS + CWIP	₹ Min	3064.13	3071.99	3280.28	2959.78	2590.42	1599.81	1448.00	1539.49	1235.96	637.30
SHARE CAPITAL	₹ Min	355.95	354.93	354.93	354.93	359.10	369.56	369.48	366.86	366.32	167.80
RESERVES AND SURPLUS	₹ Min	6255.14	5866.65	5470.28	5350.30	5174.59	5219.57	4908.72	3982.42	3130.08	1301.00
NET WORTH	₹ Min	6611.08	6221.58	5825.21	5705.23	5533.68	5589.12	5278.19	4349.28	3496.40	1468.80
EPS BASIC	₹	3.91	4.30	3.08	3.83	3.69	3.13	6.49	6.61	8.52	5.19
<b>RATIOS</b>											
EBIDTA (EXCLUDING OTHER INCOME) TO SALES	%	11%	9%	8%	9%	9%	7%	13%	14%	19%	17%
PBT TO SALES	%	9%	9%	8%	10%	12%	10%	17%	15%	23%	18%
PAT TO SALES	%	7%	8%	6%	7%	7%	9%	16%	13%	21%	14%
RONW	%	11%	13%	9%	12%	12%	11%	25%	31%	62%	86%
ROCE	%	14%	14%	13%	16%	21%	12%	26%	35%	66%	102%
NO. OF SHARES	Nos.	177,972,409	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%	81%	111%	81%	81%	63%	72%	90%	99%	135%
BOOK VALUE PER SHARE	₹	37.15	35.06	32.82	32.15	30.82	30.25	28.57	23.71	19.09	8.81
CASH EPS	₹	5.85	6.43	4.42	5.04	4.58	3.73	7.08	7.09	8.84	5.39

## Directors' Report

### To The Members of Praj Industries Limited,

Your Directors are pleased to present the 30<sup>th</sup> Annual Report and the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2016.

### Financial Results

In the year under review, your Company has recorded total income of ₹ 8362 Mn (previous year ₹ 8334 Mn). While the total income increased marginally, Profit before Tax increased by 15.40% to ₹ 787 Mn (previous year ₹ 682 Mn). Despite turbulent global economies, your Company's performance has been stable. The performance summary is presented herewith:

(₹ Mn.)

Particulars	2015-16	2014-15
Turnover	8240	8011
Other Income	122	323
Total Income	8362	8334
Total Expenses	7575	7652
PBT	787	682
PAT	667	685
(+) Balance in Profit & Loss account	4322	4081
Profit Available for Appropriations	4989	4766
Appropriations		
Adjustment relating to Fixed Assets	-	29
Dividend		
- Interim	288	-
- Final (Proposed)	-	287
- Dividend Tax (Interim Dividend)	59	-
- Dividend Tax (Final Dividend)	-	59
- Transfer to General Reserve	67	69
Balance in Statement of Profit & Loss	4575	4322

### State of Company's Affairs

Please refer Management Discussion & Analysis (Annexure 1) dealing with the state of Company's affairs at length.

### Summary of Consolidated Results

Total Income at ₹ 10304 Mn is lower by 1.48% over last year whereas PBT at ₹ 897 Mn is higher by 3.82% over last year.

(₹ Mn)

Particulars	2015-16	2014-15
Turnover	10158	10119
Other income	146	340
Total income	10304	10459
Total expenses	9407	9595
PBT	897	864
PAT (after Minority Interest)	694	763

### Dividend

The Board of Directors declared an Interim Dividend of ₹ 1.62 (81%) per equity share of Face Value of ₹ 2/- during the Financial Year 2015 – 2016. The dividend pay-out was ₹ 346.959 Mn including dividend distribution tax. Your Directors are of the opinion that the said Interim Dividend be treated as Final Dividend for the Financial Year 2015 -2016.

### Reserves

The Company proposes to carry ₹ 67 Mn to Reserves.



## Credit Rating

- CRISIL has reaffirmed “A1+” rating to the 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

During the year, your Company acquired balance 20% stake in its subsidiary Company viz. Praj HiPurity Systems Limited thus completing 100% acquisition and making Praj HiPurity Systems Limited a Wholly Owned Subsidiary of your Company.

Praj Engineering & Infra Ltd. (Formerly, Pacecon Engineering Projects Ltd.), India, Praj HiPurity 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 S.R.L., 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 the provisions of Regulation 34(3) and 53(f), read with Schedule V of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, Management Discussion and Analysis Report (Annexure 1), Report on Corporate Governance and Compliance Certificate on Corporate Governance (Annexure 3), Business Responsibility Report (Annexure 10) are annexed to this report.

## Directors

Mr. Daljit Mirchandani (DIN : 00022951) was appointed as Additional Director in the Board Meeting held on 28<sup>th</sup> May, 2015. Subsequently, he was appointed as Non Executive – Non Independent Director, liable to retire by rotation in the Annual General Meeting held on 6<sup>th</sup> August, 2015.

Mr. Gajanan Nabar, Director (DIN: 00714569) retired by rotation as Director of the Company on 6<sup>th</sup> August, 2015 and being willing and eligible, was re-appointed as Director of the Company.

Ms. Parimal Chaudhari, Director (DIN: 00724911) will retire by rotation at the ensuing Annual General Meeting and, being eligible, has offered herself for reappointment.

The members in the Annual General Meeting held on 6<sup>th</sup> August, 2015, granted their approval for extension of the term of contract of Mr. Pramod Chaudhari to act as Executive Chairman of the Company for a further period of two years with effect from 1<sup>st</sup> August, 2015 on the same terms and conditions including remuneration.

The re-appointment of Mr. Gajanan Nabar as CEO & Managing Director ( DIN: 00714569) was approved by the members in the 29<sup>th</sup> Annual General Meeting held on 6<sup>th</sup> August, 2015, for a period of three years with effect from 1<sup>st</sup> August, 2014.

## 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.

## Composition of Audit, 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 annual 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 there under.

### 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

The members, in the 29<sup>th</sup> Annual General Meeting held 6<sup>th</sup> August, 2015, appointed M/s P.G. Bhagwat, Chartered Accountants, Pune as Statutory Auditors of the Company for a period of five years with effect from the conclusion of 29<sup>th</sup> Annual General Meeting held on 6<sup>th</sup> August 2015.

Pursuant to the provisions of Section 139 of the Companies Act, 2013 read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 the appointment of Statutory Auditors for the Financial Year 2016-17 needs to be ratified by the members.

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 seek ratification from the members for the appointment of M/s P.G. Bhagwat, Chartered Accountants, Pune, as the Statutory Auditors of your Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the 31<sup>st</sup> Annual General Meeting of the Company.

#### c) Cost Auditors

Your Company has appointed Dhananjay V. Joshi & Associates, Cost Accountants as Cost Auditors of the Company for the Financial Year 2016-17 at the remuneration as set out in item No. 4 of the explanatory statement which is subject to the ratification of members in the ensuing Annual General Meeting.

#### d) Secretarial Auditors

M/s KANJ & Associates, Pune, were appointed to conduct the secretarial audit of the Company for the Financial Year 2015-16, as required under Section 204 of the Companies Act, 2013 read with rules framed there under. The Secretarial Audit Report for Financial Year 2015-16 forms part of the Annual Report as Annexure 6.

The Board has appointed KANJ & Associates, Pune, as Secretarial Auditors of the Company for the Financial Year 2016-17.

### 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 2015-16 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 the provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Board adopted Risk Management Policy and initiated necessary steps for framing, implementing and monitoring the risk management plan for the Company.

The main objective of this policy is to ensure sustainable business growth and to promote a pro-active approach in identifying, 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 appropriate steps 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, the Board of Directors has merged Risk Management Committee (which was formed pursuant to the provisions of erstwhile Clause 49 of the Listing Agreement) into Audit Committee and the role and responsibilities of Risk Management Committee are assigned to the Audit Committee.

However, pursuant to Regulation 21(5) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, (which came into effect from 1<sup>st</sup> December, 2015) constitution of Risk Management Committee is not applicable to your Company.