Conference Call Transcript

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PRESENTATION

Sulogna - *Moderator* **:** Good afternoon ladies and gentlemen. I am Sulogna the moderator for this conference. Welcome to the conference call of Punj Lloyd hosted by Citigroup Global market India Pvt Ltd., Mr. Venkatesh Balasubramaniam, Analyst, Citigroup Investment Research, Mr. Atul Punj – Chairman and Managing Director Mr. Luv Chabbra, Director, Finance and Mr. Anil Aggarwal, Chief Financial Officer of Punj Lloyd are your call leaders today. For the duration of the presentation all participants' line will be in listen–only mode. After the presentation the question and answer session will be conducted for the International participants connected to Airtel International Center . After that a similar question and answer session will be conducted for the participants in India . Now I hand over the floor to Mr. Venkatesh Balasubramaniam. Thank you and over to Mr. Balasubramaniam.

Venkatesh Balasubramaniam *Analyst, Citigroup Investment Research :* Welcome to the Punj Lloyd conference call, hosted by Citigroup. I assume you will be aware Punj Lloyd has recently acquired a majority stake in SembCorp Engineer & Constructors, wholly owned subsidiary of SembCorp Industries. Punj Lloyd's Senior Management will be talking us through the strategic intent behind this acquisitions and the way forward for the Punj Lloyd group. I would now handover proceedings to the Punj Lloyd management.

Atul Punj – *Chairman and Managing Director, Punj Lloyd* **:** HI friends, Good afternoon everybody. This is Atul Punj, welcome to this call. And I would like to start by saying that we are very excited about this recent acquisition of ours. I'll just go through some of the reasons that lead us towards this acquisition. Firstly, I think it is important to know that the construction canvas is very, very wide. Punj Lloyd effectively operates in about six verticals. The first one being cross country pipe laying, the second one being tanks and terminals, between process facilities, the fourth being highways, the fifth being power plants and the sixth being high end buildings.

The verticals of buildings as well as power are very recent verticals for the company and it is an area that we have recently started making some progress. The first one being the acquisition of the contract for building a power plant for Jindal at Raigarh as well as one in Indonesia with BHEL. And the high end buildings, our first move was with the building of the MediCity complex which is a very high and integrated multispecialty hospital project.

The acquisition of SembCorp essentially increases this dramatically. It adds on various verticals. I would mention some of them, but I am sure are not limited to, airports, seaport, water and sewage treatment, jetties, it includes a very, very large expertise in building Special Economic zone type of facilities, in fact a large number of Economic zones built in China for the Singapore government were built by SEC because it is number one in engineering and construction.

There is a great addition of new geographies. There is also most importantly a very large human resource group that is now available and, as you all know, that Punj Lloyd essentially has been a construction company with limited design expertise, this acquisition now expands our design expertise dramatically. One of the jewels in engineering and construction is a wholly owned subsidiary of theirs which is based out of Manchester in the UK , called Simon Carves. Simon carve was one of the oldest names in the area of petrochemical constructions and with the huge amount of expansion in petrochemical works not only in India but also in the middle–east, south east Asia and north Africa, we see that as a massive opportunity for us to really expand our businesses.

Effectively the opportunities that are now open to us as a result of this acquisition have multiplied many times. I wouldn't really want to venture an estimate on what that number would be, but we feel that it is really going to do a lot of positive things for this joint operation. The other, major opportunity is that with this acquisition, immediately there will be a large amount of off–shoring opportunities that would be presenting themselves to Punj Lloyd and we are now in the process of already implementing to see as to how we can improve the bottom line of someone entering into construction by off–shoring various activities into India, which is an activity in which we were already engaged, but fortunately for us had not implemented.

Luv Chabbra – *Director Finance :* Just to build on what you said, if you could just touch on the potential that you see in Saudi Arabia particularly for SembCorp E&C.

Atul Punj – *Chairman and Managing Director* **:** As you may have heard that recently we entered into a joint venture with Prince Khalid–Bin–Bandar–Bin Sultan, our partners in Saudi Arabia family is actually developing the King Abdullah City , which is the agenda in the west coast of Saudi Arabia on the red sea. This is their investment which is expected to cost about $33 billion, work is just starting on this particular complex and with the capabilities of SembCorp E&C we will be in a position of take up almost all aspects of that city development. Be that in terms of the airport and the seaport, hospitals, universities, commercial buildings, residential buildings. We are perfectly positioned now to take up almost as much of this opportunity.

Luv Chabbra – *Director Finance :* Just to add on to what Atul has said, the other opportunity which will present itself, as a consequence of this acquisition is, the LRT/MRT opportunity in India and in regions of the Middle East. Again, there is a huge amount of investment coming in on public transport and this entity SembCorp E&C has substantial experience in tunneling work, in building the LRT/MRT systems in Singapore and other countries. So again, a huge amount of opportunity there and Atul has already mentioned about the petrochemical opportunity of Simon Carves such as LDB, Styrene, Polystyrene etc. Again, Saudi Arabia being a huge market for this.

Atul Punj – *Chairman and Managing Director, Punj Lloyd :* As per the underground tunneling experience of SembCorp E&C, they have also done very large underground storage. I think with the opportunity coming up in the underground gas storage, again we are one of the uniquely positioned groups now for this type of opportunity.

Sulogna *- Moderator :* Thank you very much sir. I We will now conduct the question and answer session for the international participants. After this we will have a similar question and answer session for the participants in India .

Aayush Sonthalia – *Lehman , UK :* This is Aayush Sonthalia from Lehman Global Principal Strategies. Atul, could you talk about how you plan to finance this transaction, it is not a very large transaction, but just what the leverage numbers would be, potentially at the end of this year.

Atul Punj - *Chairman and Managing Director :* Aayush, there is no additional debt that we will be taking on for this financing. Recently in January or February, we had completed an FCCB. One of the objectives of this FCCB was to use it for international acquisitions. So really the numbers will not change in any way with this acquisition.

Aayush Sonthalia – *Lehman , UK :* Can you just remind us what's the total debt number including the FCCB?

Luv Chabbra – *Director Finance :* Debt equity ratio will be 0.7:1 counting FCCB as debt not as equity at all. If you want the absolute number, it's slightly above Rs.700 crores.

Mark Syn - *Goldman Sachs – Singapore :* Could you comment on what your margins will look like post the acquisition of SembCorp Engineers.

Atul Punj - *Chairman and Managing Director :* Its difficult to give you a forward–looking number but I would say is, that yes, the EBITDA numbers would compress slightly if you look at the numbers as they exist today. Having said that, the off–shoring opportunities of this operation that we are going to back off into will be visible sooner than later.

Luv Chabbra – *Director Finance* **:** The company has been on a sell–off mode for the last year and year and half which is why the results are where they are today, but I think going forward with all these opportunities opening up for them, our ability to take them to new markets and new opportunities, you will see a substantial improvement in the numbers in the short to medium term.

Mark Syn - *Goldman Sachs – Singapore :* Could you comment on the margins across the various verticals that you had mentioned just you had six verticals, could you give us some idea as to what the EBITDA margins looks across the various verticals?

Atul Punj – *Chairman and Managing Director :* I will let Luv handle that question, but what I would like to say is that the margin pressure is only upwards as we speak. Generally, we find across the board that there are more projects available than there is capacity in the sector to really handle it. What we have done as a company is having been very cautious about not going in for work just for the sake of building up order backlog, we have been focusing on quality, not only of the contracts but also of the clients. I think if you see the order book that we have ramped up in the recent months, you will notice that we did not get obsessive about trying to build up order book by going off the annuity project, BOT projects in the highway sector and we have been focusing only on the contracts where the escalations really pass through to the client. A large amount of this business has been acquired very recently and the quality of it is something we are very proud of.

Luv Chabbra – *Director Finance* ***:*** There is no sort of prescriptive answer to about what the margins will be in each vertical. It depends on the opportunity, the market and the competition. We have seen an infrastructure project where we made margin upwards of 15%–16% and again it depends on who the bidders were, what was the unique positioning in that project? Just to give you a general indicative trend, typically oil and gas projects would give us margins in markets where we operate upwards of 15% and that's the general rule and in some places it could be substantially higher and in some places may be marginally lower. As an indicative number it is generally above 15% EBITDA margins.

The infrastructure side so far for us has been upwards of 10% to 11%. As I said, we have seen road projects in Rajasthan for example, where our margins are likely to be upwards to 15% to 16%. So it is a matter of how we position ourselves, what are the sort of projects we bid for etc.

Sulogna - *Moderator* ***:*** We will now begin the proceedings for the question and answer interactive session for the Indian participants connected to audio conference service from Airtel.

Biren Dalal – *Kotak Securities – Mumbai* ***:*** I would like to know what would be your debt in SembCorp? what would the consolidated debt stand at?

Atul Punj – *Chairman and Managing Director :* I will let Mr. Chabbra and Mr. Aggarwal handle that, but what I would say is that SembCorp almost has zero debt.

Luv Chabbra – *Director Finance :* The total debt on SembCorp books is practically nil. I mean it's a very small amount of debt. So really there is not incremental debt as a consequence of this acquisition if you were to take it on a consolidated basis for the entire group.

Biren Dalal – *Kotak Securities – Mumbai :* So with SembCorp if you look at the numbers, I think the revenues are close to $1 billion?

Luv Chabbra – *Director Finance :* Correct, as of in financial year 2005.

Biren Dalal – *Kotak Securities – Mumbai* ***:*** What sort of an order book does that company have?

Luv Chabbra – *Director Finance* ***:*** The current order book of SembCorp E&C is just above Singapore $1.9 billion.

Biren Dalal – *Kotak Securities – Mumbai* ***:*** Were there any factors leading to the low profitability of this company, because this acquisition has been made just at $40 million?

Luv Chabbra – *Director Finance* ***:*** I just want to make a couple of points. I think you must realize that this company has been on a sell–off mode for the last one and a half years.

Atul Punj – *Chairman and Managing Director* ***:*** Three years.

Luv Chabbra – *Director Finance :* Longer than that Okay. Well the parents themselves wanted to exit out of the engineering and construction business and therefore they were in a sense not allowing this company to really grow and develop of bid aggressively projects outside their own cap, what they perceived was safe in capital market. So, that is one reason. I think the other reason is that based on the markets in which they operated they were sort of pretty mature market, look at markets like Singapore etc. So really unique opportunities were not there. Going forward, we would see tremendous opportunities for this company in developing markets, markets like India, the middle–east region, Saudi Arabia, Iran, etc.

Atul Punj – *Chairman and Managing Director :* I think in addition to that there were a lot of initiatives that the management of this company wanted to actually activate, which included setting up an off–shoring operation into India to back off their ancillary activities, especially from the petrochemical group within this company, Simon Carves. They were prevented from doing most of these actions, as a result of which a lot of the efficiency that could have been built into this company were not allowed to be built in. Secondly, a lot of very lucrative markets they were kept away from, which is something that we now would be pushing them into.

Biren Dalal – *Kotak Securities – Mumbai :* Okay, and in terms of possibility is there some sort of outlook for the next year from this company or will it take more time for this to add your bottom line?

Atul Punj – *Chairman and Managing Director :* Well you know as we would all like to quantify that and internally of course we are in the process of doing that, but unfortunately we will not talk too much about that right now.

Biren Dalal – *Kotak Securities – Mumbai :* And what about in terms of manpower how many people would SembCorp have?

Atul Punj – *Chairman and Managing Director :* I think it is in excess of close to about 2,000 people go ahead.

Luv Chabbra – *Director Finance :* It is about 1,800 employees in SembCorp E&C and Simon Carves and some of the other subsidiaries, but significantly these two companies will contribute that many qualified people who are very knowledgeable about the engineering and construction business.

Gautam – *Kotak Securities - Mumbai* ***:*** Hi, first question is there any lock–in on the key employees or are they free to go after the merger?

Atul Punj – *Chairman and Managing Director* ***:*** There is no lock in on key employees anymore than there can be a lock–in on any employees in any of these companies today, but of course they all are highly excited about this combination and for the first time they feel that they are now with a company that understands the engineering construction space and I think the morale is extremely high so there are no worries on that count.

Luv Chabbra – *Director Finance* ***:*** There is, however, a conditionality in our sales/purchase agreement which prevents the employees from joining the SembCorp industries, to that extent they cannot go back.

Gautam – *Kotak Securities - Mumbai* ***:*** Okay, further investment or capex is required in this business or is it self sustaining because it already has zero debt, so?

Atul Punj – *Chairman and Managing Director :* No, I think in terms of cash flow there will be certainly balancing required essentially to increase the bonding capability of SEC. But, apart from that there is no further investment required in that sense.

Gautam – *Kotak Securities - Mumbai :* Are there more such acquisitions likely in the future or you will just look at this and concentrate on this and then look at something later on?

Atul Punj – *Chairman and Managing Director* ***:*** Well I think its important now, because as I mentioned earlier our canvas has increased many fold and it is important now to consolidate and really take advantage of all the opportunities that are presented now to this combined group. The opportunities as I mentioned run into probably close to $1 trillion, so our focus has to be now to maximize the quality contract in this space.

Luv Chabbra – *Director Finance* ***:*** To answer your question also on the capital, did you ask capex?

Gautam – *Kotak Securities - Mumbai :* Yes, capex or more investment required in this business?

Luv Chabbra – *Director Finance :* If you look at something, I mean the existing Punj Lloyd group and now SembCorp E&C, Punj Lloyd has fairly large capex space, it is an equipment intensive company.

On the other hand, SembCorp as a philosophy has been doing basically the engineering procurement work and subcontracting out the contraction activity, which is why there is a great fit and that is why Atul did not want to give any future numbers, but you know we can see an upside just by the facts that a lot of construction activity, which they have outsourced or subcontracted out and now possibly it would be done by Punj Lloyd, but in terms of equipment I think the entire group has now got a fair bit of equipment amongst themselves, so the equipment is available to whichever company requires the equipment.

Atul Punj – *Chairman and Managing Director* **:** We are on our road shows asked very often by people, as to what the reasons for our higher EBITDA numbers were and I always mentioned that one of our biggest advantage is that we do not subcontract contracts, we tend to do everything ourselves hence capture the entire EBITDA internally.

Now here is a company, which typically has not been executing the work by themselves, they have been subcontracting it.

Now immediately you will see again without talking about any future numbers, the opportunity of actually capturing the entire EBITDA of these contracts internally.

That is one of huge, major reasons that we are asset intensive, they are obviously zero on assets.

Gautam - *Kotak Securities - Mumbai :* Yes definitely. And can you give a sense in terms of the kind of projects you have done seaports, airports and process industry sites, couple of the contracts.

Atul Punj – *Chairman and Managing Director :* Gautam to give you examples, they have built Shangai Airport, they have built the Singapore's MRT a large part of it, so these two itself are very, very good examples. They have built petrochemical complexes in Saudi Arabia and Southeast Asia, in Europe, in Mexico and they continue to do that work. We see a huge opportunity over there, including the large petrochemical parks, which have been announced by the Government of India. But even if we exclude that the opportunity is really huge.

Gautam – *Kotak Securities - Mumbai :* You have been doing as a lead player or as a part of a consortium or?

Atul Punj – *Chairman and Managing Director :* As lead player.

Luv Chabbra – *Director Finance :* And Gautam on the petrochemical and oil refinery side, they are involved in a very big contract with SR and they have done the LDP plant in Mexico , Iran and UK . They are doing a large project for Huntsmen in UK . Again a petrochemical plant, we have done polystyrene plants in Iran , so fairly widespread and varied experience from the petrochemical side and refinery side by Simon Carves.

Gautam – *Kotak Securities - Mumbai :* The $33 billion you talked about Saudi Arabia , is this King Abdullah City ?

Atul Punj – *Chairman and Managing Director* **:** Yes it is. Which is actually being financed and promoted by our partner's family. So you understand now the picture over there. I think in the market can pick up that joint venture's implications, but there is a massive implication over there.

Raj Yelasi - *Sandstone Capital - Mumbai :* I was just wondering how much is the company currently losing and why exactly is SembCorp losing money? In other words is it because operating below capacity, do you need to cut head count, does not sound like you plan to do that or is it for a matter of just sort of ramping up the business? I am trying to address that versus maybe less than profitable contracts.

Atul Punj – *Chairman and Managing Director :* I will lead up that question and then I will hand it over to Luv. Firstly the company is not really losing money right now, I mean the projections are profitable. The issue is really how can we increase profitability to a significant level. As I mentioned earlier this company bas been in a sell–off mode for almost three years and a lot of initiative that the management wanted to take to really beef up capacity or take advantage of opportunities, which were profitable, they were really constrained from pursuing them because the management then decided to exit from this business.

Luv Chabbra – *Director Finance :* One we can say their EBITA numbers are not anywhere near Punj

Lloyd numbers. The fact is that they have been marginally profitable. So going forward again as Atul mentioned we certainly see good opportunities and we will be able to leverage the advantages of that Punj Lloyd ring to this sort of acquisition. The equipment is there, the construction capability is there and the access to markets where the growth is, that is the other advantage.

Raj Yelasi - *Sandstone Capital - Mumbai :* Is the pricing on the contract something that you guys can use to make the business more profitable? I am trying to get sense of how much?

Atul Punj – *Chairman and Managing Director :* They subcontract out all their construction activities, so which means that they sacrifice whatever 5%, 6% or 7% of the margins to subcontractors. Well that margin is a possibility that could be captured in–house within the group.

Raj Yelasi - *Sandstone Capital - Mumbai :* Historically, has their business all been this sort of this marginally profitable level or .

Luv Chabbra – *Director Finance :* They have been profitable there is no doubt about that. If I look at 2003–2004 the company has been profitable. But, when you have a company, which is been on sell–off mode for the last three years and the parent is sort of restricting you from really going to markets where the opportunities are clearly it will tell on the bottom line of the company.

Atul Punj – *Chairman and Managing Director :* Let me add to that. In the sense I am glad that the profit numbers are where they are. Because, if they weren't our acquisition price would have been way higher than what we are talking about. So I think really I am not complaining when people ask me what their profit numbers are, I say look in this kind of opportunity landscape that we are talking about to get a company with this kind of pre–qualification itself is the real steam if I may use the term. I am really happy that their numbers are where they are because I think we have got a great deal for a very, very good price.

Of course we led them to believe that we paid a lot more than we should have, but that's another matter.

Biren Dalal – *Kotak Securities - Mumbai :* Can you share what is the net worth of the company you acquired SembCorp ?

Luv Chabbra – *Director Finance :* Singapore dollars $55 million or thereabouts.

Biren Dalal – *Kotak Securities - Mumbai :* Can you also share what is the execution time for the order book that you mentioned, Singapore $1.9 billion?

Atul Punj – *Chairman and Managing Director :* I think it would vary. There are some of the contracts, which are sort of long term contracts, particularly the MRT, LRT ones are much longer term or the tunneling works, which go under rivers in Singapore . The execution cycle it would vary anything from a year to about four and half years.

Biren Dalal – *Kotak Securities - Mumbai :* This company has an outstanding order for 6,000 crores and the consideration that you have paid would be around 120 crores?

Luv Chabbra – *Director Finance :* No, the outstanding of the book of the company is 1.9 billion sing dollars.

Biren Dalal – *Kotak Securities - Mumbai :* I mean in Indian currency it would be 6,000 crores around. And the consideration that you paid is about, $40 million.So in terms of order book to sales ratio I see it is very very low, so why are parents selling for such a low multiple, low price whatever.

Atul Punj - *Chairman and Managing Director :* Well, you see, there were two aspects over here. One was the fact that they have been trying to sell the company now for the last three years. There were repeated things that were done, which could not be executed, essentially because the financial condition of some of the prospective buyers. One of the conditions on this was that we had to replace the bank guarantees for ongoing projects, because you know it is part and parcel of our business. We were I think at the end of it, turned out to be the only company with the strength to be able to combine with the few. The parent was looking to sell this company because they were more keen on focusing on annuity type businesses and that is really where they have contracted themselves into, Luv you want to add something.

Luv Chabbra – *Director Finance :* Yes, I think one should also consider what the parent's requirements were. The parent has been having this company for a long time, they are a Singapore based entity, a lot of the employees are Singaporean and they wanted to ensure that the employees become part of a group, which is a growing and developing engineering and construction group. So they themselves are also eager to get their employees a part in a company, which has aggressive growth. So that was also an important bit, which worked in our favor. At the end of the day, maybe you guys should pat us on the back for having done a good deal.

Biren Dalal – *Kotak Securities - Mumbai :* That is right. Were there any other bidders for this particular company?

Atul Punj - *Chairman and Managing Director :* Yes they were, there were bidders in the past.

Biren Dalal – *Kotak Securities - Mumbai :* Okay, one final question from my side. When you say off–shoring and that will improve the efficiency, I did not quite understand, there is some tunneling work or MRT work in Singapore, how exactly the off–shoring will happen because what I understand is that physically the work will be required to be executed in Singapore only?

So would the Indian engineers go and replace engineers who are working over there?

Atul Punj - *Chairman and Managing Director :* No, no, no. Number one in construction, as I mentioned earlier, these people are working in various countries. One of the large pieces in their group is the petrochemical group which is the company called Simon Carves. Simon Carves is almost a 120, 130–year–old company, which is based out of Manchester . Now, they have been attempting to grow their business and reduce their cost at the same time and were very keen to set up an Indian offshore arm, providing engineering assistance. Now they were prevented from doing that under their earlier management. Now when you look at rationalizing cost, you do it two ways, one is by saying the existing contract how can I cut and chop, and one of the opportunities that you mentioned is to cut manpower. Now that is definitely not in our agenda because we see so much opportunity out there today, and as I mentioned that there is more opportunity than there are companies that exist right now to do it. Now we would be pushing this company towards higher growth path, and in that higher growth path we would be off–shoring all the expansion activities into India . Now that itself will have a knock on the site on the existing work. Okay, it's not that they are only doing work in Singapore , they are doing work in Dubai . They are doing work in UK , they are doing work in various countries. So we are quite comfortable with the huge opportunity that presented itself, and I think if all goes well, we should be able to impact the bottom line significantly.

Sameer Lamba - *J.P. Morgan :* I just had a couple of questions, one is if you could give us some more color on your Lybia and Kazakhstan projects and also a little bit about the delayed road contracts.

Atul Punj - *Chairman and Managing Director :* Yes. In terms of Lybia we are close to finalizing, we have not yet signed a contract; it is at the final stages. We are expecting something to happen this month. If it does happen, it would be a cross country pipeline project, which is to supply gas to the militia LNG Terminal, which is a time bound project, being a interesting project for us. More importantly because Lybia, as you know the sanctions have been removed, the American's have now reopened their embassy over there in Tripoli . So we see all the oil majors from the west now flooding in there, because it is really a new frontier because for 25 years there has been almost zero investment that has gone into oil and gas or any other infrastructure investments. The Kazakhstan contract, that we unfortunately have not been able to publicize because of a confidentiality clause with the client, is essentially a pipeline again around the Caspian area. Which is about $79 million. In terms of the delays in road projects, yes, in fact that has been something that has impacted our last year's numbers, and that is essentially in terms of right away availability to us to allow us to start work. Those issues fortunately for us now are behind us, so now we are now on our way, but yes, there has been an impact as I have mentioned earlier on our March 06 numbers, but I have also mentioned that their only impact is a deferment of revenue it does not amount to a loss of revenue.

Sameer Lamba - *J.P. Morgan :* Just one last question, you know this is not just specific to your company, but for the sector in general. We have seen in the last two weeks that the market is corrected and we have seen a meltdown in most construction, engineering companies because of interest rates rising and input prices really going up. From a broader perspective, because this has impacted a large number of companies, and you know there is fear in the market, I just wanted to know your thoughts on these two variables, input prices and interest rates.

Atul Punj - *Chairman and Managing Director :* I think that is a great question. A lot of people have asked me as to why we have not focused on the BOT annuity type projects like we did in the earlier years and my reaction to that has consistently been that we did not feel that we were confident enough to take a punt on the future of these commodities or on interest rates. Now if you look at the annuity contracts, typically you get about a year to financially close them after getting the notice to proceed, and after that you get two to three years, to execute the project. Now in our wisdom we did not feel that we should be greedy and we should go after these projects just for the sake of building up order book, we would rather focus on being cautious and have opted only for cash contracts. In fact today all the contracts that we are executing on the road side are cash contracts where the escalations are passed through to the client. We do not have any financing to arrange all these cement, steel, diesel, lubricants, bitumen is all passed up to NHAI. More importantly, I think that is the differentiator between us and most of the other groups who seem to have been in a rush to really go and build up order backlog for the sake of doing it. We have been really cautious on that front. We have got a good quality of order book. 70% of our order backlog today is overseas. Okay, 30% is in India, and of the highway component in that, as I mentioned earlier we have zero BOT annuity contracts, where these risks that you mentioned would be attributable to us.

Gautam - *J.P. Morgan – Mumbai :* I have follow up question; you talked about ramping up revenue in the SembCorp business. You have 1800 employees approximately, what kind of revenues or order book that kind of employee base support, in the sense that what is the capacity utilization right now.

Atul Punj - *Chairman and Managing Director :* Well, the fact that these guys have not so far executed any of the contracts themselves. They have always subcontracted them. The combined power of Punj Lloyd with SembCorp in construction should allow us to do at least, I would estimate, I do not know if this would constitute to a forward looking number Luv, but I think we should be able to double it at least.

Ankit - *Birla Mutual Funds – Mumbai :* You mentioned that one of the reasons why we were able to buy this company was that a bank guarantee, no one was doing it. How much was the bank guarantee, which you have given for?

Atul Punj - *Chairman and Managing Director :* No it was not that they were not willing do it, they were not able to do it. There is a slight difference over there. All the other prospective bidders who were very keen to take this company, but for some reason financially they were not strong enough for their banks to agree to actually provide these limits.

Luv Chabbra – *Director Finance :* The order of bank guarantee is that we have taken over in the region of about $200 million.

These are non–fund based facilities so they are not in the nature of any debt. These are performance related facilities and this is as Atul explained typical for any engineering and construction company. You get a contract you need to give a 10% performance guarantee.

Ankit - *Birla Mutual Funds – Mumbai :* Absolutely. I agree with it. I was just wondering whether the amount was very big, which prevented other guys to do it.

Atul Punj - *Chairman and Managing Director :* It is a normal ratio of any construction company anywhere in the world. As he mentioned just now 10% is performance guarantee is mobilization, again you have to securitize it.

Ankit - *Birla Mutual Funds – Mumbai :* That is there is India also if I am not mistaken.

Luv Chabbra – *Director Finance :* I think maybe the complexities, and I do not know the reasons why, but I think the complexities were that most of their facilities were in countries outside India . In fact almost all the facilities were in countries outside India , whether it is Middle East, whether it was Singapore , China , Indonesia etc.

Ankit - *Birla Mutual Funds – Mumbai :* That makes sense for Indian people like L&T to go ahead and bid for it because if they really want a person with great referrals you can actually look at these companies and even if not an Indian company, if you look out for companies outside India, such a company that is available at a cheap price, so that is why I was wondering.

Atul Punj - *Chairman and Managing Director* : There was enough interest on this view, there was no shortage on this view. L&T was not, I do not think, interested, because they really have a large amount of these qualifications already. But apart from L&T I do not think there is anybody else in the country now that has the kind of spread or pre–qualification that this combination now has.

Luv Chabbra – *Director Finance* : I think that is the critical bit. If you look at it, it is an ideal fit for Punj Lloyd because the qualifications and the experience they have is completely complementary to what Punj Lloyd has. It does not replace what Punj Lloyd does. So it is really an add on for Punj Lloyd. Many of the India companies that you see are actually focused more on the infrastructure side rather than the oil and gas side where Punj Lloyd has a substantial amount of orders.

Ankit - *Birla Mutual Funds – Mumbai* : Absolutely. Are there are pension liabilities in this company?

Luv Chabbra – *Director Finance* : SembCorp itself has no pension liability, there would certainly be a pension liability in the Simon Carves, which is the U.K. entity.

Ankit - *Birla Mutual Funds – Mumbai* : How big is that amount?

Luv Chabbra – *Director Finance :* It's an ongoing basis; they keep funding the pension on an ongoing basis. This is .

Ankit - *Birla Mutual Funds – Mumbai* : It is not a substantial amount?

Luv Chabbra – *Director Finance* : It is a regular thing that goes on for any UK entity.

No. It is not a significant amount.

Ravi Kapoor - *Citigroup – London* : I think we have had a very intensive discussion on this acquisition, Atul and team, congratulations once again on behalf of Citigroup for this acquisition. I think we should close this call now, and just wanted to thank you all for sparing your time. I know you are all in various locations, so thank you so much for sharing your time and being with our investors and telling them more about this acquisition. Thank you, all.