

EXPANDING GLOBALLY

Punj Lloyd, an Indian conglomerate, is expanding rapidly across the Middle East, Africa, the Caspian and Asia-Pacific regions, taking up projects in the oil and gas, process, civil infrastructure, thermal power and aviation and defence sectors. A report by **R Nagesh**.



FOR A US\$2 billion diversified group, with interests across the globe, spanning sectors such as engineering, procurement and construction (EPC) for the oil and gas, infrastructure and petrochemicals industries, and a growing presence in areas such as defence, aviation, marine and upstream sectors, Punj Lloyd indeed had a modest beginning.

The Indian conglomerate, which operates 16 international offices and entities across Europe, the Caspian, the Middle East, Africa, Asia-Pacific, China and South Asia, had its origins as the pipeline division of Punj Sons Pvt Ltd, in 1982. Atul Punj, the 52-year-old chairman, represents the third generation of the Punj family.

The pipeline division was incorporated as Punj Lloyd Engineering Pvt Ltd in 1988 and became a public limited company four years later. Recent years, especially after it went public, have seen the company grow aggressively, both in India and abroad through both acquisitions and tie ups. Punj Lloyd, for instance, became the first Indian company to partner with an American nuclear company, following the

'WE ARE FOCUSSED ON INCREASING EFFICIENCIES

TAKING control of the pipeline division of the family business when he was around 25, Atul Punj, chairman of the group, has steered the unit on a growth trajectory. More than 25 years later, the Punj Lloyd group, with interests across several continents, is a US\$2 billion conglomerate, and expanding rapidly. An interview with the chairman.

Do you see opportunities in the current global economic slowdown, especially for an Indian multinational such as Punj Lloyd?

We do see opportunities for consolidation in the EPC space and Punj Lloyd will evaluate these opportunities on a case-to-case basis.

With governments around the world unveiling stimulus packages, investing billions of dollars in the infrastructure sector, does it offer opportunities for your group?

Governments that are injecting large sums of money into their economies are all known. How this will translate into opportunities is a function of the details that are yet to emerge.

What is your strategy for top-line and bottom-line

growth in these global recessionary times?

Our strategy is to increase the number of verticals in the EPC canvas, which for us is very large, and focussing on increasing efficiencies for boosting the bottom-line.

What are the geographical areas and sectors that Punj Lloyd will concentrate on over the coming two to three years?

Punj Lloyd's operations are in the Caspian, the Middle East and North Africa, South Asia and South East Asia, and we will continue to grow our business in these areas.

Do you see opportunities in the defence sector in India? Are you also looking at opportunities in the civilian nuclear sector in India?



There are tremendous opportunities in the defence sector. How optimally they are expedited will depend on the speed at which these are cleared. Yes, we are positioning ourselves to take advantage of the civilian nuclear sector in India.

Are you planning to take up projects in the core sectors, including power, roads and highways, airports and ports on a build-operate-transfer (BOT) basis?

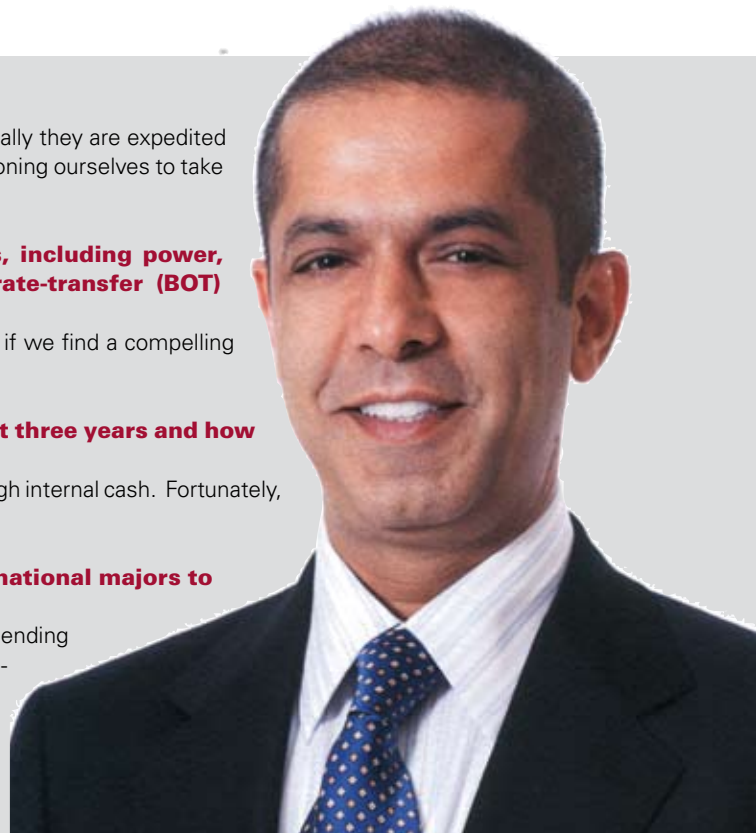
On BOT projects, our view is always on a case-to-case basis and only if we find a compelling opportunity will we commit to it.

What kind of investments do you plan to make over the next three years and how do you plan to fund them?

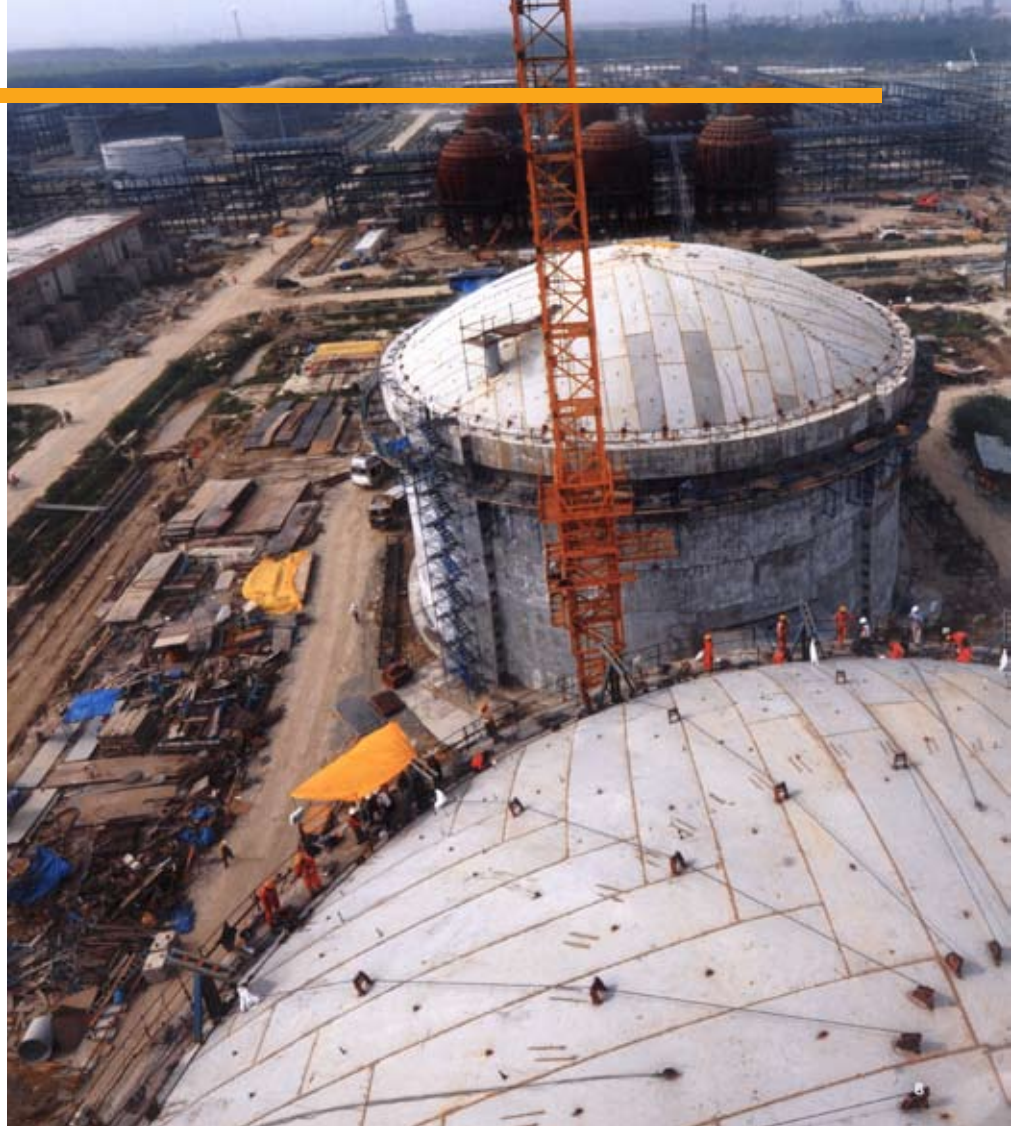
Future investments as and when required will be funded primarily through internal cash. Fortunately, we are well placed in this regard.

Do you plan to enter into any strategic alliances with international majors to take up joint projects both in India and abroad?

Strategic alliances take place primarily on a project-to-project basis, depending on the size of the project, country and attendant reasons; it is a de-risking strategy, and at times, they are undertaken for financial reasons where projects are so large that major companies need to partner with each other. This is a regular feature in the EPC space.



Infrastructure renewal, modernisation and development play a large role in Libya's progress and we are proud to be a part of this process, establishing our global capabilities.



Indo-US civil nuclear pact last year. "The Indo-US civil nuclear deal has opened up investment opportunities, which will make Indian industry robust and competitive," explains Atul Punj. "The nuclear space is very promising and with this partnership we aim to take forward India's long-standing commitment to the thorium fuel cycle, notwithstanding the opening up of trade in conventional uranium technology."

India has the second-largest deposit of thorium (one of the fuels for a nuclear plant) in the world and the successful launch of thorium technology will make India self-reliant with its own fuel in the long run, he adds.

Punj Lloyd signed a memorandum of understanding (MoU) with Thorium Power Ltd, a leading American developer of non-proliferative nuclear fuel technology and provider of comprehensive advisory services for emerging nuclear programmes, in December 2008. The MoU establishes a framework to explore and identify the strengths of Thorium

Power in the areas of deployment of its nuclear fuel designs in India, Southeast Asia and elsewhere; to expand consulting activities for the development of nuclear power generation regionally and worldwide; and to pursue the establishment of a joint venture between Thorium Power and Punj Lloyd "to best capitalise on the emerging nuclear renaissance." (The renewed global interest in nuclear energy in recent years has been described as a 'renaissance'.)

"Through this collaboration we will explore the full range of options available to both our companies in areas as diverse as marketing our non-proliferative fuel designs, providing advisory services to emerging national nuclear programmes and exploring development and investment opportunities in the nuclear industry," says Seth Grae, president and ceo, Thorium Power.

Incidentally, Thorium Power is also the first US nuclear energy company to enter India after the signing of the civil nuclear pact between the two countries.

Punj Lloyd got listed in 2006 and in the same year Atul Punj launched his overseas acquisitions. He bought one of the largest engineering and construction groups in South East Asia, Sembawang Engineers & Constructors, based in Singapore. Later, he acquired UK-based Simon Carves, leaders in polymers and petrochemicals.

In the same year, Punj Lloyd entered into a strategic joint venture with Saudi Prince Khalid bin Bandar bin Sultan and his firm, Dayim, offering EPC services for oil and gas, petrochemical and infrastructure sectors. It also set up another joint venture with KAEFER Isoliertechnik GmbH & Co, of Germany, a leader in multi-discipline design, engineering and contracting, for specialised services in thermal insulation and allied disciplines.

Exploring the defence sector in India, which is gradually being opened to private players, Punj Lloyd invested over US\$65 million in Pipavav Shipyard Ltd, a private sector port in Gujarat, in 2007, providing it fabrication facilities for platforms, rigs



and jackets, and opening up a significant opportunity for fabrication of naval frigates and refurbishment of ships, or meeting the needs of the Indian Navy or the nuclear industry.

The Indian government, under a new policy, plans to outsource the building of smaller-sized vessels for the Indian Navy and the Coast Guard to private shipyards, while public sector shipyards would concentrate on strategic and larger vessels.

In 2008, the group acquired a 74 per cent stake in the UK's Technodyne International, making it an end-to-end service provider, from design to construction, in cryogenic liquefied natural gas (LNG) tanks. Punj Lloyd has also made inroads into the defence sector, tying up with Singapore Technologies Kinetics, to manufacture equipment for the Indian Army.

The company also acquired a 33 per cent stake in Air Works India in November 2007, marking its foray into the maintenance, repair and overhaul (MRO) business. It also offers aircraft charters,

maintenance, crew training and infrastructure development.

For a company that won its first overseas contract in 1992 – the Balongan Jakarta Product Pipeline in Indonesia – Punj Lloyd has grown immensely since then, widening its international operations since then in countries such as the United Arab Emirates (Abu Dhabi), Kuwait, Qatar, Malaysia, Kazakhstan and Bangladesh.

Punj Lloyd has a large fleet of sophisticated construction equipment, including horizontal directional drilling rigs and pipe-laying barges. It operates central workshops and equipment maintenance yards in India, Indonesia, Abu Dhabi and Kazakhstan, ensuring minimal downtime. In January 2009, Punj Lloyd won its fourth project in Libya, a US\$250 million contract for the execution of utilities in Tripoli.

It also won a nearly US\$200 million contract to upgrade an existing township in the Libyan capital. "Libya is a key market for us and the group plans to expand its presence in the promising business environment of the country," remarks

Punj. "Infrastructure renewal, modernisation and development play a large role in Libya's progress and we are proud to be a part of this process. This further establishes our global capabilities."

The group recently also bagged a US\$800 million construction-related work contract from Qatar Petroleum. The contract relates to the engineering, installation and commissioning of a 211-km pipeline. Punj points out that it was the fourth EPC contract for the group in Qatar.

With the recent contracts, Punj Lloyd's outstanding orders have shot up to US\$4.65 billion. The group has now established a reputation for its capabilities in delivering mega projects on time.

With its enormous expertise in providing integrated design, EPC and project management services for the energy, infrastructure and petrochemical sectors, the Punj Lloyd group now aims to rank among the top five global EPC companies in the segments and markets it serves by 2012. 🌱